DURAND AREA SCHOOLS

ANNUAL FINANCIAL REPORT
(with required supplementary and additional information)

JUNE 30, 2018

Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
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DURAND AREA SCHOOLS
DURAND, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

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August 24, 2018

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Durand Area Schools
Durand, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Durand Area Schools, Durand, Michigan as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Durand Area Schools, Durand, Michigan as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter- Change in Accounting Principle

As discussed in Note 3.W. to the financial statements, Durand Area Schools implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Others Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages iv through xi and 41-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Durand Area Schools' basic financial statements. The nonmajor governmental fund financial statements and other information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The nonmajor governmental fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2018, on our consideration of Durand Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Durand Area Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Durand Area Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

This section of Durand Area Schools' ("the District") annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

A. Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents the information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods.

Both of the government-wide statements distinguish functions of the District that are principally supported by state aid and property taxes (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, supporting services, food service activities, athletic activities, community services, interest and other transactions.

B. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories, governmental funds and fiduciary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Fiduciary Funds The District is a trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in both the government-wide and the fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

C. Summary of Net Position

The following schedule summarizes the net position at fiscal year ended June 30, 2018 and June 30, 2017. The prior year has not been restated to include the new GASB No. 75 Standards–*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*:

	2018	2017
Assets and Deferred Outflows of Resources		
Assets		
Current Assets	$ 5,830,462	$ 10,513,056
Non Current Assets		
Capital Assets	37,266,916	33,459,243
Less Accumulated Depreciation	(17,335,926)	(16,816,836)
Total Non Current Assets	19,930,990	16,642,407
Total Assets	25,761,452	27,155,463
Deferred Outflows of Resources	5,424,475	3,561,106
Total Assets and Deferred Outflows of Resources	$ 31,185,927	$ 30,716,569

	2018	2017
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities	$ 3,503,024	$ 4,350,910
Non Current Liabilities	47,954,562	42,108,805
Total Liabilities	51,457,586	46,459,715
Deferred Inflows of Resources	2,569,010	860,563
Net Position		
Net Investment in Capital Assets (Deficit)	(1,588,444)	(2,170,103)
Restricted for Specific Purposes	499,402	559,985
Unrestricted (Deficit)	(21,751,627)	(14,993,591)
Total Net Position (Deficit)	(22,840,669)	(16,603,709)
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 31,185,927	$ 30,716,569

D. Analysis of Financial Position

During the fiscal year ended June 30, 2018, the District's net position increased by $566,067. A few of the more significant factors affecting net position during the year are discussed below:

1. *Depreciation Expense*

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2018, $519,090 was recorded for depreciation expense.

2. *Capital Outlay Acquisitions*

For the fiscal year ended June 30, 2018, $3,807,673 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets, the current year's depreciation and current year disposal of capital assets is an increase to capital assets in the amount of $3,288,583 for the fiscal year ended June 30, 2018.

3. Pension and Other Postemployment Benefits Expense

GASB 68 and GASB 75 require the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension liability increases or decreases in any given year. For the year ended June 30, 2018, the District reported an increase in net position of $30,051 related to GASB 68 and GASB 75.

E. Results of Operations

The following schedule summarizes the results of operations, on a district-wide basis, for the year ended June 30, 2018 and June 30, 2017. The prior year has not been restated to include the new GASB No. 75 Standards–*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*:

	2018	2017
General Revenues		
Property Taxes	$ 2,872,620	$ 2,839,941
Investment Earnings	31,819	30,790
State Sources	9,025,409	9,211,751
Other	14,859	27,671
Total General Revenues	11,944,707	12,110,153
Program Revenues		
Charges for Services	306,332	303,091
Operating Grants	3,390,350	3,186,305
Total Program Revenues	3,696,682	3,489,396
Total Revenues	15,641,389	15,599,549
Expenses		
Instruction	8,481,091	8,305,040
Supporting Services	4,699,740	4,620,804
Community Services	4,033	3,939
Food Service Activities	600,849	626,429
Interest on Long-Term Debt	770,519	835,710
Unallocated Depreciation	519,090	584,675
Total Expenses	15,075,322	14,976,597
Changes in Net Position	$ 566,067	$ 622,952

F. Financial Analysis of the District's Funds

The financial performance of the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

	2017	2017	Increase (Decrease)
Major Funds			
General	$ 1,819,555	$ 1,766,836	$ 52,719
2016 Debt Retirement Fund	90,434	164,211	(73,777)
2015 Refunding Debt Retirement Fund	406,966	400,662	6,304
2016 Capital Projects Fund	718,814	4,488,381	(3,769,567)
Nonmajor Funds			
Food Service	164,667	161,944	2,723
Sinking Capital Projects Fund	155,226	154,911	315
Total Governmental Funds	$ 3,355,662	$ 7,136,945	$ (3,781,283)

In 2017-2018, the General Fund experienced an increase in fund balance for the third consecutive year. Cost cutting measures taken in previous years continue to strengthen the District financially. However, as student enrollment numbers continue to drop and the cost of labor continues to rise, the District anticipates fund balance to decrease in the future, a trend that started to develop in 2017-2018.

The 2016 Debt Retirement Fund decreased its fund balance during the year as property taxes collected were exceeded by the amount required to satisfy the debt obligations of the District.

The 2015 Refunding Debt Retirement Fund increased its fund balance during the fiscal year and remains in solid financial shape. Property tax revenues collected exceeded the debt service expenditures required of the District, causing the increase in fund balance.

The 2016 Capital Projects Fund decreased its fund balance during the year as the District continues to spend down the proceeds received from the 2016 debt issue related to building and site improvements.

The Food Service Fund balance remained nearly the same as the prior year. During the year, the District was able to transfer approximately $28,000 to the General Fund for indirect costs.

The Sinking Capital Projects Fund increased its fund balance during the year as the only activity was interest income. The District is not currently levying a millage for the Sinking Fund.

G. Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

The District levies 18 mills of property taxes for operations on real non-homestead properties and 6 mills of property taxes for operations on commercial non-homestead properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2017-2018 fiscal year, the District levied $1,172,652 in non-homestead property taxes.

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 90% of the current year's fall count and 10% of the prior year's spring count. For the 2017-2018 fiscal year, the District received $7,631 per student FTE.

3. Student Enrollment

The following schedule summarizes the blended student enrollment for the past five fiscal years:

Fiscal Year	Blended Student FTE
2017-2018	1,368
2016-2017	1,416
2015-2016	1,450
2014-2015	1,498
2013-2014	1,516

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2018, federal, state, and other grants of this type were $3,390,350.

H. General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2017-2018 fiscal year, the District amended the general fund budget various times throughout the year. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations.

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Revenues	$ 13,158,598	$ 13,272,246	$ 13,229,192
EXPENDITURES			
Instruction	$ 8,518,573	$ 8,505,966	$ 8,482,019
Supporting Services	4,809,477	4,808,365	4,718,894
Community Services	6,427	4,052	4,033
Total Expenditures	$ 13,334,477	$ 13,318,383	$ 13,204,946

The revenue budget was amended as it became clearer on the amounts the District would receive for State and Federal Funding, as well as funding from the Intermediate School District. The expenditures were amended because a lot of the expenditures are revenue driven and once the revenue picture became clearer, the District was able to allocate additional funds for expenditures it hadn't allocated for in its original budget.

The revenue variance between budget and actual was due to receiving less revenue than anticipated from state and local sources. The expenditure variance was due the District's expenditures being below budget for most functions. The biggest variance related to the operations of the District's facilities, which came in approximately $64,000 under budget.

I. Capital Asset and Debt Administration

1. Capital Assets

At June 30, 2018, the District has $19,930,990 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment, net of depreciation. Depreciation expense for the year amounted to $519,090 bringing the accumulated depreciation to $17,335,926 as of June 30, 2018. The District expended $3,807,673 on capital improvements throughout the year. This consisted of an utility cart ($9,750) and various building and site improvements as part of the 2016 bond issue ($3,797,923). The District has committed through various contracts to spend approximately $640,000 related to building and site improvements as outlined in the 2016 bond issue.

2. Long-Term Debt

At June 30, 2018, the District had $19,605,000 in bonded debt outstanding. This represents a reduction of $815,000 from the amount outstanding at the close of the prior fiscal year. The District also reports a net pension liability of $19,735,926 and a net other postemployment benefits liability of $6,752,144. The District reports a liability for compensated absences of $103,244 at June 30, 2018.

J. Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- Lawmakers continue to work to determine the amount of per pupil funding that each District would receive, leaving uncertainty surrounding the largest revenue stream of the District.

- The District continues to monitor the pupil count, as that remains the driving force behind its state revenue stream. The pupil count continues to decrease, a trend the District hopes to see reverse or at a minimum slow in the near future.

- The District will continue to expend resources as a result of the 2016 bond issue on various building and site improvements to further enhance the student's experience through improved technology and facilities.

- At this time, the District is expecting a significant reduction in fund balance in 2018-2019 in its General Fund. The District will work diligently throughout the year to try and reduce the level of reduction in order to keep the District in sound financial condition

K. Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact Durand Area Schools, 310 N. Saginaw St., Durand, Michigan 48429.

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DURAND AREA SCHOOLS
DURAND, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2018

	GOVERNMENTAL ACTIVITIES
ASSETS	
CURRENT ASSETS	
Cash	$ 3,047,647
Restricted Cash	21,864
Accounts Receivable	14,508
Due from Other Governments	2,021,242
Restricted Investments	706,588
Prepaid Expenses	12,000
Inventory	6,613
Total Current Assets	5,830,462
NON CURRENT ASSETS	
Capital Assets	37,266,916
Less Accumulated Depreciation	(17,335,926)
Total Non Current Assets	19,930,990
Total Assets	25,761,452
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charges on Refunding	721,420
Deferred Outflows of Resources Related to Pensions	4,277,427
Deferred Outflows of Resources Related to Other Postemployment Benefits	425,628
Total Deferred Outflows of Resources	5,424,475
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	201,132
Retainage Payable	7,038
Salaries and Fringes Payable	879,191
Accrued Expenses	155,217
State Aid Anticipation Note Payable	1,170,901
Unearned Revenue	61,321
Accrued Interest Payable	153,224
Current Portion of Non Current Liabilities	875,000
Total Current Liabilities	3,503,024
NON CURRENT LIABILITIES	
Bonds Payable - Net	22,238,248
Compensated Absences	103,244
Net Pension Liability	19,735,926
Net Other Postemployment Benefits Liability	6,752,144
Less Current Portion of Non Current Liabilities	(875,000)
Total Non Current Liabilities	47,954,562
Total Liabilities	51,457,586

The notes to the financial statements are an integral part of this statement.

DURAND AREA SCHOOLS
DURAND, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2018

	GOVERNMENTAL ACTIVITIES
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Pensions	2,340,739
Deferred Inflows of Resources Related to Other Postemployment Benefits	228,271
Total Deferred Inflows of Resources	2,569,010
NET POSITION	
Net Investment in Capital Assets	(1,588,444)
Restricted for Capital Projects	155,226
Restricted for Debt Service	344,176
Unrestricted (Deficit)	(21,751,627)
TOTAL NET POSITION (Deficit)	$ (22,840,669)

The notes to the financial statements are an integral part of this statement.

DURAND AREA SCHOOLS
DURAND, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES CHARGES FOR SERVICES	PROGRAM REVENUES OPERATING GRANTS	PROGRAM REVENUES CAPITAL GRANTS	GOVERNMENTAL ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES					
Instruction	$ 8,481,091	$ 41,180	$ 2,413,215	$ 0	$ (6,026,696)
Supporting Services	4,699,740	97,365	509,463	0	(4,092,912)
Community Services	4,033	0	0	0	(4,033)
Food Service Activities	600,849	167,787	463,489	0	30,427
Interest on Long-Term Debt	770,519	0	4,183	0	(766,336)
Unallocated Depreciation	519,090	0	0	0	(519,090)
TOTAL GOVERNMENTAL ACTIVITIES	$ 15,075,322	$ 306,332	$ 3,390,350	$ 0	(11,378,640)
GENERAL REVENUES					
Property Taxes - General Purposes					1,172,652
Property Taxes - Debt Service					1,699,968
Investment Earnings					31,819
State Sources					9,025,409
Other					14,859
Total General Revenues					11,944,707
Change in Net Position					566,067
NET POSITION - Beginning of Year (Deficit) - As Restated					(23,406,736)
NET POSITION - End of Year (Deficit)					$ (22,840,669)

The notes to the financial statements are an integral part of this statement.

DURAND AREA SCHOOLS
DURAND, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2018

	GENERAL FUND	2016 DEBT RETIREMENT FUND	2015 REFUNDING DEBT RETIREMENT FUND	2016 CAPITAL PROJECTS FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash	$ 2,106,604	$ 150,431	$ 466,198	$ 0	$ 324,414	$ 3,047,647
Restricted Cash	0	0	0	21,864	0	21,864
Accounts Receivable	13,580	0	0	0	928	14,508
Due from Other Funds	128,334	0	0	0	0	128,334
Due from Other Governments	2,014,176	0	0	0	7,066	2,021,242
Restricted Investments	0	0	0	706,588	0	706,588
Prepaid Expenditures	0	0	0	0	12,000	12,000
Inventory	0	0	0	0	6,613	6,613
TOTAL ASSETS	$ 4,262,694	$ 150,431	$ 466,198	$ 728,452	$ 351,021	$ 5,958,796
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	$ 197,711	$ 0	$ 0	$ 2,600	$ 821	$ 201,132
Retainage Payable	0	0	0	7,038	0	7,038
Salaries and Fringes Payable	879,191	0	0	0	0	879,191
Accrued Expenditures	155,217	0	0	0	0	155,217
Due to Other Funds	0	59,997	59,232	0	9,105	128,334
State Aid Anticipation Notes Payable	1,170,901	0	0	0	0	1,170,901
Unearned Revenue	40,119	0	0	0	21,202	61,321
Total Liabilities	2,443,139	59,997	59,232	9,638	31,128	2,603,134
FUND BALANCES						
Nonspendable, Inventory	0	0	0	0	6,613	6,613
Nonspendable, Prepaid Expenditures	0	0	0	0	12,000	12,000
Restricted for Food Service	0	0	0	0	146,054	146,054
Restricted for Capital Projects	0	0	0	718,814	155,226	874,040
Restricted for Debt Service	0	90,434	406,966	0	0	497,400
Assigned for Subsequent Year Budget Shortfall	922,154	0	0	0	0	922,154
Unassigned	897,401	0	0	0	0	897,401
Total Fund Balances	1,819,555	90,434	406,966	718,814	319,893	3,355,662
TOTAL LIABILITIES AND FUND BALANCE	$ 4,262,694	$ 150,431	$ 466,198	$ 728,452	$ 351,021	$ 5,958,796

The notes to the financial statements are an integral part of this statement.

DURAND AREA SCHOOLS
DURAND, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

JUNE 30, 2018

Total Governmental Fund Balances		$ 3,355,662
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	$ 37,266,916	
Accumulated depreciation is	(17,335,926)	19,930,990
Bond discounts (premiums) and deferred charges for bonds issued are expenditures at the modified accrual fund level, but are capitalized and written off over the life of the bonds payable at the district-wide full accrual level.		
Deferred Charges		721,420
Bond Discount (Premium)		(2,633,248)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Bonds Payable		(19,605,000)
Compensated Absences		(103,244)
Net Pension Liability		(19,735,926)
Net Other Postemployment Benefits Liability		(6,752,144)
Accrued interest is not included as a liability in government funds. It is recorded when paid.		(153,224)
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Inflows of Resources Related to Pensions and Other Postemployment Benefits		(2,569,010)
Deferred Outflows of Resources Related to Pensions and Other Postemployment Benefits		4,703,055
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (22,840,669)

The notes to the financial statements are an integral part of this statement.

DURAND AREA SCHOOLS
DURAND, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

		DEBT RETIREMENT FUNDS	
	GENERAL FUND	2016 DEBT RETIREMENT FUND	2015 REFUNDING DEBT RETIREMENT FUND
REVENUES			
Local Sources	$ 1,348,504	$ 228,767	$ 1,473,871
State Sources	11,224,213	0	4,183
Federal Sources	384,112	0	0
Other Transactions	272,363	0	0
Total Revenues	13,229,192	228,767	1,478,054
EXPENDITURES			
Instruction			
Basic Programs	5,930,866	0	0
Added Needs	2,551,153	0	0
Supporting Services			
Pupil	230,788	0	0
Instructional Staff	279,550	0	0
General Administration	332,466	0	0
School Administration	1,091,436	0	0
Business	296,951	0	0
Operation and Maintenance of Plant	1,271,284	0	0
Pupil Transportation Services	596,905	0	0
Support Services - Central	237,689	0	0
Support Services - Other	381,825	0	0
Food Service Activities	0	0	0
Community Services			
Community Services Direction	4,033	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	65,000	750,000
Interest and Other	0	237,544	721,750
Total Expenditures	13,204,946	302,544	1,471,750
Excess (Deficiency) of Revenues Over Expenditures	24,246	(73,777)	6,304
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	28,473	0	0
Net Change in Fund Balance	52,719	(73,777)	6,304
FUND BALANCE - Beginning of Year	1,766,836	164,211	400,662
FUND BALANCE - End of Year	$ 1,819,555	$ 90,434	$ 406,966

The notes to the financial statements are an integral part of this statement.

DURAND AREA SCHOOLS
DURAND, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

	2016 CAPITAL PROJECTS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Local Sources	$ 28,356	$ 178,092	$ 3,257,590
State Sources	0	23,760	11,252,156
Federal Sources	0	429,739	813,851
Other Transactions	0	0	272,363
Total Revenues	28,356	631,591	15,595,960
EXPENDITURES			
Instruction			
Basic Programs	0	0	5,930,866
Added Needs	0	0	2,551,153
Supporting Services			
Pupil	0	0	230,788
Instructional Staff	0	0	279,550
General Administration	0	0	332,466
School Administration	0	0	1,091,436
Business	0	0	296,951
Operation and Maintenance of Plant	0	0	1,271,284
Pupil Transportation Services	0	0	596,905
Support Services - Central	0	0	237,689
Support Services - Other	0	0	381,825
Food Service Activities	0	600,080	600,080
Community Services			
Community Services Direction	0	0	4,033
Capital Outlay	3,797,923	0	3,797,923
Debt Service			
Principal	0	0	815,000
Interest and Other	0	0	959,294
Total Expenditures	3,797,923	600,080	19,377,243
Excess (Deficiency) of Revenues Over Expenditures	(3,769,567)	31,511	(3,781,283)
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	0	(28,473)	0
Net Change in Fund Balance	(3,769,567)	3,038	(3,781,283)
FUND BALANCE - Beginning of Year	4,488,381	316,855	7,136,945
FUND BALANCE - End of Year	$ 718,814	$ 319,893	$ 3,355,662

The notes to the financial statements are an integral part of this statement.

DURAND AREA SCHOOLS
DURAND, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances Total Governmental Funds	$ (3,781,283)
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities these costs are allocated over their estimated useful lives as depreciation. Additionally, only the gain or loss on sale or disposal of capital assets is recorded in the Statement of Activities.	
Depreciation Expense	(519,090)
Capital Outlay	3,807,673
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities over the life of the long-term bond issue.	
Amortization of Deferred Charges	(65,443)
Amortization of Bond Premium	247,643
Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued Interest Payable - Beginning of Year	159,799
Accrued Interest Payable - End of Year	(153,224)
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the Statement of Activities (where it is a reduction of liabilities).	815,000
Compensated Absences and Severance Plan are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Compensated Absences - Beginning of Year	128,185
Compensated Absences - End of Year	(103,244)
Governmental funds report District pension and other postemployment benefits contributions as expenditures. However, in the Statement of Activities, the cost of pension and other postemployment benefits earned net of employee contributions are reported as expenses.	
Change in Pension and Other Postemployment Benefits Related Items	(15,378)
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to Section 147 C pension and other postemployment benefits contributions subsequent to the measurement date.	
Change in State Aid Funding for Pension and Other Postemployment Benefits	45,429
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 566,067

The notes to the financial statements are an integral part of this statement.

DURAND AREA SCHOOLS
DURAND, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2018

	PRIVATE PURPOSE TRUST FUND	AGENCY FUNDS
ASSETS		
Cash	$ 93,046	$ 123,671
LIABILITIES		
Due to Groups and Organizations	0	123,671
NET POSITION		
Permanently Restricted for Trust Activities	$ 93,046	$ 0

The notes to the financial statements are an integral part of this statement.

DURAND AREA SCHOOLS
DURAND, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2018

	PRIVATE PURPOSE TRUST FUND
ADDITIONS	
Earnings on Investments and Deposits	$ 125
Donations	5,750
Total Revenues	5,875
DEDUCTIONS	
Scholarships	2,845
Change in Net Position	3,030
NET POSITION - Beginning of Year	90,016
NET POSITION - End of Year	$ 93,046

The notes to the financial statements are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Durand Area Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The School District ("the District") is located in Shiawassee and Genesee Counties with its administrative offices located in Durand, Michigan. The District operates under an elected 7-member board of education and provides services to its approximately 1,368 students in elementary, middle school, high school, special education, guidance, health, transportation, food service and community services. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District does not have any business-type activities or component units.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *2016 Capital Projects Fund* accounts for expenditures related to the 2016 bond issue.

The *2016 Debt Retirement Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt.

The *2015 Refunding Debt Retirement Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt.

Other non-major funds:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service activities in the special revenue funds.

The *Debt Service Funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Project Funds* accounts for the acquisition of fixed assets or construction of major capital projects.

Additionally, the District reports the following fiduciary funds:

The *Private Purpose Trust Funds* are accounted for using the accrual method of accounting. Private purpose trust funds account for contributions earmarked for scholarships available to qualifying students of the District.

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.
Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized

in the governmental funds. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

a) In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.

b) A public hearing is conducted during June to obtain taxpayer comments.

c) Prior to June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.

d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.

e) For purposes of meeting emergency needs of the school district, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.

g) Budgeted amounts are as originally adopted on June 27, 2017, or as amended by the School Board of Education throughout the year.

2. *Excess of Expenditures Over Appropriations*

	APPROPRIATIONS	EXPENDITURES
General Fund		
Instruction		
Basic Programs	$ 5,673,942	$ 5,930,866
Supporting Services		
School Administration	1,065,131	1,091,436

These overages were offset by the District being under budget in various other functions and available fund balance.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. The government considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

2. Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration and the rate of return is fixed, and the District intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings, and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, banker's acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

3. Inventory and Prepaid Items

Inventory is valued at cost using the first-in/first-out method. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

Certain payments made to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year-end to indicate the portion of the governmental fund balances that are nonspendable.

4. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at acquisition value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and Improvements	50 years
Furniture and Equipment	5-10 years
Vehicles and Buses	5 years

The District's capitalization policy is to capitalize individual amounts exceeding $5,000.

5. *Unearned Revenue*

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The District has unearned revenue related to state and local grants received and unspent due to restrictions on how they can be spent.

6. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an deferred outflow of resources (expense/expenditure) until then. The District has an item that qualifies for reporting in this category, which is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or funding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The District has various deferred outflows and deferred inflows of resources related to the pension plan its employees participate in. More details of these deferred outflows and deferred inflows of resources can be found in footnotes 3 – J and 3 – K of this report.

7. *Net Position Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. Fund Balance Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the superintendent to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

10. Defined Benefit Plans

For purposes of measuring the net pension and other postemployment benefits liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

12. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

13. Restricted Assets

Certain cash resources are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and they are maintained in separate bank accounts.

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2018, the foundation allowance was based on pupil membership counts taken in February 2017 and October 2017. For fiscal year ended June 30, 2018, the per pupil foundation allowance was $7,631 for Durand Area Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2017 to August 2018. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

2. Program Revenues

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are billed as of December 1. The due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

The various counties in which the District is located have tax revolving funds which allow the counties to pay off the various taxing units for their share of the current year real property taxes returned delinquent. Taxes receivable are uncollected delinquent personal property taxes.

For the year ended June 30, 2018, the District levied the following amounts per $1,000 of taxable valuation:

Fund	Mills
General Fund - Non-Homestead Real	18.00
General Fund - Commercial PPT	6.00
Debt Service Fund - Homestead and Non-Homestead	6.70

4. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay and vacation time benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note 1.F.2, on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2018.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2018, the District's bank balance was $3,344,652 and $2,292,718 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. The risk is spread amongst the District's funds. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

As of June 30, 2018, the District had the following investments:

	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF+ External Investment Pool - Cash Mgmt Class	$ 67	0.0027	AAAm	0.01%
MILAF+ External Investment Pool - Max Class	706,521	0.0027	AAAm	99.99%
	$ 706,588			100.00%
Portfolio Weighted Average Maturity		0.0027		

1 Day Maturity Equals 0.0027, One Year Equals 1.000

The District invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund Plus (MILAF+). MILAF+ is a local government investment pool of "qualified" investments for Michigan school districts. MILAF+ is not regulated nor is it registered with the SEC. MILAF+ reports as of June 30, 2018, the fair value of the District's investments is the same as the value of the pooled shares. MILAF, as defined by GASB, is recorded at amortized cost which approximates fair value. The MILAF+ portfolio offers three share classes which are: Cash Management Class, MAX Class, and GovMIC Class. The only class that has limitations or restrictions on withdrawals is MAX Class, which requires notification of redemptions prior to 14 days to avoid penalties. The MILAF+ portfolio is not subject to fair value disclosures.

Fair Market Value Disclosure - The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are two types of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows.

The District does not have any investments subject to the fair value measurement.

The carrying amount of deposits and investments is as follows:

	Total
Deposits – including Fiduciary Funds of $216,717	$ 3,285,128
Petty Cash	1,100
Restricted Investments	706,588
	$ 3,992,816

The above amounts are reported in the financial statements as follows:

	Total
Cash - Fiduciary Funds	$ 216,717
Cash - District-Wide	3,047,647
Restricted Cash	21,864
Restricted Investments	706,588
	$ 3,992,816

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

	General	Food Service	Total
Receivables			
Accounts	$ 13,580	$ 928	$ 14,508
Due from Other Governments	2,014,176	7,066	2,021,242
Total Receivables	$ 2,027,756	$ 7,994	$ 2,035,750

Due from other governments consists of state aid and various state and federal grants.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Grant Receipts Received, But Not Yet Utilized	$ 0	$ 61,321

C. Leases

Operating Leases. The rental expense for the year ended June 30, 2018, totaled $124,625.

The rental expense consists of lease agreements on copiers, marching band uniforms, and the District's bus fleet. The future minimum lease payments for these leases are as follows:

YEAR ENDING		
2019	$	144,931
2020		78,060
2021		47,976
	$	270,967

D. Capital Assets

A summary of changes in the District's capital assets follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Assets Not Being Depreciated				
Land	$ 115,788	$ 0	$ 0	$ 115,788
Construction in Progress	1,894,210	3,797,923	0	5,692,133
Total Assets Not Being Depreciated	2,009,998	3,797,923	0	5,807,921
Capital assets being depreciated				
Buildings and Improvements	28,671,116	0	0	28,671,116
Equipment and Furniture	2,077,189	9,750	0	2,086,939
Vehicles	700,940	0	0	700,940
Subtotal	31,449,245	9,750	0	31,458,995
Less accumulated depreciation for:				
Buildings and Improvements	14,439,165	456,973	0	14,896,138
Equipment and Furniture	1,820,150	41,628	0	1,861,778
Vehicles	557,521	20,489	0	578,010
Accumulated depreciation	16,816,836	519,090	0	17,335,926
Net Capital assets being depreciated	14,632,409	(509,340)	0	14,123,069
Net Capital assets	$ 16,642,407	$ 3,288,583	$ 0	$ 19,930,990

Depreciation for the fiscal year ended June 30, 2018, amounted to $519,090. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

E. Salaries and Fringes Payable

Accrued liabilities reported by governmental funds at June 30, 2018, were as follows:

	General Fund
Salaries	$ 662,994
Employee Benefits	216,197
Total Salaries and Fringes Payable	$ 879,191

F. Long-Term Debt

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of the long-term debt transactions for the District for the year ended June 30, 2018:

	COMPENSATED ABSENCES	NET PENSION LIABILITY	NET OPEB LIABILITY	BONDS	TOTAL
Balance, July 1, 2017	$ 128,185	$ 19,494,729	$ 7,122,016	$ 20,420,000	$ 47,164,930
Additions	18,349	2,027,520	223,753	0	2,269,622
Deletions	(43,290)	(1,786,323)	(593,625)	(815,000)	(3,238,238)
Balance, June 30, 2018	103,244	19,735,926	6,752,144	19,605,000	46,196,314
Less current portion	Unknown	Unknown	Unknown	(875,000)	(875,000)
Total due after one year	$ 103,244	$ 19,735,926	$ 6,752,144	$ 18,730,000	$ 45,321,314

Long-Term Debt at June 30, 2018, was comprised of the following:

2015 Refunding bonds due in annual installments of $785,000 to $1,280,000 through May 1, 2031, with interest at 5.000%.	$ 13,675,000
2016 Building and Site bonds due in annual installments of $90,000 to $755,000 through May 2036, with interest at 2.00% to 4.50%.	5,930,000
Net Pension Liability	19,735,926
Net OPEB Liability	6,752,144
Compensated Absences	103,244
	$ 46,196,314

The annual requirements to amortize all debt outstanding as of June 30, 2018, including interest payments of $8,368,370 are as follows:

YEAR ENDING JUNE 30,	Principal	Interest	Amounts Payable
2019	$ 875,000	$ 919,344	$ 1,794,344
2020	925,000	877,394	1,802,394
2021	1,005,000	833,144	1,838,144
2022	1,055,000	785,594	1,840,594
2023	1,110,000	734,244	1,844,244
2024-2028	6,440,000	2,817,370	9,257,370
2029-2033	5,990,000	1,200,802	7,190,802
2034-2036	2,205,000	200,478	2,405,478
	$ 19,605,000	$ 8,368,370	$ 27,973,370

The annual requirements to amortize the compensated absences and the pension and OPEB liabilities are uncertain because it is unknown when the repayments will be made. Compensated absences and the pension and OPEB liabilities will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

G. Short-Term Debt

In July and August 2017, the District satisfied its remaining obligation for the State Aid Notes that were issued on August 22, 2016. The amount that was satisfied was $1,206,612. On August 21, 2017, the District issued two State Aid Anticipation Notes in the amount of $1,600,000. One note matures on July 20, 2018, with interest at 1.27% and the other matures on August 20, 2018 with interest at 1.49%. The District pledged its State Aid revenue for payment of this liability. The purpose of the note was to provide for cash flow needs at the beginning of the school year. Interest expense for the year was $20,130. The balance at June 30, 2018 was $1,170,901, plus interest.

The following is a summary of the Short-Term Debt transactions for the District for the year ended June 30, 2018:

Short-Term Debt at July 1, 2017	$ 1,206,612
New Debt Issued	1,600,000
Debt Retired and Paid	(1,635,711)
Short-Term Debt at June 30, 2018	$ 1,170,901

H. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2018, were:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	$ 128,334	$ 0
2016 Debt Retirement Fund	0	59,997
2015 Refunding Debt Retirement	0	59,232
Food Service Fund	0	3,149
Sinking Capital Projects Fund	0	5,956
	$ 128,334	$ 128,334

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers are as shown in the individual fund financial statements at June 30, 2018, were:

	TRANSFERS IN	TRANSFERS OUT
General Fund	$ 28,473	$ 0
Food Service Fund	0	28,473
	$ 28,473	$ 28,473

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

I. Defined Benefit Plan and Postemployment Benefits

Plan Description – The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.michigan.gov/mpsers-cafr.

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

Benefit Provisions- Overall

Introduction

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

Plan Name	Plan Type	Plan Status
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Prior to pension reform of 2010 there were two plans commonly referred to as Basic and Member Investment Plan (MIP). Basic plan member's contributions range from 0% to 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later, including Pension Plus plan members, contribute at various graduated permanently fixed contribution rates from 3.0% to 7.0%.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 – Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 – Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service their after would include a 1.25% pension factor.

Option 3 – Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 – Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 accounts. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and the Defined Contribution Plan that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) – Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided – Other Postemployment Benefit (OPEB)

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus, plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date,* which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal

Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age)

Eligibility – A basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount – The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% to 7% for pension and 0% to 3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree other post-employment benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2016 valuation will be amortized over a 22-year period for fiscal 2017.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	**Other Postemployment Benefit**
October 1, 2016 - September 30, 2017	15.27% - 19.03%	5.69% - 5.91%
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

The District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately $1,909,623.

The District's OPEB contributions for the year ended June 30, 2018 were approximately $453,290.

These amounts for both pension and OPEB, include contributions funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

J. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities

At June 30, 2018, the District reported a liability of $19,735,926 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the District's proportion was .0761586% and .0781378%

MPSERS (Plan) Non-University Employers Net Pension Liability – As of September 30, 2017 and September 30, 2016

	September 30, 2017	September 30, 2016
Total Pension Liability	$ 72,407,218,688	$ 67,917,445,078
Plan Fiduciary Net Position	46,492,967,573	42,968,263,308
Net Pension Liability	$ 25,914,251,115	$ 24,949,181,770
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.21%	63.27%
Net Pension Liability as a Percentage of Covered Payroll	309.13%	295.81%

Pension Expense and Deferred Inflows and Outflows of Resources Related to Pensions

For the year ended June 30, 2018, the District recognized total pension expense of $1,174,669. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 171,519	$ 96,840
Section 147c revenue related to District Pension contributions subsequent to measurement date	0	775,843
Changes of assumptions	2,162,227	0
Net difference between projected and actual earnings on pension plan investments	0	943,507
Changes in proportion and differences between District contributions and proportionate share of contributions	211,729	524,549
District contributions subsequent to the measurement date	1,731,952	0
Total	$ 4,277,427	$ 2,340,739

$1,731,952 reported as deferred outflows of resources and $775,843 reported as deferred inflows or resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2018	$ 301,189
2019	603,418
2020	166,748
2021	(90,776)
	$ 980,579

K. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

<u>OPEB Liabilities</u>

At June 30, 2018, the District reported a liability of 6,752,144 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.0762483%.

MPSERS (Plan) Non-University Employers Net OPEB Liability – As of September 30, 2017 and September 30, 2016

	September 30, 2017	September 30, 2016
Total OPEB Liability	$ 13,920,945,991	$ 14,071,279,615
Plan Fiduciary Net Position	5,065,474,948	4,730,719,539
OPEB Liability	$ 8,855,471,043	$ 9,340,560,076
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	36.39%	33.62%
OPEB Liability as a Percentage of Covered Payroll	105.64%	Unknown

OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized total OPEB expense of $427,779.

At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 0	$ 71,890
Changes of assumptions	0	0
Net difference between projected and actual earnings on OPEB plan investments	0	156,381
Changes in proportion and differences between District contributions and proportionate share of contributions	13,933	0
District contributions subsequent to the measurement date	411,695	0
Total	$ 425,628	$ 228,271

$441,695 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30,	Amount	
2018	$	(52,048)
2019		(52,048)
2020		(52,048)
2021		(52,048)
2022		(6,146)
	$	(214,338)

L. Actuarial Valuations and Assumptions of the Pension and OPEB Plans

Investment rate of return for pension - 7.5% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus Plan).

Investment rate of return for OPEB - 7.5% a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation - 3.0%

Mortality assumptions - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2025 using projection scale BB (for men, 80% of the table rates were used and for women, 70% of the table rates were used).

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2016. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments The pension rate was 7.5% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.5%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Cost of living pension adjustments - 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit - 7.5% for year one and graded to 3.5% to year twelve.

Additional assumptions for other postemployment benefit only - Applies to individuals hired before September 4, 2012:

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

The target asset allocation at September 30, 2017 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Pools	28.00%	5.60%
Alternative Investment Pools	18.00%	8.70%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	-0.10%
Real Estate & Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.00%
Short-Term Investment Pools	2.00%	-0.90%
	100%	

*Long-term rate of return are net of administrative expenses and 2.3% inflation.

Pension Discount Rate

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB Discount Rate

The discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was project to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 7.5 percent (7.0% for the Pension Plus plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease (Non-Hybrid/Hybrid) 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 8.5% / 8.0%
$ 25,709,347	$ 19,735,926	$ 14,706,686

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease 6.5%	Current Single Discount Rate Assumption 7.5%	1% Increase 8.5%
$ 7,908,713	$ 6,752,144	$ 5,770,580

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease (6.5% decreasing to 2.5%	Current Healthcare Cost Trend Rates (7.5% decreasing to 3.5%)	1% Increase (8.5% decreasing to 4.5%)
$ 5,718,159	$ 6,752,144	$ 7,926,163

M. Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2017 Comprehensive Annual Financial Report.

N. Payables to the Pension Plan

As of June 30, 2018, the District is current on all required pension and OPEB plan payments. As of June 30, 2018, the District reported payables in the amount of $311,633 to the pension and OPEB plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

O. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of $500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health insurance. No settlements have occurred in excess of coverage for June 30, 2018 or any of the prior three years.

P. Single Audit Report

The District is required to have an audit performed in accordance with the guidelines of the Single Audit Act of 1984, as amended. This audit has been performed and the reports based thereon have been issued under separate cover.

Q. Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required, and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

R. Commitments

The District issued Building and Site Bonds near the end of the 2015-2016 fiscal year in the amount of $5,995,000. As of June 30, 2108, the District had signed various contracts committing resources to be spend on various building and site improvements throughout the District. The total remaining commitments is approximately $640,000, which represents the approximate remaining fund balance in the 2016 Capital Projects Fund.

S. Sinking Fund Tax Levy

The District did not levy a millage for the sinking fund for the year ended June 30, 2018. The transactions for the sinking fund are accounted for in a capital projects fund, For this fund, the District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

T. 2016 Capital Projects Fund

The 2016 Capital Project Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.

U. Subsequent Events

Subsequent to June 30, 2018, the following items are noted for disclosure:

- The District has applied for a State Aid Note in the amount of $1,185,000 to help meet the District's cash flow needs for the beginning of the 2018-2019 fiscal year.

No adjustments were made to the financial statements for the year ended June 30, 2018, related to these subsequent events.

V. Governmental Accounting Standards Board (GASB) Statement No. 77 – Tax Abatement Disclosures

Effective for the year ended June 30, 2018, the District is required to disclose significant tax abatements as required by GASB Statement No. 77. The District receives reduced property tax revenues as a result of the Industrial Facilities Tax exemptions granted by City of Durand and Venice Township within the District. Industrial Facility exemptions are intended to promote construction of new industrial facilities or rehabilitate historical facilities. The property taxes abated for the year ended June 30, 2018 (tax year 2017) for all funds by City of Durand and Venice Township under this program are as follows:

General Fund	$	1,583
2009 Refunding Debt Fund		1,574
	$	3,157

The District is considered an "in-formula" District. The taxes abated for the general fund operating millage are considered by the State of Michigan when determining the District's Section 22 funding of the State School Aid Act. The District received $1,583 from the State of Michigan's determination.

There are no significant abatements made by the District itself.

W. New Accounting Standards

The District implemented the following new pronouncements: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Summary:

GASB Statement No. 75 requires governments that participate in defined benefit other postemployment benefit (OPEB) plans to report in the statements of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

The restatement of the beginning of the year net position is as follows:

Net Position - Governmental Activities - As Previously Reported, June 30, 2017	$ (16,603,709)
Adoption of GASB Statement 75:	
Net Other Postemployment Benefit Liability	(7,122,016)
Deferred outflows related to Other Postemployment Benefits	541,718
Deferred inflows related to Other Postemployment Benefits	(222,729)
Net Position - Governmental Activities - Restated as of June 30, 2017	$ (23,406,736)

NOTE 4 – UPCOMING ACCOUNTING PRONOUNCEMENTS

The District is currently evaluating the impact these standards will have on the financial statements when adopted.

GASB Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District's 2020 fiscal year-end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

Governmental Account Standards Board (GASB) Statement No. 87, *Leases,* was issued by the GASB in June 2017 and will be effective for the District's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

DURAND AREA SCHOOLS
DURAND, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES			
Local Sources	$ 1,341,655	$ 1,362,502	$ 1,348,504
State Sources	11,131,108	11,260,740	11,224,213
Federal Sources	348,248	376,641	384,112
Other Transactions	337,587	272,363	272,363
Total Revenues	13,158,598	13,272,246	13,229,192
EXPENDITURES			
Instruction			
Basic Programs	5,944,277	5,673,942	5,930,866
Added Needs	2,574,296	2,832,024	2,551,153
Supporting Services			
Pupil	302,879	237,529	230,788
Instructional Staff	259,247	283,801	279,550
General Administration	344,857	336,152	332,466
School Administration	1,055,959	1,065,131	1,091,436
Business	290,903	306,574	296,951
Operation and Maintenance of Plant	1,278,877	1,335,396	1,271,284
Pupil Transportation Services	628,729	616,568	596,905
Support Services - Central	256,844	240,651	237,689
Support Services - Other	391,182	386,563	381,825
Community Services			
Community Services Direction	6,427	4,052	4,033
Total Expenditures	13,334,477	13,318,383	13,204,946
Excess (Deficiency) of Revenues Over Expenditures	(175,879)	(46,137)	24,246
OTHER FINANCING SOURCES (USES)			
Transfers In	28,473	28,473	28,473
Net Change in Fund Balance	(147,406)	(17,664)	52,719
FUND BALANCE - Beginning of Year	1,658,073	1,766,836	1,766,836
FUND BALANCE - End of Year	$ 1,510,667	$ 1,749,172	$ 1,819,555

DURAND AREA SCHOOLS
DURAND, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2018

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)							0.07616%	0.07814%	0.07904%	0.07696%
District's proportionate share of net pension liability							$ 19,735,926	$ 19,494,729	$ 19,304,940	$ 16,951,533
District's covered payroll							6,308,470	6,459,487	6,175,061	6,578,652
District's proportionate share of net pension liability as a percentage of its covered payroll							312.85%	301.80%	312.63%	257.67%
Plan fiduciary net position as a percentage of total pension liability							64.21%	63.27%	63.17%	66.20%

DURAND AREA SCHOOLS
DURAND, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2018

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions							$ 1,909,623	$ 1,785,989	$ 1,524,737	$ 1,195,230
Contributions in relation to statutorily required contributions *							1,909,623	1,785,989	1,524,737	1,195,230
Contribution deficiency (excess)							$ 0	$ 0	$ 0	$ 0
Covered Payroll							$ 6,335,574	$ 6,308,825	$ 6,175,061	$ 6,578,652
Contributions as a percentage of covered payroll							30.14%	28.31%	24.69%	18.17%

* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

DURAND AREA SCHOOLS
DURAND, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2018

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB liability (%)										0.7624830%
District's proportionate share of net OPEB liability										$ 6,752,144
District's covered payroll										6,308,470
District's proportionate share of net OPEB liability as a percentage of its covered payroll										107.03%
Plan fiduciary net position as a percentage of total OPEB liability										36.39%

DURAND AREA SCHOOLS
DURAND, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2018

	2027	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions										$ 453,290
Contributions in relation to statutorily required contributions *										453,290
Contribution deficiency (excess)										$ 0
Covered Payroll										$ 6,335,574
Contributions as a percentage of covered payroll										7.15%

* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2018

A. Changes of Benefit Terms:

There were no changes of benefit terms for the plan year ended September 30, 2017.

B. Changes of Assumptions:

There were no changes of benefit assumptions for the plan year ended September 30, 2017.

DURAND AREA SCHOOLS
DURAND, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2018

	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	
	FOOD SERVICE FUND	SINKING CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash	$ 163,232	$ 161,182	$ 324,414
Accounts Receivable	928	0	928
Due from Other Governments	7,066	0	7,066
Prepaid Expenditures	12,000	0	12,000
Inventory	6,613	0	6,613
TOTAL ASSETS	$ 189,839	$ 161,182	$ 351,021
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	$ 821	$ 0	$ 821
Due to Other Funds	3,149	5,956	9,105
Unearned Revenue	21,202	0	21,202
TOTAL LIABILITIES	25,172	5,956	31,128
FUND BALANCE			
Nonspendable, Inventory	6,613	0	6,613
Nonspendable, Prepaid Expenditures	12,000	0	12,000
Restricted for:			
Food Service	146,054	0	146,054
Capital Projects	0	155,226	155,226
TOTAL FUND BALANCE	164,667	155,226	319,893
TOTAL LIABILITIES AND FUND BALANCE	$ 189,839	$ 161,182	$ 351,021

DURAND AREA SCHOOLS
DURAND, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	
	FOOD SERVICE FUND	SINKING CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Local Sources	$ 177,777	$ 315	$ 178,092
State Sources	23,760	0	23,760
Federal Sources	429,739	0	429,739
Total Revenues	631,276	315	631,591
EXPENDITURES			
Food Service Activities	600,080	0	600,080
Excess (Deficiency) of Revenues Over (Under) Expenditures	31,196	315	31,511
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	(28,473)	0	(28,473)
Net Change in Fund Balance	2,723	315	3,038
FUND BALANCE - Beginning of Year	161,944	154,911	316,855
FUND BALANCE - End of Year	$ 164,667	$ 155,226	$ 319,893

DURAND AREA SCHOOLS
DURAND, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2018

TITLE OF ISSUE	2016 School Building and Site Bonds		
PURPOSE	Finance various improvements within the District		
DATE OF ISSUE	March 17, 2016		
INTEREST PAYABLE	May 1, and November 1, of each year		
AMOUNT OF ISSUE			$ 5,995,000
AMOUNT REDEEMED			
Redeemed Prior to Current Year		$ 0	
Redeemed During Current Year		65,000	65,000
BALANCE OUTSTANDING - June 30, 2018			$ 5,930,000

DUE DATES	INTEREST RATES	REQUIREMENTS TOTAL	INTEREST	PRINCIPAL
November 1, 2018		$ 117,797	$ 117,797	
May 1, 2019	3.00%	207,797	117,797	$ 90,000
November 1, 2019		116,447	116,447	
May 1, 2020	3.00%	216,447	116,447	100,000
November 1, 2020		114,947	114,947	
May 1, 2021	3.00%	249,947	114,947	135,000
November 1, 2021		112,922	112,922	
May 1, 2022	4.00%	252,922	112,922	140,000
November 1, 2022		110,122	110,122	
May 1, 2023	4.00%	260,122	110,122	150,000
November 1, 2023		107,122	107,122	
May 1, 2024	2.00%	262,122	107,122	155,000
November 1, 2024		105,572	105,572	
May 1, 2025	4.00%	270,572	105,572	165,000
November 1, 2025		102,272	102,272	
May 1, 2026	4.00%	277,272	102,272	175,000
November 1, 2026		98,772	98,772	
May 1, 2027	4.00%	283,772	98,772	185,000
November 1, 2027		95,072	95,072	
May 1, 2028	2.50%	295,072	95,072	200,000
November 1, 2028		92,572	92,572	
May 1, 2029	2.75%	347,572	92,572	255,000
November 1, 2029		89,066	89,066	
May 1, 2030	2.88%	384,066	89,066	295,000
November 1, 2030		84,825	84,825	

DURAND AREA SCHOOLS
DURAND, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2018

DUE DATES	INTEREST RATES	REQUIREMENTS TOTAL	INTEREST	PRINCIPAL
May 1, 2031	3.00%	429,825	84,825	345,000
November 1, 2031		79,650	79,650	
May 1, 2032	4.50%	734,650	79,650	655,000
November 1, 2032		64,913	64,913	
May 1, 2033	4.50%	744,913	64,913	680,000
November 1, 2033		49,613	49,613	
May 1, 2034	4.50%	759,613	49,613	710,000
November 1, 2034		33,638	33,638	
May 1, 2035	4.50%	773,638	33,638	740,000
November 1, 2035		16,988	16,988	
May 1, 2036	4.50%	771,988	16,988	755,000
		$ 9,114,620	$ 3,184,620	$ 5,930,000

DURAND AREA SCHOOLS
DURAND, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2018

TITLE OF ISSUE	2015 Refunding Bonds		
PURPOSE	Refund debt to take advantage of lower interest rates.		
DATE OF ISSUE	February 19, 2015		
INTEREST PAYABLE	May 1, and November 1, of each year		
AMOUNT OF ISSUE			$ 15,815,000
AMOUNT REDEEMED			
Redeemed Prior to Current Year		$ 1,390,000	
Redeemed During Current Year		750,000	2,140,000
BALANCE OUTSTANDING - June 30, 2018			$ 13,675,000

DUE DATES	INTEREST RATES	REQUIREMENTS TOTAL	INTEREST	PRINCIPAL
November 1, 2018		$ 341,875	$ 341,875	
May 1, 2019	5.00%	1,126,875	341,875	$ 785,000
November 1, 2019		322,250	322,250	
May 1, 2020	5.00%	1,147,250	322,250	825,000
November 1, 2020		301,625	301,625	
May 1, 2021	5.00%	1,171,625	301,625	870,000
November 1, 2021		279,875	279,875	
May 1, 2022	5.00%	1,194,875	279,875	915,000
November 1, 2022		257,000	257,000	
May 1, 2023	5.00%	1,217,000	257,000	960,000
November 1, 2023		233,000	233,000	
May 1, 2024	5.00%	1,243,000	233,000	1,010,000
November 1, 2024		207,750	207,750	
May 1, 2025	5.00%	1,267,750	207,750	1,060,000
November 1, 2025		181,250	181,250	
May 1, 2026	5.00%	1,291,250	181,250	1,110,000
November 1, 2026		153,500	153,500	
May 1, 2027	5.00%	1,318,500	153,500	1,165,000
November 1, 2027		124,375	124,375	
May 1, 2028	5.00%	1,339,375	124,375	1,215,000
November 1, 2028		94,000	94,000	
May 1, 2029	5.00%	1,319,000	94,000	1,225,000
November 1, 2029		63,375	63,375	
May 1, 2030	5.00%	1,318,375	63,375	1,255,000
November 1, 2030		32,000	32,000	
May 1, 2031	5.00%	1,312,000	32,000	1,280,000
		$ 18,858,750	$ 5,183,750	$ 13,675,000