Chippewa Valley Schools

Financial Report
with Supplemental Information
June 30, 2018

Contents

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Independent Auditor's Report

To the Board of Education
Chippewa Valley Schools

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 Chippewa Valley Schools (the "School District") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise Chippewa Valley Schools' 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 Chippewa Valley Schools 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 discussed in Note 2 to the basic financial statements, as of July 1, 2017, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) 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
Chippewa Valley Schools

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension system and other postemployment benefit plan schedules of funding progress and employer contributions, and the major fund budgetary comparison schedule, as identified in the table of contents, 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 Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Chippewa Valley Schools' 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, as defined in the table of contents, 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 5, 2018 on our consideration of Chippewa Valley Schools' 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 Chippewa Valley Schools' internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 5, 2018

This section of Chippewa Valley Schools' (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 Chippewa Valley Schools 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 and 2015 Refunding Series B 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 comprosed 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

Schedule of Proportionate Share of the Net Pension Liability

Schedule of Pension Contributions

Schedule of Proportionate Share of the Net OPEB Liability

Schedule of 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 (the Cafeteria Fund is an example) 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).

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 in a reconciliation.

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. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. 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

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	$ 55.3	$ 53.2
Capital assets	351.6	363.8
Total assets	406.9	417.0
Deferred Outflows of Resources	76.9	49.5
Liabilities		
Current liabilities	70.8	70.8
Noncurrent liabilities	427.9	443.3
Net pension liability	257.7	244.6
Net OPEB liability	88.0	-
Total liabilities	844.4	758.7
Deferred Inflows of Resources	29.4	10.6
Net Position		
Net investment in capital assets	(44.8)	(72.5)
Restricted	5.4	5.2
Unrestricted	(350.6)	(235.5)
Total net position	**$ (390.0)**	**$ (302.8)**

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 $(390.0) million at June 30, 2018. Net investment in capital assets is a deficit totaling $(44.8) million. It 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 $(350.6) million was unrestricted.

The $(350.6) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance 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.

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 $89.1 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.

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 the years ended June 30, 2018 and 2017.

	Governmental Activities	
	2018	2017
	(in millions)	
Revenue		
Program revenue:		
Charges for services	$ 11.0	$ 10.8
Operating grants	33.9	29.7
General revenue:		
Taxes	42.2	41.1
State aid not restricted to specific purposes	108.1	106.2
Other	0.7	0.3
Total revenue	195.9	188.1
Expenses		
Instruction	100.3	99.3
Support services	56.6	50.1
Building activities	1.9	1.9
Food services	3.9	3.5
Community services	1.0	1.0
International Academy	3.2	3.1
Debt service	14.6	15.8
Depreciation expense (unallocated)	12.5	13.0
Total expenses	194.0	187.7
Change in Net Position	1.9	0.4
Net Position - Beginning of year, as previously reported	(302.8)	(303.2)
Cumulative Effect of Change in Accounting	(89.1)	-
Net Position - Beginning of year	(391.9)	(303.2)
Net Position - End of year	**$ (390.0)**	**$ (302.8)**

As reported in the statement of activities, the cost of all of our governmental activities this year was $194.0 million. Certain activities were partially funded from those who benefited from the programs ($11.0 million) or by other governments and organizations that subsidized certain programs with grants and contributions ($33.9 million). We paid for the remaining “public benefit” portion of our governmental activities with $42.2 million in taxes, $108.1 million in state foundation allowance, and with our other revenue (i.e., interest and general entitlements).

The School District experienced an increase in net position of $1.9 million. This figure represents the net difference between revenue and function/program expenses.

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. Looking at funds 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 $37.0 million, which is an increase of $1.9 million from last year. The primary reasons for the increase are as follows:

General Fund - Fund balance increased $1.9 million to $28.5 million.

Special Revenue Funds - Fund balance increased from $2.5 million last year to $2.7 million this year.

Combined, the fund balance of our debt service funds increased nominally. Millage rates held consistent with the prior year in order to obligate towards debt service payments. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service fund balances are reserved since they can only be used to pay debt service obligations.

Combined, the fund balance of our capital project funds decreased $0.1 million. This minor decrease is primarily due to efforts of preserving the remaining capital projects funds balances for unexpected building repairs that significantly impact the General Fund.

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 $4.8 million due to an unexpected $2.3 million increase in certain categorical revenue from the State offsetting retirement costs and an unanticipated increase in foundation allowance payments due to actual student enrollment greater than original estimates.

Budgeted expenditures were also increased $4.4 million to account for the $2.3 million increase in retirement costs, as offset by the additional state categorical revenue. Other increases in expenditures relate to a negotiated formula distribution purchased professional services and technology licenses. The amount of transfers to other funds established in the amended budget was approximately $1.0 million and represents support provided by the General Fund to other functions.

There were no significant variances between the final budget and actual amounts.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018, the School District had $351.6 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately $12.2 million, or 3.4 percent, from last year.

	2018	2017
Land	$ 13,092,570	$ 13,092,570
Buildings and improvements	475,436,372	475,436,372
Furniture and equipment	44,318,166	43,981,552
Buses and other vehicles	8,576,988	8,576,988
Total capital assets	541,424,096	541,087,482
Less - Accumulated depreciation	189,843,896	177,313,792
Total capital assets - Net of accumulated depreciation	**$ 351,580,200**	**$ 363,773,690**

This year's additions of $0.3 included necessary purchases of furniture and equipment. In the event of a successful voter-approved bond proposal on November 6, 2018, capital projects would be planned for the second half of the 2018-2019 fiscal year. We anticipate capital additions will be greater than 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 $377.7 million in bonds outstanding versus $424.1 million in the previous year - a change of 10.9 percent. The outstanding bonds consisted of the following:

	2018	2017
General obligation bonds	$ 377,710,000	$ 424,095,000

The School District’s general obligation bond rating was A+ by S&P Global Ratings and Aa3 by Moody's Investor's Service as of June 30, 2018. The State limits the amount of general obligation debt that schools can issue to 15 percent of the State Equalized 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 debt meets the qualified status requirements and is not subject to the general obligation statutorily imposed limit.

In addition, the School District participates in the School Bond Loan Fund and School Loan Revoling Fund, which had $63.6 million in debt outstanding versus $29.9 million in the previous year. Other obligations include accrued vacation pay and sick leave. 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 68.0 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 $240 per pupil.

The School District is putting forth a bond proposal to the voters. The proposal is scheduled for the voter ballot on November 6, 2018. The proposal is for $97 million and will be used for safety and security enhancements, buses, student instructional technology and equipment, and other infrastructure needs. The last bond proposal approved by the voters was in 2010. The bond proposal is designed to help the School District meet needs. If passed, the debt millage will not increase.

During 2018, the School District settled a labor contract with the five labor groups. The labor agreements are for two years, extending through June 30, 2020.

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.

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Cash and investments (Note 4)	$ 22,073,288
Receivables:	
Other receivables	578,352
Due from other governments	24,854,996
Inventory	74,983
Prepaid expenses and other assets	1,825,761
Restricted assets (Note 5)	5,873,871
Capital assets - Net (Note 7)	351,580,200
Total assets	406,861,451
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 9)	14,973,490
Deferred pension costs (Note 11)	57,116,992
Deferred OPEB costs (Note 11)	4,819,361
Total deferred outflows of resources	76,909,843
Liabilities	
Accounts payable	982,340
Due to other governmental units	3,370
Accrued liabilities and other	18,878,171
Unearned revenue	942,027
Noncurrent liabilities:	
Due within one year (Note 9)	50,056,224
Due in more than one year (Note 9)	427,883,674
Net pension liability (Note 11)	257,686,252
Net OPEB liability (Note 11)	87,963,785
Total liabilities	844,395,843
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to the measurement date (Note 11)	10,334,902
Deferred pension cost reductions (Note 11)	15,935,285
Deferred OPEB cost reductions (Note 11)	3,136,687
Total deferred inflows of resources	29,406,874
Net Position	
Net investment in capital assets	(44,746,698)
Restricted:	
Capital projects	4,554,605
Special revenue	755,745
Unrestricted	(350,595,075)
Total net position	**$ (390,031,423)**

See notes to financial statements.

Statement of Activities

Year Ended June 30, 2018

	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	$ 100,333,017	$ -	$ 19,986,535	$ (80,346,482)
Support services	56,590,878	1,122,119	11,551,938	(43,916,821)
Food services	3,945,549	2,101,090	2,178,770	334,311
Community services	1,019,143	2,686,254	206,341	1,873,452
International Academy	3,203,880	3,231,421	-	27,541
Building activities	1,888,010	1,890,926	-	2,916
Interest	14,513,448	-	-	(14,513,448)
Other debt costs	53,532	-	-	(53,532)
Depreciation expense (unallocated)	12,530,104	-	-	(12,530,104)
Total primary government	**$ 194,077,561**	**$ 11,031,810**	**$ 33,923,584**	(149,122,167)

General revenue:	
Taxes:	
Property taxes, levied for general purposes	12,354,684
Property taxes, levied for debt service	29,868,410
State aid not restricted to specific purposes	108,123,354
Interest and investment earnings	288,421
Penalties, interest, and other taxes	67,261
Other	253,435
Total general revenue	150,955,565
Change in Net Position	1,833,398
Net Position - Beginning of year, as previously reported	(302,777,928)
Cumulative Effect of Change in Accounting	(89,086,893)
Net Position - Beginning of year	(391,864,821)
Net Position - End of year	**$ (390,031,423)**

See notes to financial statements.

Governmental Funds Balance Sheet

June 30, 2018

	General Fund	2015 Refunding Series B	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and cash equivalents (Note 4)	$ 19,164,366	$ -	$ 2,908,922	$ 22,073,288
Receivables:				
Other receivables	122,367	-	282,187	404,554
Due from other governments	24,854,996	-	-	24,854,996
Due from other funds (Note 8)	714,628	-	1,460	716,088
Inventory	34,657	-	40,326	74,983
Prepaid expenses	1,825,761	-	-	1,825,761
Restricted assets (Note 5)	-	214,263	5,659,608	5,873,871
Total assets	**$ 46,716,775**	**$ 214,263**	**$ 8,892,503**	**$ 55,823,541**
Liabilities				
Accounts payable	$ 964,020	$ -	$ 18,320	$ 982,340
Due to other governmental units	3,370	-	-	3,370
Due to other funds (Note 8)	73,734	-	468,556	542,290
Accrued liabilities and other	16,352,372	-	-	16,352,372
Unearned revenue (Note 6)	846,015	-	96,012	942,027
Total liabilities	18,239,511	-	582,888	18,822,399
Fund Balances				
Nonspendable:				
Inventory	34,657	-	40,326	74,983
Prepaids	1,825,761	-	-	1,825,761
Restricted:				
Debt service	-	214,263	150,305	364,568
Capital projects	-	-	5,509,303	5,509,303
Food service	-	-	1,389,515	1,389,515
International Academy	-	-	755,745	755,745
Committed:				
Accumulated employment obligation	1,273,395	-	-	1,273,395
Building operating budgets	-	-	464,421	464,421
Assigned - Subsequent year's budget shortfall	2,037,458	-	-	2,037,458
Unassigned	23,305,993	-	-	23,305,993
Total fund balances	28,477,264	214,263	8,309,615	37,001,142
Total liabilities and fund balances	**$ 46,716,775**	**$ 214,263**	**$ 8,892,503**	**$ 55,823,541**

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	$ 37,001,142
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	541,424,096
Accumulated depreciation	(189,843,896)
Net capital assets used in governmental activities	351,580,200
Deferred inflows and outflows related to bond refundings are not reported in the funds	14,973,490
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(475,904,197)
Accrued interest is not due and payable in the current period and is not reported in the funds	(2,525,799)
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	(1,273,395)
Early termination incentive obligations	(511,880)
Provision for health and/or workers' compensation claims	(250,426)
Net pension liability and related deferred inflows and outflows	(216,504,545)
Net OPEB liability and related deferred inflows and outflows	(86,281,111)
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	(10,334,902)
Net Position of Governmental Activities	**$ (390,031,423)**

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

Year Ended June 30, 2018

	General Fund	2015 Refunding Series B	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	$ 19,092,529	$ 18,368,557	$ 15,753,867	$ 53,214,953
State sources	132,264,152	131,781	215,563	132,611,496
Federal sources	4,842,665	-	2,047,355	6,890,020
Interdistrict	11,006	-	3,220,415	3,231,421
Total revenue	156,210,352	18,500,338	21,237,200	195,947,890
Expenditures				
Current:				
Instruction	97,705,077	-	-	97,705,077
Support services	55,452,578	21,918	15,320	55,489,816
Food services	-	-	3,898,681	3,898,681
Community services	1,006,651	-	-	1,006,651
International Academy	15,000	-	3,188,880	3,203,880
Building activities	-	-	1,863,668	1,863,668
Debt service:				
Principal	-	34,600,000	11,785,000	46,385,000
Interest	-	4,479,751	13,172,833	17,652,584
Other debt costs	-	32,604	20,928	53,532
Capital outlay	179,688	-	407,091	586,779
Total expenditures	154,358,994	39,134,273	34,352,401	227,845,668
Excess of Revenue Over (Under) Expenditures	1,851,358	(20,633,935)	(13,115,201)	(31,897,778)
Other Financing Sources (Uses)				
School Bond Loan Revolving Fund proceeds (Note 9)	-	20,607,722	13,158,856	33,766,578
Transfers in (Note 8)	1,030,608	-	946,942	1,977,550
Transfers out (Note 8)	(946,942)	-	(1,030,608)	(1,977,550)
Total other financing sources	83,666	20,607,722	13,075,190	33,766,578
Net Change in Fund Balances	1,935,024	(26,213)	(40,011)	1,868,800
Fund Balances - Beginning of year	26,542,240	240,476	8,349,626	35,132,342
Fund Balances - End of year	**$ 28,477,264**	**$ 214,263**	**$ 8,309,615**	**$ 37,001,142**

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 Balance Reported in Governmental Funds	$ 1,868,800
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	336,614
Depreciation expense	(12,530,104)
Revenue in support of pension contributions made subsequent to the measurement date	(2,829,741)
Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(33,766,578)
Repayment of bond 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	49,428,013
Interest expense is recognized in the government-wide statements as it accrues	96,123
Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(769,729)
Change in Net Position of Governmental Activities	**$ 1,833,398**

Fiduciary Funds
Statement of Fiduciary Assets and Liabilities

June 30, 2018

	Agency
Assets	
Cash and investments (Note 4)	$ 1,897,647
Due from other funds (Note 8)	195,912
Total assets	**$ 2,093,559**
Liabilities	
Due to student activities	$ 1,723,849
Due to other funds (Note 8)	369,710
Total liabilities	**$ 2,093,559**

Note 1 - Nature of Business

Chippewa Valley Schools (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. 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 a schedule 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, including special assessments. 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 and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

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 two broad fund types:

Note 2 - Significant Accounting Policies (Continued)

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:

- The General 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.
- The 2015 Refunding Series B Fund is a debt service fund that is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on the related bond issue.

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

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.
- Capital projects funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, technology upgrades, and for remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

The School District does not have any internal service funds.

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. The School District maintains a student activity agency fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

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 due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. 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.

Furthermore, 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.

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.

Note 2 - Significant Accounting Policies (Continued)

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, 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 counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or 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.

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity 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 Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories are recorded as expenditures when purchased. Inventories accounted for using the purchase method are recorded as expenditures when purchased and include all inventories of governmental funds other than commodities within the Food Services Fund. Inventories accounted for using the consumption method are recorded as expenditures when consumed rather than when purchased and include commodities within the Food Services 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 following amounts are reported as restricted assets:

- Unspent bond proceeds and related interest of the bonded capital projects funds required to be set aside for construction or other allowable bond purchases
- Unspent property taxes levied held in the debt service funds required to be set aside for future bond principal and interest payments

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 $1,000 and an estimated useful life in excess of one year, except for computer purchases, which are deemed capital assets at a minimum purchase price of $500. 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.

Note 2 - Significant Accounting Policies (Continued)

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

	Depreciable Life - Years
Buildings and improvements	20 to 50 years
Furniture and equipment	5 to 20 years
Buses and other vehicles	7 years

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the 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 service funds 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 deferred pension and OPEB costs and deferred refunding charges related to bonds.

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

The School District reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB plan 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. The restricted component of 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 invested in capital or restricted.

Net Position Flow Assumption

The School District will sometimes fund outlays for a particular purpose 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.

Note 2 - Significant Accounting Policies (Continued)

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the 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 business services and operations to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Property taxes 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 for approximately 50 percent of the taxes and on December 1 for the remainder of the property taxes. Taxes are considered 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 to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Note 2 - Significant Accounting Policies (Continued)

Pension and Other Postemployment Benefit (OPEB) Plans

For the purpose of measuring the net pension liability and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, 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.

Compensated Absences (Vacation and Sick Leave)

It is the School District's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the School District will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee’s compensation are used to liquidate the 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 OPEB standard will require 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 MPSERS OPEB plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

In accordance with the statement, the School District has reported a net OPEB liability of $92,782,305, deferred outflows of financial resources for OPEB contributions of $6,488,222 made subsequent to the measurement date, and deferred inflows of financial resources for revenue received from state aid in support of OPEB contributions of $2,792,810 that was received subsequent to the measurement date, as the effects of these changes in accounting principles on the School District's net position as of July 1, 2017.

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board 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 should 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.

Note 2 - Significant Accounting Policies (Continued)

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. 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, 2021.

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. 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. The required supplemental information - budgetary comparison schedule is presented on the same basis of accounting used to prepare the budget, which includes certain items having classifications that differ from the statement of revenue, expenditures, and changes in fund balances. During the year, the budget was amended in a legally permissible manner. The School District increased budgeted amounts during the year in response to higher than budgeted enrollment and additional funding, and an increase in retirement cost offset revenue.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

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 16 banks for the deposit of its funds.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost.

Note 4 - Deposits and Investments (Continued)

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 states that financial institutions be evaluated and only those with acceptable risk level be used for the School District's deposits. At year end, the School District had $10,015,483 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized.

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 investment policy states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law. At June 30, 2018, the School District does not have investments with custodial credit risk.

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 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; investing operating funds, primarily in the 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. 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.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. As of June 30, 2018, the investment below has no credit quality rating as it is not rated by a ratings agency:

Investment	Carrying Value	Rating	Rating Organization
Primary Government			
Bank investment pool	$ 21,265,867	Not rated	

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. The School District does not have any investments subject to concentration of credit risk.

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 - Restricted Assets

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

Description	Governmental Activities
Unspent bond proceeds	$ 5,509,303
Bond debt service reserve	364,568
Total	$ 5,873,871

Note 6 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2018, the School District had $942,027 of unearned revenue, of which $846,015 related to grants received and tuition payments received but not yet earned, and $96,012 related to deposits received for the subsequent year's food service program.

Note 7 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

Governmental Activities

	Balance July 1, 2017	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated - Land	$ 13,092,570	$ -	$ -	$ 13,092,570
Capital assets being depreciated:				
Buildings and improvements	475,436,372	-	-	475,436,372
Furniture and equipment	43,981,552	336,614	-	44,318,166
Buses and other vehicles	8,576,988	-	-	8,576,988
Subtotal	527,994,912	336,614	-	528,331,526
Accumulated depreciation:				
Buildings and improvements	141,042,863	9,303,847	-	150,346,710
Furniture and equipment	31,141,612	2,335,171	-	33,476,783
Buses and other vehicles	5,129,317	891,086	-	6,020,403
Subtotal	177,313,792	12,530,104	-	189,843,896
Net capital assets being depreciated	350,681,120	(12,193,490)	-	338,487,630
Net governmental activities capital assets	$ 363,773,690	$ (12,193,490)	$ -	$ 351,580,200

Depreciation expense was not charged to activities, as the School District considers its assets to benefit multiple activities and allocation is not practical.

Note 8 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

	Primary Government			
	Fund Due From			
Fund Due To	General Fund	Nonmajor Funds	Fiduciary Fund	Total
General fund	$ -	$ 346,378	$ 368,250	$ 714,628
Nonmajor funds	-	-	1,460	1,460
Fiduciary fund	73,734	122,178	-	195,912
Total	$ 73,734	$ 468,556	$ 369,710	$ 912,000

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Transfers of $946,942 from the General Fund to the International Academy covered the School District's tuition owed to the International Academy. The International Academy transferred $810,608 to the General Fund to reimburse the School District for staff working at the International Academy and other expenditures. Finally, a transfer of $220,000 was made from the Food Service Fund to the General Fund to contribute to the costs of operation incurred by the General Fund for Cafeteria Fund operations.

Note 9 - Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligations	$ 424,095,000	$ -	$ (46,385,000)	$ 377,710,000	$ 46,295,000
Unamortized bond premiums	37,583,770	-	(3,038,684)	34,545,086	3,038,684
School loan revolving fund	29,881,463	33,766,544	-	63,648,007	-
School bond loan fund	1,070	34	-	1,104	-
Compensated absences	1,196,614	336,836	(260,055)	1,273,395	318,349
Claims and judgments	266,439	298,590	(314,603)	250,426	250,426
Early termination obligation	382,905	269,340	(140,365)	511,880	153,765
Total governmental activities long-term debt	$ 493,407,261	$ 34,671,344	$ (50,138,707)	$ 477,939,898	$ 50,056,224

The School District had deferred outflows of $14,973,490 related to deferred charges on bond refundings at June 30, 2018.

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Qualified bonds are fully guaranteed by the State of Michigan. General obligations outstanding at June 30, 2018 are as follows:

Note 9 - Long-term Debt (Continued)

Purpose	Remaining Annual Installments	Interest Rates	Maturing May 1	Outstanding
$132,945,000 general obligation bonds (2013 Refunding)	$5,775,000 to $8,530,000	3.5% to 5.25%	2034	$ 107,850,000
$38,170,000 general obligation bonds (2015 Refunding Series A)	$3,975,000 to $9,730,000	3.13% to 5.00%	2027	38,170,000
$195,675,000 general obligation bonds (2015 Refunding Series B)	$30,125,000 to $34,375,000	1.64% to 2.98%	2022	126,075,000
$63,915,000 general obligation bonds (2016 Refunding Series A)	$3,445,000 to $3,675,000	2.00% to 5.00%	2035	60,320,000
$45,295,000 general obligation bonds (2016 Refunding Series B)	$1,660,000 to $8,310,000	5.00%	2027	45,295,000
Total governmental activities				$ 377,710,000

Other Long-term Liabilities

Compensated absences attributed to governmental activities as of June 30, 2018 will be liquidated primarily by the General Fund. The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated vacation and sick leave benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

The claims and judgments liability and the voluntary retirement supplement will generally be liquidated through the School District's General Fund. The School District has a long-term voluntary retirement incentive program in place that calls for a total payout of $511,880 through June 2025 to be paid in monthly installments of $335

Debt Service Requirements to Maturity

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

	Governmental Activities		
Years Ending June 30	Principal	Interest	Total
2019	$ 46,295,000	$ 15,359,314	$ 61,654,314
2020	47,680,000	13,918,189	61,598,189
2021	49,165,000	12,366,289	61,531,289
2022	50,675,000	10,698,312	61,373,312
2023	23,090,000	8,858,937	31,948,937
2024-2028	95,470,000	27,591,057	123,061,057
Thereafter	65,335,000	11,094,042	76,429,042
Total	$ 377,710,000	$ 99,886,140	$ 477,596,140

Note 9 - Long-term Debt (Continued)

School Bond Loan

The school bond loan payable represents notes payable to the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest, at the annual rate ranging from 3.10164 percent to 3.18098 percent from July 1, 2017 to June 30, 2018, has been assessed for the year ended June 30, 2018. Repayment is required when the millage rate necessary to cover the annual bonded debt service falls below 7 mills. The School District is required to levy mills and repay to the State any excess of the amount levied over the bonded debt service requirements. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the School District, no provision for repayment has been included in the above amortization schedule.

School Loan Revolving Fund

The School Loan Revolving Fund payable represents notes payable to the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board in accordance with Section 9 of Act No. 92 of the Public Acts of 2005, as amended. Interest rates went into effect beginning October 1, 2005 pursuant to Public Act 92. Interest at an annual rate ranging from 3.10164 percent to 3.18098 percent from July 1, 2017 to June 30, 2018 has been assessed for the year ended June 30, 2018. Repayment begins as soon as annual tax collections exceed annual debt service payment requirements. The predetermined mandatory final loan repayment date is May 1, 2040. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the School District, no provision for repayment has been included in the above amortization schedule.

Note 10 - 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 all claims except workers' compensation and dental. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. For dental, claims are limited to various maximum amounts, which depend on employee contractual groups.

The School District estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including claims that have been reported, as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	2018	2017
Estimated liability - Beginning of year	$ 266,439	$ 210,758
Estimated claims incurred, including changes in estimates	298,590	355,917
Claim payments	(314,603)	(300,236)
Estimated liability - End of year	$ 250,426	$ 266,439

Note 11 - 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 (DB) 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 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 (DC) 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 11 - 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 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 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 $27,680,501, 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 $10,334,902 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 $6,346,514, which include the School District's contributions required for those members with a defined contribution benefit.

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Net Pension Liability

At June 30, 2018, the School District reported a liability of $257,686,252 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 and 2016, the School District's proportion was 0.994380 percent and 0.980266 percent, respectively.

Net OPEB Liability

At June 30, 2018, the School District reported a liability of $87,963,785 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 and 2016, the School District’s proportion was 0.993327 percent.

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 $27,898,320, 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	$ 2,239,469	$ (1,264,412)
Changes in assumptions	28,231,576	-
Net difference between projected and actual earnings on pension plan investments	-	(12,319,098)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	5,141,134	(2,351,775)
The School District's contributions to the plan subsequent to the measurement date	21,504,813	-
Total	$ 57,116,992	$ (15,935,285)

The $10,334,902 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	$ 5,883,263
2020	9,866,253
2021	4,160,764
2022	(233,386)
Total	$ 19,676,894

Note 11 - 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 year ended June 30, 2018, the School District recognized OPEB expense of $5,847,285.

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	$ -	$ (936,555)
Net difference between projected and actual earnings on OPEB plan investments	-	(2,037,262)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	-	(162,870)
Employer contributions to the plan subsequent to the measurement date	4,819,361	-
Total	$ 4,819,361	$ (3,136,687)

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 OPEB expense):

Years Ending	Amount
2019	$ (755,030)
2020	(755,030)
2021	(755,030)
2022	(755,030)
2023	(116,567)
Total	$ (3,136,687)

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2017 are based on the results of an actuarial valuation as of September 30, 2016 and rolled forward. The total pension and OPEB liabilities were 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%
Healthcare cost trend rate	7.50%	Year 1 graded to 3.5% 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

Note 11 - Michigan Public School Employees' Retirement System (Continued)

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.

Discount Rate

The discount rate used to measure the total pension liability was 7.00 - 7.50 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 pool	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	$ 335,679,477	$ 257,686,252	$ 192,020,924

Note 11 - 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	$ 103,031,016	$ 87,963,785	$ 75,176,424

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	$ 74,493,502	$ 87,963,785	$ 103,258,353

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 $4,277,837 and $1,034,604 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018.

Note 12 - Tax Abatements

The School District receives reduced property tax revenue as a result of Industrial Facilities Tax exemptions (PA 198 of 1974) granted by cities, villages, and townships within the boundaries of the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities.

For the fiscal year ended June 30, 2018, the School District’s property tax revenue was reduced by $138,336 under this program.

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the School Aid formula. The School District received approximately $93,470 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from the debt service millages. There are no abatements made by the School District.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	$ 19,199,990	$ 19,118,881	$ 19,103,535	$ (15,346)
State sources	127,186,093	132,519,373	132,264,152	(255,221)
Federal sources	5,893,108	5,417,228	4,842,665	(574,563)
Total revenue	152,279,191	157,055,482	156,210,352	(845,130)
Expenditures				
Current:				
Instruction:				
Basic programs	79,725,541	80,635,277	80,251,675	(383,602)
Added needs	16,982,649	17,703,368	17,376,456	(326,912)
Adult/Continuing education	174,510	163,435	146,193	(17,242)
Support services:				
Pupil	14,355,977	15,125,658	14,942,310	(183,348)
Instructional staff	5,304,987	6,143,382	5,790,599	(352,783)
General administration	779,495	970,616	864,533	(106,083)
School administration	9,686,859	9,858,194	9,853,771	(4,423)
Business	2,157,005	2,202,908	2,174,328	(28,580)
Operations and maintenance	11,698,703	11,693,811	11,277,484	(416,327)
Pupil transportation services	4,577,981	4,730,383	4,671,785	(58,598)
Central	3,828,273	4,250,897	3,698,749	(552,148)
Other	2,221,176	2,293,118	2,304,460	11,342
Community services	1,106,565	1,184,116	1,006,651	(177,465)
Total expenditures	152,599,721	156,955,163	154,358,994	(2,596,169)
Excess of Revenue (Under) Over Expenditures	(320,530)	100,319	1,851,358	1,751,039
Other Financing Sources (Uses)				
Transfers in	1,007,548	1,033,448	1,030,608	(2,840)
Transfers out	(944,592)	(961,992)	(946,942)	15,050
Total other financing sources	62,956	71,456	83,666	12,210
Net Change in Fund Balance	(257,574)	171,775	1,935,024	1,763,249
Fund Balance - Beginning of year	26,542,240	26,542,240	26,542,240	-
Fund Balance - End of year	**$ 26,284,666**	**$ 26,714,015**	**$ 28,477,264**	**$ 1,763,249**

See notes to required supplemental information.

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

Last Four Plan Years

For the Plan Years Ended September 30

	2017	2016	2015	2014
School District's proportion of the net pension liability	0.99438 %	0.98027 %	0.99317 %	0.96771 %
School District's proportionate share of the net pension liability	$ 257,686,252	$ 244,568,269	$ 242,581,555	$ 213,151,629
School District's covered employee payroll	$ 83,996,191	$ 84,418,371	$ 84,653,222	$ 86,058,137
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	306.78 %	289.71 %	286.56 %	247.68 %
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 Employees' Retirement System

Last Four Fiscal Years

Years Ended June 30

	2018	2017	2016	2015
Statutorily required contribution	$ 25,438,468	$ 23,691,561	$ 23,205,511	$ 18,136,572
Contributions in relation to the statutorily required contribution	25,438,468	23,691,561	23,205,511	18,136,572
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**
School District's Covered Employee Payroll	$ 83,860,548	$ 85,661,493	$ 84,189,404	$ 86,964,485
Contributions as a Percentage of Covered Employee Payroll	30.33 %	27.66 %	27.56 %	20.86 %

See notes to required supplemental information.

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

Last One Plan Years

For the Plan Year Ended June 30

	2017
School District's proportion of the net OPEB liability	0.99333 %
School District's proportionate share of the net OPEB liability	$ 87,963,785
School District's covered employee payroll	$ 83,996,191
School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	104.72 %
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 Employees' Retirement System

Last One Fiscal Year

Year Ended June 30

	2018
Statutorily required contribution	$ 6,106,190
Contributions in relation to the statutorily required contribution	6,106,190
Contribution Deficiency	**$ -**
School District's Covered Employee Payroll	$ 83,860,548
Contributions as a Percentage of Covered Employee Payroll	7.28 %

See notes to required supplemental information.

Pension Information

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

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 percent-7.50 percent based on the group.

Covered Payroll

The employers' covered payroll to be reported in the required supplemental information is defined by GASB 82, *Pension Issues - an Amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based and by GASB 85, *Omnibus 2017,* as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms in 2017.

Changes in Assumptions

There were no changes of benefit assumptions in 2017.

Covered Payroll

The employers' covered payroll to be reported in the required supplemental information is defined by GASB 82, *Pension Issues - an Amendment to GASB Statements No. 67, No. 68, and No. 73* as payroll on which contributions to a pension plan are based and by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

Other Supplemental Information

	Special Revenue Funds			Debt Service Funds		
	Cafeteria	International Academy	Building Activities	2013 Refunding	2015 Refunding Series A	2016 Refunding Series A
Assets						
Cash and cash equivalents	$ 1,561,661	$ 476,367	$ 870,894	$ -	$ -	$ -
Receivables - Other receivables	-	282,187	-	-	-	-
Due from other funds	557	-	903	-	-	-
Inventory	40,326	-	-	-	-	-
Restricted assets	-	-	-	93,413	8,547	37,201
Total assets	**$ 1,602,544**	**$ 758,554**	**$ 871,797**	**$ 93,413**	**$ 8,547**	**$ 37,201**
Liabilities						
Accounts payable	$ 18,320	$ -	$ -	$ -	$ -	$ -
Due to other funds	58,371	2,809	407,376	-	-	-
Unearned revenue	96,012	-	-	-	-	-
Total liabilities	172,703	2,809	407,376	-	-	-
Fund Balances						
Nonspendable - Inventory	40,326	-	-	-	-	-
Restricted:						
Debt service	-	-	-	93,413	8,547	37,201
Capital projects	-	-	-	-	-	-
Food service	1,389,515	-	-	-	-	-
International Academy	-	755,745	-	-	-	-
Committed - Building operating budgets	-	-	464,421	-	-	-
Total fund balances	1,429,841	755,745	464,421	93,413	8,547	37,201
Total liabilities and fund balances	**$ 1,602,544**	**$ 758,554**	**$ 871,797**	**$ 93,413**	**$ 8,547**	**$ 37,201**

June 30, 2018

Debt Service Funds	Capital Project Funds		
2016 Refunding Series B	2005 Building and Site	2010 Building and Site Series A	Total
$ -	$ -	$ -	$ 2,908,922
-	-	-	282,187
-	-	-	1,460
-	-	-	40,326
11,144	3,150,355	2,358,948	5,659,608
$ 11,144	**$ 3,150,355**	**$ 2,358,948**	**$ 8,892,503**
$ -	$ -	$ -	$ 18,320
-	-	-	468,556
-	-	-	96,012
-	-	-	582,888
-	-	-	40,326
11,144	-	-	150,305
-	3,150,355	2,358,948	5,509,303
-	-	-	1,389,515
-	-	-	755,745
-	-	-	464,421
11,144	3,150,355	2,358,948	8,309,615
$ 11,144	**$ 3,150,355**	**$ 2,358,948**	**$ 8,892,503**

	Special Revenue Funds			Debt Service Funds		
	Cafeteria	International Academy	Building Activities	2013 Refunding	2015 Refunding Series A	2016 Refunding Series A
Revenue						
Local sources	$ 2,101,090	$ -	$ 1,891,383	$ 6,735,305	$ 875,688	$ 3,054,473
State sources	131,415	-	-	48,174	6,284	21,917
Federal sources	2,047,355	-	-	-	-	-
Interdistrict	-	3,220,415	-	-	-	-
Total revenue	4,279,860	3,220,415	1,891,383	6,783,479	881,972	3,076,390
Expenditures						
Current:						
Support services	-	855	-	7,830	1,664	2,801
Food services	3,898,681	-	-	-	-	-
International Academy	-	3,188,880	-	-	-	-
Building activities	-	-	1,863,668	-	-	-
Debt service:						
Principal	-	-	-	8,405,000	-	3,380,000
Interest	-	-	-	5,884,716	1,867,042	3,115,409
Other debt costs	-	-	-	11,862	1,587	5,578
Capital outlay	122,732	130,413	-	-	-	-
Total expenditures	4,021,413	3,320,148	1,863,668	14,309,408	1,870,293	6,503,788
Excess of Revenue Over (Under) Expenditures	258,447	(99,733)	27,715	(7,525,929)	(988,321)	(3,427,398)
Other Financing Sources (Uses)						
School Bond Loan Revolving Fund proceeds	-	-	-	7,533,350	982,606	3,427,304
Transfers in	-	946,942	-	-	-	-
Transfers out	(220,000)	(810,608)	-	-	-	-
Total other financing (uses) sources	(220,000)	136,334	-	7,533,350	982,606	3,427,304
Net Change in Fund Balances	38,447	36,601	27,715	7,421	(5,715)	(94)
Fund Balances - Beginning of year	1,391,394	719,144	436,706	85,992	14,262	37,295
Fund Balances - End of year	**$ 1,429,841**	**$ 755,745**	**$ 464,421**	**$ 93,413**	**$ 8,547**	**$ 37,201**

Year Ended June 30, 2018

Debt Service Funds	Capital Project Funds		
2016 Refunding Series B	2005 Building and Site	2010 Building and Site Series A	Total
$ 1,083,514	$ 6,895	$ 5,519	$ 15,753,867
7,773	-	-	215,563
-	-	-	2,047,355
-	-	-	3,220,415
1,091,287	6,895	5,519	21,237,200
2,170	-	-	15,320
-	-	-	3,898,681
-	-	-	3,188,880
-	-	-	1,863,668
-	-	-	11,785,000
2,305,666	-	-	13,172,833
1,901	-	-	20,928
-	2	153,944	407,091
2,309,737	2	153,944	34,352,401
(1,218,450)	6,893	(148,425)	(13,115,201)
1,215,596	-	-	13,158,856
-	-	-	946,942
-	-	-	(1,030,608)
1,215,596	-	-	13,075,190
(2,854)	6,893	(148,425)	(40,011)
13,998	3,143,462	2,507,373	8,349,626
$ 11,144	**$ 3,150,355**	**$ 2,358,948**	**$ 8,309,615**

June 30, 2018

Year Ended June 30	2016 Refunding Series A Principal	2016 Refunding Series B Principal	2015 Refunding Series A Principal	2015 Refunding Series B Principal	2013 Refunding Principal	Total
2019	$ 3,445,000	$ 4,230,000	$ -	$ 30,125,000	$ 8,495,000	$ 46,295,000
2020	3,465,000	4,305,000	-	31,400,000	8,510,000	47,680,000
2021	3,510,000	6,950,000	-	30,175,000	8,530,000	49,165,000
2022	3,450,000	7,075,000	-	34,375,000	5,775,000	50,675,000
2023	3,490,000	8,310,000	5,430,000	-	5,860,000	23,090,000
2024	3,540,000	4,265,000	9,480,000	-	5,950,000	23,235,000
2025	3,485,000	4,255,000	9,555,000	-	6,035,000	23,330,000
2026	3,505,000	4,245,000	9,730,000	-	6,145,000	23,625,000
2027	3,530,000	1,660,000	3,975,000	-	6,235,000	15,400,000
2028	3,550,000	-	-	-	6,330,000	9,880,000
2029	3,565,000	-	-	-	6,425,000	9,990,000
2030	3,585,000	-	-	-	6,520,000	10,105,000
2031	3,605,000	-	-	-	6,625,000	10,230,000
2032	3,625,000	-	-	-	6,730,000	10,355,000
2033	3,640,000	-	-	-	6,840,000	10,480,000
2034	3,655,000	-	-	-	6,845,000	10,500,000
2035	3,675,000	-	-	-	-	3,675,000
Total remaining payments	**$ 60,320,000**	**$ 45,295,000**	**$ 38,170,000**	**$ 126,075,000**	**$ 107,850,000**	**$ 377,710,000**
Principal payments due	May 1	May 1	May 1	May 1	May 1	
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	
Interest rate	2.00% to 5.00%	5.00%	3.13% to 5.00%	1.64% to 2.98%	3.50% to 5.25%	
Original issue	**$ 63,915,000**	**$ 45,295,000**	**$ 38,170,000**	**$ 195,675,000**	**$ 132,945,000**	