West Bloomfield School District

Financial Report
with Supplemental Information
June 30, 2018

Contents

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Independent Auditor's Report

To the Board of Education
West Bloomfield School District

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 West Bloomfield School District (the "School District") as of and for the ended June 30, 2018 and the related notes to the financial statements, which collectively comprise West Bloomfield School 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 West Bloomfield School District as of June 30, 2018 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the basic financial statements, as of July 1, 2017, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The School District's unrestricted net position has been restated as of July 1, 2017 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

To the Board of Education
West Bloomfield School District

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the General Fund budgetary comparison schedule, and the schedules of the School District's proportionate share of the net pension liability and other postemployment benefit liability and contributions 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, which 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 supplemental 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 an opinion on the financial statements that collectively comprise West Bloomfield School District's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates 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 other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2018 on our consideration of West Bloomfield School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 West Bloomfield School District's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 1, 2018

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

Using this Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand West Bloomfield School District financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term, as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund, the 2017 Capital Projects Fund, and the Debt Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. This report is composed of the following elements:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Information for Major Fund

Schedules of the School District's Proportionate Share of the Net Pension Liability and Net OPEB Liability

Schedules of Pension Contributions and OPEB Contributions

Other Supplemental Information

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, “As a whole, what is the School District’s financial condition as a result of the year’s activities?” The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year’s revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District’s net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District’s fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (such as the Cafeteria and Community Education funds) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental Funds

All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District’s programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds (fund level statements) in a reconciliation to help readers understand the differences in accounting methods.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. The School District’s fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Summary of Net Position

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2018 and 2017:

	Governmental Activities	
	2018	2017
	(in millions)	
Assets		
Current and other assets	$ 60.7	$ 65.3
Capital assets	117.8	111.6
Total assets	178.5	176.9
Deferred Outflows of Resources	20.6	11.9
Liabilities		
Current liabilities	9.6	6.7
Noncurrent liabilities	87.2	97.5
Net pension liability	92.2	90.8
Net OPEB obligation	31.5	-
Total liabilities	220.5	195.0
Deferred Inflows of Resources	15.6	9.5
Net Position		
Net investment in capital assets	73.4	65.8
Restricted	0.6	0.7
Unrestricted	(111.0)	(82.2)
Total net position	**$ (37.0)**	**$ (15.7)**

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was a deficit of $37.0 million at June 30, 2018. Net investment in capital assets totaling $73.4 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position ($(111.0) million) was unrestricted.

The $(111.0) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance, when positive, enables the School District to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

Summary of Activities

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for fiscal years ended June 30, 2018 and 2017.

	Governmental Activities	
	2018	2017
	(in millions)	
Revenue		
Program revenue:		
Charges for services	$ 3.3	$ 3.4
Operating grants	13.1	16.6
General revenue:		
Taxes	26.2	26.4
State aid not restricted to specific purposes	40.5	35.9
Other	1.0	0.4
Total revenue	84.1	82.7
Expenses		
Instruction	40.7	39.2
Support services	24.6	23.1
Athletics	1.1	1.1
Food services	1.6	1.7
Community services	2.3	2.3
Debt service	3.3	2.9
Other	-	0.1
Total expenses	73.6	70.4
Change in Net Position	10.5	12.3
Net Position - Beginning of year, as previously stated	(15.7)	(28.3)
Cumulative Effect of Change in Accounting	(31.8)	-
Net Position - Beginning of year	(47.5)	(28.3)
Net Position - End of year	**$ (37.0)**	**$ (16.0)**

As required by the Governmental Accounting Standards Board (GASB), the School District adopted GASB Statement No. 75. This standard required the inclusion of the School District's proportionate share of the Michigan Public School Employees' Retiree Health Care Plan within the School District's financial statements, effective July 1, 2017. The effect of the adoption was to decrease July 1, 2017 beginning net position by $31.8 million, and to include the net OPEB obligation and related deferred inflows and outflows of resources in the June 30, 2018 financial statements. All governments participating in the plan were required to adopt this new standard.

As reported in the statement of activities, the cost of all of our governmental activities this year was $73.6 million. Certain activities were partially funded from those who benefited from the programs ($3.3 million) or by other governments and organizations that subsidized certain programs with grants and contributions ($13.1 million). We paid for the remaining "public benefit" portion of our governmental activities with $26.2 million in taxes, $40.5 million in state foundation allowance, and with our other revenue (i.e., interest and general entitlements).

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. This fund-by-fund breakdown of revenue and expenditures (and related assets and liabilities) helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District’s overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of $51.6 million, which is a decrease of $7.6 million from last year. The primary reasons for the decrease are as follows:

In the General Fund, our principal operating fund, the fund balance increased by $1.6 million to $9.9 million. The change is mainly due to surplus operating revenue in excess of operating expenditures. Conservative budgeting and spending practices combined with the continued stabilization of the School District's pupil count contributed to the operating surplus.

Fund balance of our special revenue funds increased from $0.1 million last year to $0.3 million this year as a result of surplus operating revenue in excess of operating expenditures for the Cafeteria Fund of $0.2 million. The School District outsources the Cafeteria Fund (noninstructional support service) to Aramark Education, LLC and the fund is budgeted to return a nominal operating surplus again next year.

The fund balance of our Debt Fund decreased by $0.1 million. Millage rates were revised in order to adjust the Debt Fund fund balance. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Fund fund balance is reserved since it can only be used to pay debt service obligations.

Combined, the fund balance of our capital project funds decreased by $8.6 million. This decrease is primarily due to continued construction related to the 2017 bond issue. The construction project is estimated to be approximately 20 percent complete at the end of the year.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2018. A schedule showing the School District’s original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were significant revisions made to the 2017-2018 General Fund original budget. Budgeted revenue was increased $1.7 million due to two primary factors: (i) a favorable revision for district-wide pupil count enrollment and (ii) an increase in state aid categorical revenue to offset a corresponding increase in retirement (MPSERS) expense.

Budgeted expenditures were also increased $1.0 million to account for the increase in salaries and purchased professional services resulting from the School District's revised operating plan due to the fluctuations in revenue.

The School District expended 97 percent of budgeted expenditures due to conservative budgeting and spending practices, which is the primary reason there was an operating surplus of $1.6 million for the General Fund.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018, the School District had $202.5 invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately $6.2 million, or 5.5 percent, from last year.

	2018	2017
Land	$ 7,764,664	$ 7,764,664
Construction in progress	4,575,565	304,779
Buildings and improvements	155,488,760	153,391,397
Furniture and equipment	29,692,751	27,177,567
Buses and other vehicles	5,017,241	3,298,532
Total capital assets	202,538,981	191,936,939
Less accumulated depreciation	84,736,153	80,324,345
Total capital assets - Net of accumulated depreciation	**$ 117,802,828**	**$ 111,612,594**

This year's additions of $11.5 included vehicles, cafeteria equipment, technology, building renovations, new school construction, buses, and instructional furniture and equipment. Several major capital projects are planned for the 2018-2019 fiscal year. We anticipate capital additions will be comparable to this year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had $77.4 million in bonds outstanding versus $86.9 million in the previous year - a change of 10.9 percent. Those bonds consisted of the following:

	2018	2017
General obligation bonds	$ 77,400,000	$ 86,880,000

The School District’s general obligation bond rating is "A2" with Moody's Investor Service and "A" with Standard & Poor's. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District’s boundaries. If the School District issues "qualified debt" (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District’s outstanding unqualified general obligation debt of $77.4 million is significantly below this $266.7 million statutorily imposed limit.

Other obligations include compensated absences and capital lease obligations. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District’s 2018-2019 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2018-2019 budget was adopted in June 2018 based on an estimate of students who will enroll in September 2018. Approximately 72.2 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2018 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2018-2019 budget. Once the final student count and related per pupil funding is validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the School District. The State periodically holds a revenue-estimating conference to estimate revenue. Based on the results of the most recent conference, the state estimates funds are sufficient to fund the appropriation, including a foundation allowance increase of $120 per pupil. Due to increases in the state-required contribution to the retirement system and increases in healthcare costs, the School District estimates that the net increase in per pupil funding to fund other operating costs will be $40 per pupil.

Given the State's ongoing economic issues, the School District is doing everything possible to maintain programs for students and to continually look for economies in all facets of school operations so that the School District can continue to provide a high-value education to its students and remain financially stable.

In May 2017, voters approved by a 2-1 margin a $120 million bond issue in order to consolidate the School District's two existing middle schools into one newly constructed middle school; improve teaching and learning environments in the remaining school buildings by way of remodeling and renovation; enhance security measures at all buildings; and finance capital equipment needs, including replacement school buses, instructional furniture, and technology refresh. This bond issue will position the School District to provide highly competitive educational programming, as well as provide significant annual operational cost savings that can be better deployed to preserve and enhance opportunities for growth in student achievement for years to come.

Contacting the School District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office at 248-865-6434.

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Cash and investments (Note 4)	$ 7,868,225
Receivables:	
Other receivables	137,661
Due from other governments	8,762,234
Inventory	19,308
Prepaid costs and other assets	71,232
Restricted assets (Note 10)	43,802,876
Capital assets - Net (Note 5)	117,802,828
Total assets	178,464,364
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 7)	432,673
Deferred pension costs (Note 12)	18,455,982
Deferred OPEB costs (Note 12)	1,708,548
Total deferred outflows of resources	20,597,203
Liabilities	
Accounts payable	2,900,801
Accrued liabilities and other	6,383,638
Unearned revenue (Note 2)	340,833
Noncurrent liabilities:	
Due within one year (Note 7)	10,310,505
Due in more than one year (Note 7)	76,918,508
Net pension liability (Note 12)	92,209,081
Net OPEB obligation (Note 12)	31,463,232
Total liabilities	220,526,598
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to measurement (Note 12)	3,654,300
Deferred pension cost reductions (Note 12)	10,864,597
Deferred OPEB cost reductions (Note 12)	1,063,687
Total deferred inflows of resources	15,582,584
Net Position	
Net investment in capital assets	73,443,557
Restricted	557,552
Unrestricted	(111,048,724)
Total net position	**$ (37,047,615)**

Statement of Activities

Year Ended June 30, 2018

		Program Revenue		Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	$ 40,700,240	$ 6,429	$ 7,820,742	$ (32,873,069)
Support services	24,549,317	1,474	3,725,460	(20,822,383)
Athletics	1,088,198	338,483	-	(749,715)
Food services	1,638,763	836,612	912,359	110,208
Community services	2,341,128	2,115,152	-	(225,976)
Interest	3,257,585	-	629,717	(2,627,868)
Other debt costs	18,309	-	-	(18,309)
Total primary government	**$ 73,593,540**	**$ 3,298,150**	**$ 13,088,278**	(57,207,112)

General revenue:	
Taxes:	
Property taxes, levied for general purposes	11,493,174
Property taxes, levied for debt service	12,477,478
Property taxes, levied for capital projects	2,173,438
State aid not restricted to specific purposes	40,453,743
Interest and investment earnings	484,884
Loss on sale of capital assets	(47,305)
Other	654,776
Total general revenue	67,690,188
Change in Net Position	10,483,076
Net Position - Beginning of year, as previously reported	(15,721,902)
Cumulative Effect of Change in Accounting (Note 2)	(31,808,789)
Net Position - Beginning of year	(47,530,691)
Net Position - End of year	**$ (37,047,615)**

See notes to financial statements.

Governmental Funds Balance Sheet

June 30, 2018

	General Fund	2017 Capital Projects	Debt Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 4)	$ 7,331,615	$ -	$ -	$ 536,610	$ 7,868,225
Receivables:					
Other receivables	137,661	-	-	-	137,661
Due from other governments	8,717,314	-	-	44,920	8,762,234
Inventory	-	-	-	19,308	19,308
Prepaid costs and other assets	71,232	-	-	-	71,232
Restricted assets (Note 10)	-	42,678,166	1,124,691	19	43,802,876
Total assets	**$ 16,257,822**	**$ 42,678,166**	**$ 1,124,691**	**$ 600,857**	**$ 60,661,536**
Liabilities					
Accounts payable	$ 419,108	$ 1,776,713	$ -	$ 704,980	$ 2,900,801
Accrued liabilities and other	5,816,499	-	-	-	5,816,499
Unearned revenue (Note 2)	138,273	-	-	202,560	340,833
Total liabilities	6,373,880	1,776,713	-	907,540	9,058,133
Fund Balances (Deficit)					
Nonspendable:					
Inventory	-	-	-	19,308	19,308
Prepaid costs	71,232	-	-	-	71,232
Restricted:					
Debt service	-	-	1,124,691	-	1,124,691
Capital projects	-	40,901,453	-	-	40,901,453
Food service	-	-	-	297,061	297,061
Unassigned	9,812,710	-	-	(623,052)	9,189,658
Total fund balances (deficit)	9,883,942	40,901,453	1,124,691	(306,683)	51,603,403
Total liabilities and fund balances (deficit)	**$ 16,257,822**	**$ 42,678,166**	**$ 1,124,691**	**$ 600,857**	**$ 60,661,536**

See notes to financial statements.

Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position

		June 30, 2018
Fund Balances Reported in Governmental Funds		$ 51,603,403
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:		
Cost of capital assets		202,538,981
Accumulated depreciation		(84,736,153)
Net capital assets used in governmental activities		117,802,828
Deferred inflows and outflows related to bond refundings are not reported in the funds		432,673
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds		(85,651,272)
Accrued interest is not due and payable in the current period and is not reported in the funds		(567,139)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:		
Employee compensated absences		(1,577,741)
Net pension liability and related deferred inflows and outflows		(84,617,696)
Net OPEB liability and related deferred inflows and outflows		(30,818,371)
Total employee fringe benefits not reported as fund liabilities		(117,013,808)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds		(3,654,300)
Net Position of Governmental Activities		**$ (37,047,615)**

See notes to financial statements.

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2018

	General Fund	2017 Capital Projects	Debt Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Local sources	$ 12,666,078	$ 411,655	$ 12,477,478	$ 5,026,689	$ 30,581,900
State sources	45,713,819	-	68,066	70,312	45,852,197
Federal sources	2,104,722	-	629,717	842,047	3,576,486
Interdistrict sources	4,013,106	-	-	-	4,013,106
Total revenue	64,497,725	411,655	13,175,261	5,939,048	84,023,689
Expenditures					
Current:					
Instruction	38,783,962	-	-	-	38,783,962
Support services	22,732,789	355,839	-	144,818	23,233,446
Athletics	1,019,988	-	-	-	1,019,988
Food services	-	-	-	1,521,040	1,521,040
Community services	276,492	-	-	1,977,834	2,254,326
Debt service: (Notes 7 and 8)					
Principal	65,986	-	9,480,000	-	9,545,986
Interest	7,879	-	3,755,831	-	3,763,710
Other debt costs	-	-	18,309	-	18,309
Capital outlay	72,509	8,623,855	-	2,870,176	11,566,540
Total expenditures	62,959,605	8,979,694	13,254,140	6,513,868	91,707,307
Excess of Revenue Over (Under) Expenditures	1,538,120	(8,568,039)	(78,879)	(574,820)	(7,683,618)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	48,524	-	-	-	48,524
Transfers in (Note 6)	63,051	-	-	75,016	138,067
Transfers out (Note 6)	(75,016)	-	-	(63,051)	(138,067)
Total other financing sources	36,559	-	-	11,965	48,524
Net Change in Fund Balances	1,574,679	(8,568,039)	(78,879)	(562,855)	(7,635,094)
Fund Balances - Beginning of year	8,309,263	49,469,492	1,203,570	256,172	59,238,497
Fund Balances (Deficit) - End of year	**$ 9,883,942**	**$ 40,901,453**	**$ 1,124,691**	**$ (306,683)**	**$ 51,603,403**

See notes to financial statements.

Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2018

Net Change in Fund Balances Reported in Governmental Funds	$ (7,635,094)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	11,560,298
Depreciation expense	(5,274,235)
Net book value of assets disposed of	(95,829)
Revenue in support of pension contributions made subsequent to the measurement date	3,766,537
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	10,027,156
Interest expense is recognized in the government-wide statements as it accrues	24,955
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(1,890,712)
Change in Net Position of Governmental Activities	**$ 10,483,076**

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2018

	Agency
Assets - Cash and investments (Note 4)	$ 427,065
Liabilities - Due to student groups	$ 427,065

See notes to financial statements.

Note 1 - Nature of Business

West Bloomfield School District (the "School District") is a school district in the state of Michigan that provides educational services to students.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The School District follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue 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 statements also present schedules reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the School District has spent its resources.

Expenditures are reported when goods are received or services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the School District's ability to spend resources in the future. Employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs, or sick and vacation pay) are not recorded until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Note 2 - Significant Accounting Policies (Continued)

Revenue is not recognized until it is collected, or will be collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Accounting

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The School District reports the following funds as "major" governmental funds:

- General Fund - This fund is the primary operating fund because it accounts for all financial resources used to provide government services, other than those specifically assigned to another fund.
- 2017 Capital Projects Fund - This fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for the purchase of buses and building improvements. The fund operates until the purpose for which it was created is accomplished
- Debt Fund - This fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Additionally, the School District reports the following nonmajor governmental fund types:

- Sinking Fund - This fund is used to account for construction and repair of buildings that are funded by a specific millage.
- Special revenue funds - These funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District’s special revenue funds include the Cafeteria and Community Education Funds. Any operating deficit generated by these activities is the responsibility of the General Fund. The main sources of revenue for these funds are food sales to pupils, free/reduced breakfast and lunch reimbursements from federal funds, and tuition from community education programs.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the School District’s programs. Activities that are reported in the fiduciary fund include the following:

- The Student Activities Agency Fund is an agency fund that records the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

Note 2 - Significant Accounting Policies (Continued)

Interfund Activity

During the course of operations, the School District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as amounts due from/to other funds or 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. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

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. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with maturities of three months or less when acquired. Investments are stated at fair value, except for investments in external investment pools, which are valued at amortized cost.

Inventories and Prepaid Costs

Inventories are valued at cost, on a first-in, first-out basis. Inventories are accounted for using the consumption method, and are recorded as expenditures when consumed rather than when purchased, and include commodities within the Cafeteria Fund. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

Restricted Assets

The unspent bond proceeds and related interest of the 2017 Capital Projects Bonds and the cash proceeds from the Sinking Fund millage are required to be set aside for capital projects. Additionally, the Debt Fund's cash is required to be used for future bond payments. As such, these amounts have been classified as restricted assets.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Costs of normal repairs and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings and improvements	20 to 50
Furniture and equipment	5 to 10
Buses and other vehicles	5 to 10

Note 2 - Significant Accounting Policies (Continued)

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as an "other financing source" and bond discounts as "other financing uses." The General Fund and Debt Fund are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The School District reports deferred outflows related to the deferred charges for the unfunded pension and OPEB benefit obligation and deferred charges on bond refundings.

In addition to liabilities, the statement of net position reports deferred inflows of resources, which represent acquisitions of net position that apply to future periods, and will not be recognized as inflows of resources (revenue) until that time.

The School District reports deferred inflows related to revenue in support of pension and OPEB payments made subsequent to the measurement date, and deferred pension and OPEB cost reductions.

Net Position

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation, and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of investment in capital assets or restricted.

Net Position Flow Assumption

The School District will sometimes fund outlays for particular purposes from both restricted 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 School District’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Nonspendable fund balance represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for specific purposes. The School District can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Note 2 - Significant Accounting Policies (Continued)

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as committed. The School District has, by resolution, authorized the superintendent of schools and the deputy superintendent for business operations to assign fund balance. The Board of Education may also assign fund balance, as it does when appropriating fund balance to cover differences 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.

The School District's fund balance policy prescribes the minimum fund balance as 10 percent of expenditures in the General Fund. This is deemed to be the prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year.

Property Tax Revenue

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1. Taxes are considered to be delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Grants and Contributions

The School District receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted for specific operating purposes are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Pension

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from the MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the fiscal year, the School District recorded unearned revenue for community education and summer school tuition received totaling $340,833.

Note 2 - Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave)

The School District's policies permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued at the estimated amounts that the School District will pay upon employment termination; vacation pay is accrued when incurred. These amounts are reported in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only upon known employee terminations as of year end. Generally, the funds that record an employee's compensation are used to liquidate those obligations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncement

As of July 1, 2017, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees, and for governments that finance OPEB for employees of other governments. This standard requires the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Michigan Public School Employees' Retirement System (MPSERS). The statement also enhances accountability and transparency through revised note disclosures and required supplemental information.

In accordance with the statement, the School District has reported a net OPEB liability of $33,186,739, deferred outflows of financial resources for OPEB contributions of $2,396,179 made subsequent to the measurement date, and deferred inflows of financial resources for revenue received from state aid in support of OPEB contributions of $1,018,229 that was received subsequent to the measurement date, as the effects of this change in accounting principles on the School District's net position as of July 1, 2017.

Upcoming Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria will be reported in a fiduciary fund in the basic financial statements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2020.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2019.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds, except that capital outlay is budgeted in other expenditure categories on a functional basis. The actual amounts in the budget to actual statement have been presented in the same classification as the budget. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not recorded during the year. Budget appropriations are considered to be spent once goods are delivered or services are rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant unfavorable expenditure budget variances.

Fund Deficits

Under Michigan law, school districts are required to maintain a positive fund balance in each fund. The School District had an accumulated fund deficit within the Sinking Fund at June 30, 2018 due to the timing of expenditures and the assessment and collection of property taxes associated with the Sinking Fund. For the fiscal year ending June 30, 2019, if the School District anticipates additional expenditures in excess of revenue, it may draw on its line of credit or a loan in order to fund those excess expenditures and restore the Sinking Fund balance. Any financing is expected to be repaid through the collection of taxes to be received in subsequent years.

Capital Projects Fund Compliance

The 2017 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan’s School Code.

The Sinking Fund accounts for capital expenditures funded with Sinking Fund millage. For these funds, the School District has complied with the applicable provisions of §1212(1) of the State of Michigan School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Note 4 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits and investments are in accordance with statutory authority.

The School District has designated two banks for the deposit of its funds.

Note 4 - Deposits and Investments (Continued)

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost, except for the School District's investments in the Michigan Liquid Asset Fund Plus - MAX Class fund, which may not be redeemed for at least 14 calendar days with the exception of direct investments of funds distributed by the state. Redemptions made prior to the applicable 14-day period are subject to a penalty equal to 15 days' interest on the amounts so redeemed.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated, and only those with an acceptable risk level be used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of $9,981,059 included $9,481,059 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law, and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. There were no investment securities help at June 30, 2018 that were uninsured and unregistered.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. The School District’s policy minimizes interest rate risk 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 School District’s cash requirements.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. The School District has no oversight of the investee organizations, and the fair value of the pool approximates the fair value of the shares owned. The School District's investment in the Michigan Liquid Asset Fund, which totaled $42,771,040 at June 30, 2018, had an S&P rating of AAAm.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. The School District minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. All of the School District's investments are in money market funds and other qualified stable investments.

Note 4 - Deposits and Investments (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's investment policy prohibit investments in foreign currency.

Note 5 - Capital Assets

Capital asset activity of the School District was as follows:

Governmental Activities

	Balance July 1, 2017	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated:					
Land	$ 7,764,664	$ -	$ -	$ -	$ 7,764,664
Construction in progress	304,779	(146,442)	4,417,228	-	4,575,565
Subtotal	8,069,443	(146,442)	4,417,228	-	12,340,229
Capital assets being depreciated:					
Buildings and improvements	153,391,397	146,442	1,950,921	-	155,488,760
Furniture and equipment	27,177,567	-	2,515,184	-	29,692,751
Buses and other vehicles	3,298,532	-	2,676,965	(958,256)	5,017,241
Subtotal	183,867,496	146,442	7,143,070	(958,256)	190,198,752
Accumulated depreciation:					
Buildings and improvements	53,825,009	-	3,503,360	-	57,328,369
Furniture and equipment	23,564,838	-	1,295,195	-	24,860,033
Buses and other vehicles	2,934,498	-	475,680	(862,427)	2,547,751
Subtotal	80,324,345	-	5,274,235	(862,427)	84,736,153
Net capital assets being depreciated	103,543,151	146,442	1,868,835	(95,829)	105,462,599
Net governmental activities capital assets	$ 111,612,594	$ -	$ 6,286,063	$ (95,829)	$ 117,802,828

Depreciation expense was charged to programs of the School District as follows:

Governmental activities:	
Instruction	$ 3,126,600
Support services	1,779,689
Community services	154,572
Food services	123,507
Athletics	89,867
Total governmental activities	$ 5,274,235

Note 5 - Capital Assets (Continued)

Construction Commitments

The School District has active construction projects at year end related to the Sinking Fund and the 2017 Capital Projects Fund. At year end, the School District's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Sinking Fund and 2017 Capital Projects Fund	$ 4,565,668	$ 12,559,415

Note 6 - Interfund Receivables, Payables, and Transfers

Interfund transfers include transfers between the special revenue funds and the General Fund. Transfers from the nonmajor special revenue funds to the General Fund totaled $63,051 during the year ended June 30, 2018 for indirect costs. Additionally, there was a transfer of $75,016 from the General Fund to the Cafeteria Fund to repay previously transferred indirect costs in excess of allowable amounts.

Note 7 - Long-term Debt

Long-term debt activity for the year ended June 30, 2018 was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligations	$ 86,880,000	$ -	$ (9,480,000)	$ 77,400,000	$ 9,555,000
Unamortized bond premiums	8,804,576	-	(691,297)	8,113,279	691,297
Deferred charges on bond refunding	(642,800)	-	210,127	(432,673)	-
Total bonds payable	95,041,776	-	(9,961,170)	85,080,606	10,246,297
Capital leases (Note 8)	203,979	-	(65,986)	137,993	64,208
Compensated absences	1,647,357	123,186	(192,802)	1,577,741	-
Total governmental activities long-term debt	$ 96,893,112	$ 123,186	$ (10,219,958)	$ 86,796,340	$ 10,310,505

Note 7 - Long-term Debt (Continued)

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition of certain equipment and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. General obligations outstanding at June 30, 2018 are as follows:

	Annual Installments	Interest Rates (Percent)	Maturing	Outstanding
2010 Bond Issue - $15,000,000 serial bonds	$1,125,000 - $1,250,000	5.60 - 6.70*	2027	$ 10,825,000
2011 Bond Issue - $8,975,000 serial bonds	$2,075,000 - $2,100,000	4.00 - 5.00	2020	4,175,000
2012 Refunding Bond Issue - $18,225,000 serial bonds	$2,755,000 - $2,860,000	2.18	2020	5,615,000
2015 Refunding Bond Issue - $11,025,000 serial bonds	$1,845,000 - $1,855,000	5.00	2021	5,545,000
2016 Refunding Bond Issue - $8,325,000 serial bonds	$1,310,000 - $1,460,000	4.00	2024	8,325,000
2017 Bond Issue - $42,915,000 serial bonds	$190,000 - $3,075,000	4.00 - 5.00	2037	42,915,000
Total				$ 77,400,000

*Interest is subsidized up to a maximum of 5.70 percent

Other Long-term Liabilities

Compensated absences attributable to governmental activities will be liquidated primarily by the General Fund.

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds are as follows:

	Governmental Activities			
Years Ending June 30	Principal	Interest	Interest Subsidy	Total - Net
2019	$ 9,555,000	$ 3,723,307	$ (615,900)	$ 12,662,407
2020	10,220,000	3,335,959	(552,900)	13,003,059
2021	6,180,000	2,938,050	(487,350)	8,630,700
2022	4,375,000	2,647,726	(420,375)	6,602,351
2023	4,460,000	2,427,126	(351,975)	6,535,151
2024-2037	42,610,000	15,479,876	(708,225)	57,381,651
Total	$ 77,400,000	$ 30,552,044	$ (3,136,725)	$ 104,815,319

Defeased Debt

In prior years, the School District defeased certain bonds by placing the proceeds of new bond proceeds into an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities of the defeased bonds are not included in the basic financial statements. At June 30, 2018, $38,885,000 of bonds outstanding are considered defeased.

Note 8 - Capital Leases

The School District leases copy machines under long-term lease arrangements that are classified as capital leases. The present values of the net minimum lease payments have been capitalized and are being amortized over the useful lives of the assets.

The future minimum lease payments under capital leases are as follows:

Years Ending June 30	Amount
2019	$ 72,738
2020	72,738
Total	145,476
Less amount representing interest	7,483
Present value of net minimum lease payments	$ 137,993

Note 9 - Line of Credit

The School District has a $5,000,000 bank flex line of credit note to be used for operating cash flow. The line of credit note bears interest, which is due monthly, at a LIBOR-based rate. There was no outstanding balance on the line of credit note as of June 30, 2018. The flex line matured on July 5, 2018. Subsequent to year end, the School District renewed its line of credit in the amount of $5,000,000, maturing on July 5, 2019.

Note 10 - Restricted Assets

At June 30, 2018, restricted assets are composed of the following:

Description	Governmental Activities
Capital projects	$ 42,678,166
Debt service	1,124,691
Other	19
Total	$ 43,802,876

Note 11 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims. The School District participates in the SET-SEG shared risk pool for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. The SET-SEG risk pool operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the service pool that the service pool uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the School District.

Note 12 - Michigan Public School Employees' Retirement System

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain school district employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at http://www.michigan.gov/orsschools, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Benefits Provided

Benefit provisions of the defined benefit pension plan and 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 for the defined benefit pension plan and the postemployment healthcare plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced to 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member’s date of hire, MPSERS offers the option of participating in the defined contribution plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. For some members who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member’s date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Note 12 - Michigan Public School Employees' Retirement System (Continued)

Contributions

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3 percent 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 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stop paying the 3 percent contribution to the retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

The School District's contributions are determined based on employee elections. There are multiple different pension and healthcare benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The range of rates is as follows:

	Pension	OPEB
October 1, 2017 - January 31, 2018	13.54% - 17.89%	7.42% - 7.67%
February 1, 2018 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The School District's required and actual pension contributions to the plan for the year ended June 30, 2018 were $9,652,494, which include the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of $3,654,300 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2018. For the year ended June 30, 2018, the contributions also include a one-time payment to the School District received under Section 147c(2) of the State Aid Act, which the School District then remitted as a contribution to the plan.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2018 were $2,145,603, which include the School District's contributions required for those members with a defined contribution benefit.

Note 12 - Michigan Public School Employees' Retirement System (Continued)

Net Pension Liability

At June 30, 2018, the School District reported a liability of $92,209,081 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 as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The School 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, the School District's proportion was 0.36%.

Net OPEB Liability

At June 30, 2018, the School District reported a liability of $31,463,232 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 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 as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The School 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 School District’s proportion was 0.36% of MPSERS in total.

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

For the year ended June 30, 2018, the School District recognized pension expense of $6,972,708, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2018, the School 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
Difference between expected and actual experience	$ 801,360	$ (452,451)
Changes in assumptions	10,102,237	-
Net difference between projected and actual earnings on pension plan investments	-	(4,408,201)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	-	(6,003,945)
The School District's contributions to the plan subsequent to the measurement date	7,552,385	-
Total	$ 18,455,982	$ (10,864,597)

The $3,654,300 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2019	$ (905,032)
2020	981,903
2021	379,595
2022	(417,466)
Total	$ 39,000

Note 12 - Michigan Public School Employees' Retirement System (Continued)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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

For the years ended June 30, 2018, the School District recognized OPEB expense of $2,104,778.

At June 30, 2018, the School 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
Difference between expected and actual experience	$ -	$ (334,991)
Net difference between projected and actual earnings on OPEB plan investments	-	(728,696)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	1,251	-
Employer contributions to the plan subsequent to the measurement date	1,707,297	-
Total	$ 1,708,548	$ (1,063,687)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future pension expense):

Years Ending	Amount
2019	$ (256,763)
2020	(256,763)
2021	(256,763)
2022	(256,763)
2023	(35,384)
Total	$ (1,062,436)

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2017 is based on the results of an actuarial valuation as of September 30, 2016 and rolled forward. The total pension liability was determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal cost actuarial cost method
Investment rate of return - Pension	7.00% - 7.50%	Net of investment expenses based on the groups
Investment rate of return - OPEB	7.50%	Net of investment expenses based on the groups
Salary increases	3.50% - 12.30%	Including wage inflation of 3.50 percent
Healthcare cost trend rate	7.50%	Year 1 graded to 3.5 percent year 12
Mortality basis		RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2007 to 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

Note 12 - Michigan Public School Employees' Retirement System (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00 - 7.50 percent and 7.00 - 8.00 percent as of September 30, 2017, depending on the plan option. The discount rate used to measure the total OPEB liability was 7.50 percent as of September 30, 2017. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.60 %
Private equity pools	18.00	8.70
International equity pools	16.00	7.20
Fixed-income pools	10.50	(0.10)
Real estate and infrastructure pools	10.00	4.20
Real return, opportunistic, and absolute pools	15.50	5.00
Short-term investment pools	2.00	(0.90)
Total	100.00 %	

MPSERS approved a decrease in the discount rate for the September 30, 2017 annual actuarial valuation for the pension plan and the OPEB plan to 7.05 percent and 7.15 percent, respectively. As a result, the actuarial computed employer contributions, the net pension liability, and net OPEB liability will increase for the measurement period ending September 30, 2018.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's 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 Percent Decrease (6.00 - 6.50%)	Current Discount Rate (7.00 - 7.50%)	1 Percent Increase (8.00 - 8.50%)
Net pension liability of the School District	$ 120,117,763	$ 92,209,081	$ 68,711,748

Note 12 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the School District, calculated using the current discount rate. It also reflects what the School District's 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 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	$ 36,852,538	$ 31,463,232	$ 26,889,398

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Tend Rate

The following presents the net OPEB liability of the School District, calculated using the current healthcare cost trend rate. It also reflects what the School District's net OPEB 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 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	$ 26,645,128	$ 31,463,232	$ 36,933,853

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2018, the School District reported a payable of $1,512,216 and $371,190 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	$ 12,565,870	$ 12,498,713	$ 12,666,078	$ 167,365
State sources	43,787,225	45,546,442	45,713,819	167,377
Federal sources	2,360,131	2,341,743	2,104,722	(237,021)
Interdistrict sources	4,011,259	4,013,106	4,013,106	-
Total revenue	62,724,485	64,400,004	64,497,725	97,721
Expenditures				
Current:				
Instruction:				
Basic programs	29,621,595	29,467,926	29,052,916	(415,010)
Added needs	9,358,643	9,744,169	9,578,189	(165,980)
Adult/Continuing education	153,018	150,238	152,857	2,619
Total instruction	39,133,256	39,362,333	38,783,962	(578,371)
Support services:				
Pupil	4,837,282	5,072,782	4,928,869	(143,913)
Instructional staff	3,120,200	3,538,733	3,386,118	(152,615)
General administration	844,335	809,086	776,119	(32,967)
School administration	4,088,437	4,201,647	4,065,400	(136,247)
Business	1,052,966	1,135,046	928,619	(206,427)
Operations and maintenance	4,151,106	4,173,742	3,954,968	(218,774)
Pupil transportation services	2,954,696	2,958,213	2,699,032	(259,181)
Central	2,181,955	2,226,234	2,060,419	(165,815)
Total support services	23,230,977	24,115,483	22,799,544	(1,315,939)
Athletics and co-curricular activities	1,062,480	1,080,704	1,025,742	(54,962)
Community services and nonpublic school pupils	386,075	295,162	276,492	(18,670)
Debt service	72,738	72,738	73,865	1,127
Total expenditures	63,885,526	64,926,420	62,959,605	(1,966,815)
Excess of Revenue (Under) Over Expenditures	(1,161,041)	(526,416)	1,538,120	2,064,536
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	48,524	48,524	-
Transfers in	70,000	90,000	63,051	(26,949)
Transfers out	-	(75,000)	(75,016)	(16)
Total other financing sources	70,000	63,524	36,559	(26,965)
Net Change in Fund Balance	(1,091,041)	(462,892)	1,574,679	2,037,571
Fund Balance - Beginning of year	8,309,263	8,309,263	8,309,263	-
Fund Balance - End of year	**$ 7,218,222**	**$ 7,846,371**	**$ 9,883,942**	**$ 2,037,571**

See notes to required supplemental information.

Required Supplemental Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees' Retirement System

Last Four Plan Years

Plan Years Ended September 30

	2017	2016	2015	2014
School District's proportion of the net pension liability	0.35582 %	0.36392 %	0.38179 %	0.40526 %
School District's proportionate share of the net pension liability	$ 92,209,081	$ 90,795,798	$ 93,251,748	$ 89,264,167
School District's covered employee payroll	$ 29,693,733	$ 30,006,650	$ 31,726,461	$ 33,131,808
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	310.53 %	302.59 %	293.92 %	269.42 %
Plan fiduciary net position as a percentage of total pension liability	63.96 %	63.01 %	62.92 %	66.20 %

See notes to required supplemental information.

Required Supplemental Information
Schedule of Pension Contributions
Michigan Public School Employee's Retirement System

Last Four Fiscal Years

Years Ended June 30

	2018	2017	2016	2015
Statutorily required contribution	$ 8,941,001	$ 8,631,430	$ 8,534,354	$ 6,948,586
Contributions in relation to the statutorily required contribution	8,941,001	8,631,430	8,534,354	6,948,586
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**
School District's Covered Employee Payroll	$ 29,776,265	$ 31,203,571	$ 30,032,324	$ 30,727,559
Contributions as a Percentage of Covered Employee Payroll	30.03 %	27.66 %	28.42 %	22.61 %

See notes to required supplemental information.

Required Supplemental Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employee's Retirement System

Last Plan Year

Plan Year Ended June 30

	2017
School District's proportion of the net OPEB liability	0.35530 %
School District's proportionate share of the net OPEB liability	$ 31,463,232
School District's covered employee payroll	$ 29,693,733
School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	105.96 %
Plan fiduciary net position as a percentage of total OPEB liability	36.53 %

See notes to required supplemental information.

Required Supplemental Information
Schedule of OPEB Contributions
Michigan Public School Employee's Retirement System

Last Fiscal Year

Year Ended June 30

	2018
Statutorily required contribution	$ 2,145,603
Contributions in relation to the statutorily required contribution	2,145,603
Contribution Deficiency	**$ -**
School District's Covered Employee Payroll	$ 29,776,265
Contributions as a Percentage of Covered Employee Payroll	7.21 %

See notes to required supplemental information.

Pension Information

Benefit Changes

There were no changes of benefit terms in 2017.

Changes in Assumptions

On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent to 7.00-7.50 percent based on the group.

Changes in Size or Composition of the Covered Population

There were no significant changes in size or composition of the covered population in 2017.

OPEB Information

Benefit Changes

There were no changes of benefit terms in 2017.

Changes in Assumptions

There were no changes of benefit assumptions in 2017.

Other Supplemental Information

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2018

	Special Revenue Funds		Capital Project Fund	
	Cafeteria	Community Education	Sinking Fund	Total
Assets				
Cash and investments	$ 383,178	$ 153,432	$ -	$ 536,610
Due from other governments	44,920	-	-	44,920
Inventory	19,308	-	-	19,308
Restricted assets	-	-	19	19
Total assets	**$ 447,406**	**$ 153,432**	**$ 19**	**$ 600,857**
Liabilities				
Accounts payable	$ 79,919	$ 1,990	$ 623,071	$ 704,980
Unearned revenue	51,118	151,442	-	202,560
Total liabilities	131,037	153,432	623,071	907,540
Fund Balances (Deficit)				
Nonspendable - Inventory	19,308	-	-	19,308
Restricted - Food service	297,061	-	-	297,061
Unassigned	-	-	(623,052)	(623,052)
Total fund balances (deficit)	316,369	-	(623,052)	(306,683)
Total liabilities and fund balances (deficit)	**$ 447,406**	**$ 153,432**	**$ 19**	**$ 600,857**

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2018

	Special Revenue Funds		Capital Project Fund	
	Cafeteria	Community Education	Sinking Fund	Total
Revenue				
Local sources	$ 851,324	$ 1,998,694	$ 2,176,671	$ 5,026,689
State sources	70,312	-	-	70,312
Federal sources	842,047	-	-	842,047
Total revenue	1,763,683	1,998,694	2,176,671	5,939,048
Expenditures				
Current:				
Support services	-	-	144,818	144,818
Food services	1,521,040	-	-	1,521,040
Community services	-	1,977,834	-	1,977,834
Capital outlay	59,899	-	2,810,277	2,870,176
Total expenditures	1,580,939	1,977,834	2,955,095	6,513,868
Excess of Revenue Over (Under) Expenditures	182,744	20,860	(778,424)	(574,820)
Other Financing Sources (Uses)				
Transfers in	75,016	-	-	75,016
Transfers out	(42,191)	(20,860)	-	(63,051)
Total other financing sources (uses)	32,825	(20,860)	-	11,965
Net Change in Fund Balances	215,569	-	(778,424)	(562,855)
Fund Balances - Beginning of year	100,800	-	155,372	256,172
Fund Balances (Deficit) - End of year	**$ 316,369**	**$ -**	**$ (623,052)**	**$ (306,683)**

Other Supplemental Information
Schedule of Bonded Indebtedness

June 30, 2018

Year Ended June 30	2010 Principal	2011 Principal	2012 Refunding Principal	2015 Refunding Principal	2016 Refunding Principal	2017 Capital Projects Principal	Total
2019	$ 1,125,000	$ 2,075,000	$ 2,860,000	$ 1,845,000	$ 1,460,000	$ 190,000	$ 9,555,000
2020	1,150,000	2,100,000	2,755,000	1,855,000	1,435,000	925,000	10,220,000
2021	1,175,000	-	-	1,845,000	1,410,000	1,750,000	6,180,000
2022	1,200,000	-	-	-	1,375,000	1,800,000	4,375,000
2023	1,225,000	-	-	-	1,335,000	1,900,000	4,460,000
2024	1,225,000	-	-	-	1,310,000	2,000,000	4,535,000
2025	1,225,000	-	-	-	-	2,100,000	3,325,000
2026	1,250,000	-	-	-	-	2,200,000	3,450,000
2027	1,250,000	-	-	-	-	2,300,000	3,550,000
2028	-	-	-	-	-	2,400,000	2,400,000
2029	-	-	-	-	-	2,500,000	2,500,000
2030	-	-	-	-	-	2,600,000	2,600,000
2031	-	-	-	-	-	2,675,000	2,675,000
2032	-	-	-	-	-	2,750,000	2,750,000
2033	-	-	-	-	-	2,825,000	2,825,000
2034	-	-	-	-	-	2,900,000	2,900,000
2035	-	-	-	-	-	2,975,000	2,975,000
2036	-	-	-	-	-	3,050,000	3,050,000
2037	-	-	-	-	-	3,075,000	3,075,000
Total remaining payments	**$ 10,825,000**	**$ 4,175,000**	**$ 5,615,000**	**$ 5,545,000**	**$ 8,325,000**	**$ 42,915,000**	**$ 77,400,000**
Interest rate	5.60 - 6.70%	4.00 - 5.00%	2.18%	5.00%	4.00%	4.00 - 5.00%	
Original issue	**$ 15,000,000**	**$ 8,975,000**	**$ 18,225,000**	**$ 11,025,000**	**$ 8,325,000**	**$ 42,915,000**	

Principal payments for the bond issues are due on May 1 of each year.

Interest payments for the bond issues are due on May 1 and November 1 of each year.