Stockbridge Community Schools

Financial Statements

June 30, 2018

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Stockbridge Community Schools
Members of the Board of Education and Administration
June 30, 2018

Administration

Karl Heidrich – Superintendent

Tracey Wooden – Finance Director / Transportation Director

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Independent Auditors' Report

Management and the Board of Education
Stockbridge Community Schools
Stockbridge, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 Stockbridge Community Schools, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinions are not modified with respect to this matter.

Other Matters:

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, and schedule of the school district's OPEB contributions 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stockbridge Community Schools' basic financial statements. The other supplementary 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 supplementary information, as identified 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 supplementary information, as identified in the table of contents, 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 August 23, 2018 on our consideration of Stockbridge Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Stockbridge Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stockbridge Community Schools' internal control over financial reporting and compliance.

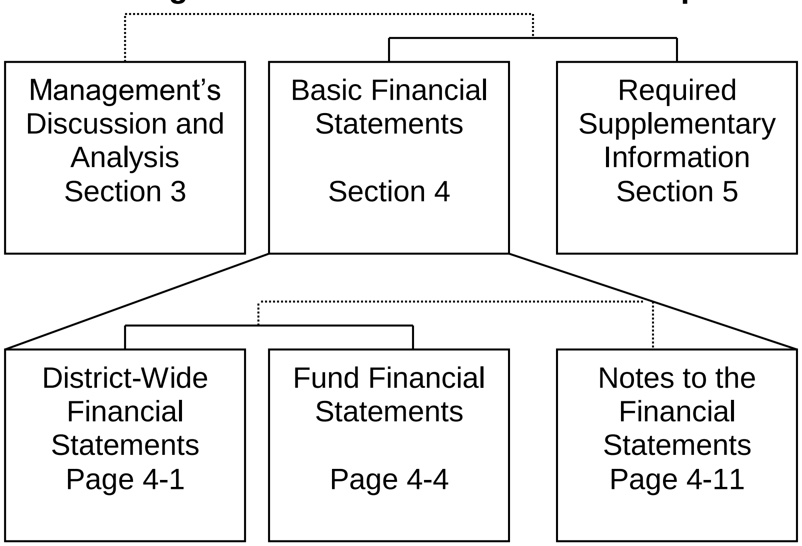
Yeo & Yeo, P.C.

Lansing, MI
August 23, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This financial report is presented in the format required by the Governmental Accounting Standards Board (GASB). The overall organization of this report is shown in Figure A-1.

Figure A-1
Stockbridge Community Schools
Organization of Annual Financial Report



District-Wide Financial Statements

One of the most important questions asked about the District is, "As a whole, what is the 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 District's financial statements, report information on the District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the District's net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, as reported in the statement of net position - as one way to measure the District's financial health or financial position. Over time, increases or decreases in the 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 revenues and expenses is the District's operating results. However, the 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 District.

The statement of net position and the statement of activities report the governmental activities for the District, which encompass all of the 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.

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by state law and by bond covenants. However, the District establishes many other funds to help it control and manage money for particular purposes (the Food Services 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).

The governmental funds of the District use the following accounting approach:

Governmental funds - All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the 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.

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

Financial Analysis of the District as a Whole

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

	Governmental Activities Year Ended June 30, 2018	Governmental Activities Year Ended June 30, 2017
Assets and Deferred Outflows		
Current assets	$ 9,456,232	$ 16,831,509
Capital assets	41,330,608	37,652,405
Less accumulated depreciation	(11,250,865)	(13,058,375)
Capital assets, net book value	30,079,743	24,594,030
Deferred outflows of resources	5,001,183	2,833,938
Total assets and deferred outflows	44,537,158	44,259,477
Liabilities and Deferred Inflows		
Current liabilities	4,129,477	5,541,241
Long-term liabilities	53,541,714	47,338,702
Deferred inflows of resources	2,809,369	871,709
Total liabilities and deferred inflows	60,480,560	53,751,652
Net Position		
Net investment in capital assets	6,842,180	6,410,792
Restricted	516,658	494,932
Unrestricted	(23,302,240)	(16,397,899)
Total net position	$ (15,943,402)	$ (9,492,175)

The above analysis focuses on the net position. The change in net position of the District's governmental activities is discussed below. By far the most significant portion of the District's net position is the negative unrestricted portion related to pensions and other postemployment benefits. The unrestricted portion of net position decreased during the fiscal year mainly as a result of the implementation of GASB 75 which resulted in the addition of a net OPEB liability of about $7 million. Net investment in capital assets totaling $6,842,180 and $6,410,792 at June 30, 2018 and 2017, respectively, compares the original cost, less depreciation of the 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 District's ability to use those net position for day-to-day operations. Restricted net position was $516,658 and $494,932 at June 30, 2018 and 2017, respectively. The remaining amount of net position, ($23,302,240) and ($16,397,899) at June 30, 2018 and 2017, respectively, was unrestricted.

The ($23,302,240) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the 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.

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

	Governmental Activities Year Ended June 30, 2018	Governmental Activities Year Ended June 30, 2017
Revenues		
Program revenues		
Charges for services	$ 605,267	$ 611,403
Operating grants and contributions	2,566,392	2,469,160
General revenues		
Property taxes	6,906,735	5,749,288
State aid - unrestricted	5,597,193	6,802,016
Other	528,647	702,987
Total revenues	16,204,234	16,334,854
Expenses		
Instruction	8,939,479	8,759,647
Support services	4,747,438	5,073,798
Food service	524,561	523,849
Community services	444,025	448,623
Athletics	297,241	238,967
Other transactions	900,924	933,037
Total expenses	15,853,668	15,977,921
Increase in net position	$ 350,566	$ 356,933

As reported in the statement of activities, the cost of all of our governmental activities this year was $15,853,668. Certain activities were partially funded from those who benefited from the programs ($605,267) or by other governments and organizations that subsidized certain programs with grants and contributions ($2,566,392). We paid for the remaining "public benefit" portion of our governmental activities with $6,906,735 in taxes, $5,597,193 in state foundation allowance, and with our other revenues, i.e., interest and general entitlements.

The District experienced an increase in net position of $350,566. Key reasons for the change in net position in 2017-2018 included an increase in property tax revenues for the current fiscal year.

As discussed above, the net cost shows the financial burden that was placed on the State and the 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 District and balance those needs with state-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the District's overall financial health.

As the District completed this year, the governmental funds reported a combined fund balance of $5,491,404, which is a decrease of $5,968,812 from last year. The primary reasons for the change are as follows:

- In the General Fund, our principal operating fund, the fund balance increased from $2,129,710 to $2,392,366. The change is due mainly non-replacement of staff and lower than budgeted HRA health insurance expenses. The General Fund balance is available to fund costs related to allowable school operating purposes.

- Our Special Revenue Fund showed a fund balance decrease of $56,443. The change is was due to purchasing much needed equipment for the department.

- The 2015 Debt Service Fund showed a fund balance increase of $5,506. Millage rates decreased to $1.89 per $1,000 of taxable value. Millage rates are determined annually to ensure that the District accumulates sufficient resources to pay annual bond issue-related debt service. The increase is related to the millage rate allocated to taxpayers for the current fiscal year. The 2016 Debt Service Fund showed a fund balance increase of $10,921. Millage rates changed to $2.06 per $1,000 of taxable value. Debt Service Funds fund balances are restricted since they can only be used to pay debt service obligations.

- The Capital Projects Fund showed a decrease in fund balance of $6,191,452. The decrease is related to the construction improvements completed in the district. Capital and projects related to Projects Funds fund balances are restricted since they can only be used to pay for capital projects.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues 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 actually adopted just before year-end. A schedule showing the 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 revisions made to the 2017-2018 General Fund original budget. Budgeted revenues were increased by $357,736 due to the changes in taxable values, additional grant funds and student enrollments.

Budgeted expenditures were increased by $451,526 to account for non-replacement of staff, lower than budgeted HRA health insurance expenses for employees and additional grant funds.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018, the District had $30,079,743 invested in a broad range of capital assets, including land, construction in progress, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions and depreciation) of $5,485,713, or 22.30 percent, from last year.

Assets		2018		2017
Land	$	380,120	$	380,120
Buildings and improvements		37,498,220		25,479,674
Buses and other vehicles		1,379,713		1,274,792
Furniture and equipment		2,062,555		1,495,587
Construction in progress		10,000		9,022,232
Subtotal		41,330,608		37,652,405
Less accumulated depreciation		(11,250,865)		(13,058,375)
	$	30,079,743	$	24,594,030

This year's additions of $6,297,936 pertained to stadium project, computers, and school buses. 2016 Building and Site Bonds were issued in the prior year related to new construction and renovation projects in progress.

We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the District had $25,870,471 in debt outstanding versus $27,011,251 in the previous year - a change of 4.22 percent. Debt consisted of the following:

		June 30, 2018		June 30, 2017
2015 Refunding Bonds	$	6,770,000	$	7,520,000
2016 Building and Site Bonds		16,380,000		16,630,000
Premium on Bonds		2,559,387		2,717,467
Compensated Absences		161,084		143,784
	$	25,870,471	$	27,011,251

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the District's boundaries. If the District issues "qualified debt", i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The District's outstanding unqualified general obligation debt of $23,150,000 is significantly below the statutorily imposed limit.

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 considered many factors when setting the District's 2018-2019 fiscal year budget. Other budget factors affecting the budget are student count and state foundation revenue. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the FY-18 is 90 percent of the September 2018 student counts and 10 percent of the February 2019 student counts, respectively. The 2018-2019 budget was adopted in June 2018, based on an estimate of students who will be enrolled in September 2018. Approximately 80 percent of total General Fund revenue is from the foundation allowance. Under state law, the District cannot assess additional property tax revenue for general operations. As a result, district funding in the 2018-19 school year, we anticipate that the fall student count will be down slightly from the estimates used in creating the 2018-2019 budget. Once the final student count and related per pupil funding in validated, state law requires the District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the 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 revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimated future funding will continue to be in jeopardy of being cut on a per student basis.

BASIC FINANCIAL STATEMENTS

Stockbridge Community Schools
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash	$ 6,866,152
Restricted cash	1,038,526
Accounts receivable	28,981
Due from other governmental units	1,385,707
Inventory	5,943
Prepaid items	130,923
Capital assets not being depreciated	390,120
Capital assets - net of accumulated depreciation	29,689,623
Total assets	39,535,975
Deferred Outflows of Resources	
Deferred amount relating to the net pension liability	4,404,597
Deferred amount relating to the net OPEB liability	428,969
Deferred amount on debt refunding	167,617
Total deferred outflows of resources	5,001,183
Total assets and deferred outflows of resources	44,537,158

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Statement of Net Position
June 30, 2018

	Governmental Activities
Liabilities	
Accounts payable	$ 268,156
State aid anticipation note payable	2,224,994
Accrued expenditures	711,940
Accrued salaries payable	846,543
Unearned revenue	77,844
Long-term liabilities	
Net pension liability	20,602,451
Net OPEB liability	7,068,792
Debt due within one year	1,201,084
Debt due in more than one year	24,669,387
Total liabilities	57,671,191
Deferred Inflows of Resources	
Deferred amount relating to the net pension liability	2,570,392
Deferred amount relating to the net OPEB liability	238,977
Total deferred inflows of resources	2,809,369
Total liabilities and deferred inflows of resources	60,480,560
Net Position	
Net investment in capital assets	6,842,180
Restricted for	
Debt service	516,658
Unrestricted	(23,302,240)
Total net position	$ (15,943,402)

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Statement of Activities
For the Year Ended June 30, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Governmental activities				
Instruction	$ 8,939,479	$ 248,975	$ 1,704,418	$ (6,986,086)
Supporting services	4,747,438	64,867	324,368	(4,358,203)
Food services	524,561	166,292	320,152	(38,117)
Community services	444,025	66,022	153,687	(224,316)
Athletics	297,241	59,111	63,767	(174,363)
Interest and fiscal charges on long-term debt	900,924	-	-	(900,924)
Total governmental activities	$ 15,853,668	$ 605,267	$ 2,566,392	(12,682,009)
General revenues				
Property taxes, levied for general purposes				4,847,856
Property taxes, levied for debt service				2,058,879
State aid - unrestricted				5,597,193
Special Education county allocation				504,535
Interest and investment earnings				7,056
Other				17,056
Total general revenues				13,032,575
Change in net position				350,566
Net position - beginning, as restated				(16,293,968)
Net position - ending				$(15,943,402)

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	$ 3,648,745	$ 2,459,140	$ 758,267	$ 6,866,152
Restricted cash	1,038,526	-	-	1,038,526
Accounts receivable	28,981	-	-	28,981
Due from other funds	-	-	46,756	46,756
Due from other governmental units	1,385,707	-	-	1,385,707
Inventory	-	-	5,943	5,943
Prepaid items	129,682	-	1,241	130,923
Total assets	$ 6,231,641	$ 2,459,140	$ 812,207	$ 9,502,988
Liabilities				
Accounts payable	$ 113,223	$ 154,933	$ -	$ 268,156
State aid anticipation note payable	2,224,994	-	-	2,224,994
Due to other funds	46,756	-	-	46,756
Accrued expenditures	546,590	-	701	547,291
Accrued salaries payable	837,804	-	8,739	846,543
Unearned revenue	69,908	-	7,936	77,844
Total liabilities	3,839,275	154,933	17,376	4,011,584

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances				
Non-spendable				
Inventory	$ -	$ -	$ 5,943	$ 5,943
Prepaid items	129,682	-	1,241	130,923
Restricted for				
Food service	-	-	106,340	106,340
Debt service	-	-	681,307	681,307
Capital projects	-	2,304,207	-	2,304,207
Assigned - subsequent year's expenditures	753,441	-	-	753,441
Unassigned	1,509,243	-	-	1,509,243
Total fund balances	2,392,366	2,304,207	794,831	5,491,404
Total liabilities and fund balances	$ 6,231,641	$ 2,459,140	$ 812,207	$ 9,502,988

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2018

Total fund balances for governmental funds	$ 5,491,404
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets not being depreciated	390,120
Capital assets - net of accumulated depreciation	29,689,623
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	167,617
Deferred inflows of resources resulting from the net pension liability	(2,570,392)
Deferred inflows of resources resulting from the net OPEB liability	(238,977)
Deferred outflows of resources resulting from the net pension liability	4,404,597
Deferred outflows of resources resulting from the net OPEB liability	428,969
Certain liabilities are not due and payable in the current period and are not reported in the funds	
Accrued interest	(164,649)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities	
Net pension liability	(20,602,451)
Net OPEB liability	(7,068,792)
Compensated absences	(161,084)
Bonds payable	(25,709,387)
Net position of governmental activities	$(15,943,402)

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	$ 5,820,852	$ 63,767	$ 2,226,162	$ 8,110,781
State sources	7,336,597	-	47,110	7,383,707
Federal sources	415,693	-	294,053	709,746
Total revenues	13,573,142	63,767	2,567,325	16,204,234
Expenditures				
Current				
Education				
Instruction	8,313,168	-	-	8,313,168
Supporting services	4,314,986	-	-	4,314,986
Food services	-	-	481,300	481,300
Community services	434,332	-	-	434,332
Athletic activities	290,752	-	-	290,752
Capital outlay	2,148	6,255,219	51,191	6,308,558
Debt service				
Principal	-	-	1,000,000	1,000,000
Interest and other expenditures	-	-	1,043,350	1,043,350
Total expenditures	13,355,386	6,255,219	2,575,841	22,186,446
Excess (deficiency) of revenues over expenditures	217,756	(6,191,452)	(8,516)	(5,982,212)

See Accompanying Notes to the Financial Statements

Stockbridge Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	$ 13,400	$ -	$ -	$ 13,400
Transfers in	31,500	-	-	31,500
Transfers out	-	-	(31,500)	(31,500)
Total other financing sources (uses)	44,900	-	(31,500)	13,400
Net change in fund balance	262,656	(6,191,452)	(40,016)	(5,968,812)
Fund balances - beginning	2,129,710	8,495,659	834,847	11,460,216
Fund balances - ending	$ 2,392,366	$ 2,304,207	$ 794,831	$ 5,491,404

Stockbridge Community Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - Total governmental funds	$ (5,968,812)
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(689,684)
Capital outlay	6,297,936
Sale of capital assets (net book value)	(122,539)
Expenses are recorded when incurred in the statement of activities.	
Interest	5,299
Compensated absences	(17,300)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(275,000)
Net change in deferrals of resources related to the net pension liability	60,546
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	70,836
Net change in deferrals of resources related to the net OPEB liability	(147,843)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Repayments of long-term debt	1,000,000
Amortization of premiums	158,080
Amortization of deferred amount on debt refunding	(20,953)
Change in net position of governmental activities	$ 350,566

Stockbridge Community Schools
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2018

	Agency Funds
Assets	
Cash	$ 206,280
Liabilities	
Due to agency fund activities	$ 206,280

See Accompanying Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Stockbridge Community Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district–wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

<u>General Fund</u> – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

<u>Capital Projects Fund</u> – The Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Additionally, the School District reports the following fund types:

<u>Special Revenue Funds</u> – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include the Food and Nutrition Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

<u>Debt Service Funds</u> – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

<u>Fiduciary Funds</u> – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Net Position or Equity

<u>Cash and Cash Equivalents</u> – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

The School District has restricted cash of $1,038,526 that is held by an agent for the future payoff of the State Aid Anticipation Notes.

<u>Receivables and Payables</u> – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2018, the rates are as follows per $1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.00000
Commercial personal property	6.00000
Debt Service Funds	3.95000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries.

Property taxes are levied as of December 1 and the actual due date is February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the counties of Ingham, Jackson, Livingston, and Washtenaw and remitted to the School District by May 15.

Investments – Investments are stated at fair value. Certificates of deposit are stated at cost which approximates fair value.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of $5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	10 - 50 years
Equipment and furniture	5 - 20 years
Vehicles	8 - 15 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Compensated Absences – The School District has recorded all liabilities associated with sick and vacation days that are considered payable from future resources. These are recorded along with the related payroll taxes as a long-term liability in the district-wide financial statements.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

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

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

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education. The Board of Education has granted the budget or finance committee or a delegated municipality official the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

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, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications
In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards
Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

Upcoming Accounting and Reporting Changes
Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

The School District is evaluating the impact that the above GASBs will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

The School District did not have significant expenditure budget variances.

Compliance - Bond Proceeds

The Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The following is a summary of the revenue and expenditures in the 2016 Capital Project Fund from the inception of the funds through the current fiscal year:

Revenues	$ 19,715,847
Expenditures	17,411,640

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash	$ 6,866,152	$ 206,280	$ 7,072,432
Restricted cash	1,038,526	-	1,038,526
	$ 7,904,678	$ 206,280	$ 8,110,958

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	$ 5,167,814
Investments in securities, mutual funds, and similar vehicles	2,941,909
Petty cash and cash on hand	1,235
Total	$ 8,110,958

As of year end, the School District had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund - MAX	$ 2,890,721	6 months average	AAA	Standard & Poor's
Michigan Liquid Asset Fund - CMS	51,188	6 months average	AAA	Standard & Poor's
	$ 2,941,909			

Interest rate risk – The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – 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 an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, 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.

Concentration of credit risk – The School District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this 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 does not have a deposit policy for custodial credit risk. As of year-end, $3,459,512 of the School District's bank balance of $4,209,512 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the School District's investments were exposed to custodial credit risk.

Note 4 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2018:

Amounts invested in MILAF + MAX Class of $2,890,721 and MILAF + Cash Management Class of $51,188. The MILAF + MAX Class and MILAF + Cash Management Class are not registered under Rule 2a- 7 under the Investment Company Act of 1940. The money market securities are valued using amortized cost, which generally approximates the current fair value of the security. However, the value is not obtained from a quoted price in an active market (Level 2 inputs).

Note 5 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 380,120	$ -	$ -	$ 380,120
Construction-in-progress	9,022,232	10,000	9,022,232	10,000
Total capital assets not being depreciated	9,402,352	10,000	9,022,232	390,120
Capital assets being depreciated				
Building and building improvements	25,479,674	14,070,234	2,051,688	37,498,220
Furniture and equipment	1,495,587	721,318	154,350	2,062,555
Buses and other vehicles	1,274,792	518,616	413,695	1,379,713
Total capital assets being depreciated	28,250,053	15,310,168	2,619,733	40,940,488
Less accumulated depreciation for				
Building and building improvements	11,348,236	470,998	1,970,944	9,848,290
Furniture and equipment	814,949	126,265	154,350	786,864
Buses and other vehicles	895,190	92,421	371,900	615,711
Total accumulated depreciation	13,058,375	689,684	2,497,194	11,250,865
Net capital assets being depreciated	15,191,678	14,620,484	122,539	29,689,623
Net capital assets	$ 24,594,030	$ 14,630,484	$ 9,144,771	$ 30,079,743

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

Governmental activities	
Instruction	$ 437,353
Supporting services	227,010
Food services	25,321
Total governmental activities	$ 689,684

Construction Commitments

The School District has active construction projects as of June 30, 2018. These will be funded by the Capital Projects Fund. At year end, the School District's commitment with contractors is as follows:

	Total Contract	Remaining Construction Commitment at Year End
Project		
Smith Elementary	$ 621,585	$ 81,495
Heritage Elementary	526,390	259,945
Stockbridge Middle & High School	11,451,532	321,243
Construction project manager and fees	1,255,212	56,297
Total	$ 13,854,719	$ 718,980

Note 6 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
Nonmajor Governmental Funds	General Fund	$ 46,756

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers were made during the year to the General Fund from the Food and Nutrition Fund totaling $31,500. This transfer was made to cover indirect costs applicable to the Food and Nutrition Fund that were initially borne by the General Fund.

Note 7 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Grant and categorical aid payments received prior to meeting all eligibility requirements	$ 66,043
Food service deposits	7,936
Other	3,865
Total	$ 77,844

Note 8 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	$ 2,219,021	$ 2,200,000	$ 2,194,027	$ 2,224,994

Note 9 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
General obligation bonds	$ 24,150,000	$ -	$ 1,000,000	$ 23,150,000	$ 1,040,000
Compensated absences	143,784	328,898	311,598	161,084	161,084
Premium on bonds	2,717,467	-	158,080	2,559,387	-
Total	$ 27,011,251	$ 328,898	$ 1,469,678	$ 25,870,471	$ 1,201,084

For governmental activities, compensated absences are primarily liquidated by the General Fund.

General obligation bonds payable at year end, consist of the following:

$9,250,000 2015 Refunding Bonds due in annual installments of $750,000 to $880,000 through May 1, 2036, interest at 3.00% payable semi-annually.	$ 6,770,000
$16,790,000 2016 Building and Site Bonds due in annual installments of $135,000 to $1,675,000 through May 1, 2026, interest at 4.00% to 5.00% payable semi-annually.	16,380,000
Total general obligation bonded debt	$ 23,150,000

Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 1,040,000	$ 1,009,850	$ 2,049,850
2020	1,080,000	976,000	2,056,000
2021	955,000	940,750	1,895,750
2022	980,000	910,750	1,890,750
2023	1,005,000	880,000	1,885,000
2024-2028	5,915,000	3,858,900	9,773,900
2029-2033	7,250,000	2,343,750	9,593,750
2034-2036	4,925,000	496,250	5,421,250
Total	$ 23,150,000	$ 11,416,250	$ 34,566,250

The general obligation bonds are payable from the Debt Service Funds. As of year end, those funds had a balance of $681,307 to pay this debt. Future debt and interest will be payable from future tax levies.

Compensated Absences
Accrued compensated absences at year end consist of $161,084 of vacation and sick days earned and vested. The entire vested amount is considered short-term.

Note 10 - Risk Management

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for property, fleet, liability, inland marine, equipment breakdown, builder’s risk, employee dishonesty, crime, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool’s claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool’s policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insurer Workers’ Disability Compensation Fund, with other school districts for workers’ compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool’s claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool’s policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

Note 11 - Pension Plan

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System’s pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System’s health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees’ Retirement Act (1980 PA 300 as amended).

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

The System’s financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member’s rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2017.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.03%
Member Investment Plan	3.0 - 7.0%	19.03%
Pension Plus	3.0 - 6.4%	18.40%
Defined Contribution	0.0%	15.27%

Required contributions to the pension plan from the School District were $1,864,753 for the year ending September 30, 2017.

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

At June 30, 2018, the School District reported a liability of $20,602,451 for its proportionate share of the MPSERS 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 rolled forward from September 2016. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2017, the School District's proportion was 0.0795 percent, which was a decrease of 0.0020 percent from its proportion measured as of September 30, 2016. At September 30, 2017, the total pension expense for the School District was $1,975,254.

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	$ 179,049	$ (101,092)
Changes in assumptions	2,257,162	-
Net difference between projected and actual earnings on pension plan investments	-	(984,933)
Changes in proportion and differences between district contributions and proportionate share of contributions	18,512	(509,064)
District contributions subsequent to the measurement date	1,949,874	(975,303)
	$ 4,404,597	$ (2,570,392)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflow) and Deferred Outflow Resources by Year
(To Be Recognized in Future Pension Expenses)

2018	$	215,101
2019		562,250
2020		179,540
2021		(97,257)
	$	859,634

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of Return:
  - MIP and Basic Plans (Non-Hybrid): 7.5%
  - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5188.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets
The long-term expected rate of return on pension 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.6%
Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
	100.0%	

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

Rate of Return
For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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

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

1% Decrease (Non-Hybrid/Hybrid)* 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 8.5% / 8.0%
$ 26,838,142	$ 20,602,451	$ 15,352,398

**The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.*

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 12 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

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

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions
Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.00%	5.91%
Personal Healthcare Fund (PHF)	0.00%	5.69%

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2018, the School District reported a liability of $7,068,792 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of

OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the School District's proportion was 0.0798 percent. At September 30, 2017, the total OPEB expense for the School District was $473,597.

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	$ -	$ (75,262)
Net difference between projected and actual earnings on OPEB plan investments	-	(163,715)
Changes in proportion and differences between district contributions and proportionate share of contributions	3,504	-
District contributions subsequent to the measurement date	425,465	-
	$ 428,969	$ (238,977)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) and Deferred Outflow Resources by Year (To Be Recognized in Future OPEB Expenses)	
2018	$ (56,966)
2019	(56,966)
2020	(56,966)
2021	(56,966)
2022	(7,609)
	$ (235,473)

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2016
- Actuarial Cost Method: Entry Age, Normal

- Wage inflation rate: 3.5%
- Investment Rate of Return: 7.5%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Other Assumptions:

- Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.4744.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on 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 OPEB 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. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity Pools	28.0 %	5.60%
Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
	100.0%	

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

Rate of Return
For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
$ 8,279,599	$ 7,068,792	$ 6,041,196

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate
The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 6.5%	Current Healthcare Cost Trend Rate 7.5%	1% Increase 8.5%
$ 5,986,317	$ 7,068,792	$ 8,297,867

OPEB Plan Fiduciary Net Position
Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan
There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Note 13 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2018.

Note 14 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by the various municipalities. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2018, the School District’s property tax revenues were reduced by $0 under these programs.

There are no significant abatements made by the School District.

Note 15 - Adoption of New Accounting Standards

As indicated in Note 1, the School District has adopted Government Accounting Standards Board Statement 75. This required the School District to record their proportionate share of the net OPEB liability and OPEB expense. Previously, these amounts were not recorded on the School District’s statements. The standards require this change to be applied retroactively. The impact of this change is to reduce beginning net position in the statement of activities as of July 1, 2017 by $6,801,793, restating it from ($9,492,175) to ($16,293,968).

REQUIRED SUPPLEMENTARY INFORMATION

Stockbridge Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Over
	Original	Final	Actual	(Under) Budget
Revenues				
Local sources	$ 4,745,576	$ 5,740,015	$ 5,820,852	$ 80,837
State sources	7,931,988	7,367,252	7,336,597	(30,655)
Federal sources	647,002	587,435	415,693	(171,742)
Total revenues	13,324,566	13,694,702	13,573,142	(121,560)
Expenditures				
Instruction				
Basic programs	7,010,269	7,387,058	7,235,590	(151,468)
Added needs	1,272,366	1,180,214	1,077,578	(102,636)
Supporting services				
Pupil	514,369	508,829	468,281	(40,548)
Instructional staff	588,112	602,550	521,283	(81,267)
General administration	365,947	364,136	345,286	(18,850)
School administration	822,376	850,144	822,083	(28,061)
Business	451,487	444,315	428,972	(15,343)
Operations and maintenance	1,175,989	1,188,155	1,125,518	(62,637)
Pupil transportation services	702,331	717,770	570,124	(147,646)
Central	98,801	40,958	33,439	(7,519)
Community services	432,268	540,608	434,332	(106,276)
Athletic activities	275,412	333,931	290,752	(43,179)
Capital outlay	-	2,150	2,148	(2)
Total expenditures	13,709,727	14,160,818	13,355,386	(805,432)
Excess (deficiency) of revenues over expenditures	(385,161)	(466,116)	217,756	683,872

Stockbridge Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Over
	Original	Final	Actual	(Under) Budget
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	$ 1,000	$ 13,400	$ 13,400	$ -
Transfers in	35,000	35,000	31,500	(3,500)
Transfers out	(16,822)	(17,257)	-	17,257
Total other financing sources (uses)	19,178	31,143	44,900	13,757
Net change in fund balance	(365,983)	(434,973)	262,656	697,629
Fund balance - beginning	2,129,710	2,129,710	2,129,710	-
Fund balance - ending	$ 1,763,727	$ 1,694,737	$ 2,392,366	$ 697,629

Stockbridge Community Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Reporting unit's proportion of net pension liability (%)	0.0795%	0.0815%	0.0821%	0.0824%						
B. Reporting unit's proportionate share of net pension liability	$ 20,602,451	$ 20,327,451	$ 20,054,100	$ 18,138,283						
C. Reporting unit's covered-employee payroll	$ 6,609,468	$ 6,845,114	$ 6,395,384	$ 6,889,539						
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	311.71%	296.96%	313.57%	263.27%						
E. Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.20%						

Note Disclosures

Changes of benefits terms: There were no changes of benefit terms in plan fiscal year 2017.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

Stockbridge Community Schools
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

		For the Years Ended June 30,									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A.	Statutorily required contributions	$ 2,104,996	$ 1,247,336	$ 1,859,633	$ 1,505,295						
B.	Contributions in relation to statutorily required contributions	2,401,996	1,247,336	1,859,633	1,505,295						
C.	Contribution deficiency (excess)	$ -	$ -	$ -	$ -						
D.	Reporting unit's covered-employee payroll	$ 6,338,478	$ 6,655,674	$ 6,136,223	$ 6,889,539						
E.	Contributions as a percentage of covered-employee payroll	37.90%	18.74%	30.31%	21.85%						

Stockbridge Community Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Reporting unit's proportion of net OPEB liability (%)	0.0798%									
B. Reporting unit's proportionate share of net OPEB liability	$ 7,068,792									
C. Reporting unit's covered-employee payroll	$ 6,609,468									
D. Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	106.95%									
E. Plan fiduciary net position as a percentage of total OPEB liability	36.39%									

Note Disclosures

Changes of benefits terms: There were no changes of benefit terms in plan fiscal year 2017.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

Stockbridge Community Schools
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Statutorily required contributions	$ 474,667									
B. Contributions in relation to statutorily required contributions	474,667									
C. Contribution deficiency (excess)	$ -									
D. Reporting unit's covered-employee payroll	$ 6,338,478									
E. Contributions as a percentage of covered-employee payroll	7.49%									

OTHER SUPPLEMENTARY INFORMATION

Stockbridge Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Special Revenue Fund	Debt Service Funds		Total Nonmajor Governmental Funds
	Food and Nutrition	2015 Debt	2016 Debt	
Assets				
Cash	$ 76,960	$ 179,515	$ 501,792	$ 758,267
Due from other funds	46,756	-	-	46,756
Inventory	5,943	-	-	5,943
Prepaid items	1,241	-	-	1,241
Total assets	$ 130,900	$ 179,515	$ 501,792	$ 812,207
Liabilities				
Accrued expenditures	$ 701	$ -	$ -	$ 701
Accrued salaries payable	8,739	-	-	8,739
Unearned revenue	7,936	-	-	7,936
Total liabilities	17,376	-	-	17,376

Stockbridge Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Special Revenue Fund	Debt Service Funds		
	Food and Nutrition	2015 Debt	2016 Debt	Total Nonmajor Governmental Funds
Fund Balances				
Non-spendable				
Inventory	$ 5,943	$ -	$ -	$ 5,943
Prepaid items	1,241	-	-	1,241
Restricted for				
Food service	106,340	-	-	106,340
Debt service	-	179,515	501,792	681,307
Total fund balances	113,524	179,515	501,792	794,831
Total liabilities and fund balances	$ 130,900	$ 179,515	$ 501,792	$ 812,207

Stockbridge Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	Special Revenue Fund	Debt Service Funds		Total
	Food and Nutrition	2015 Debt	2016 Debt	Nonmajor Governmental Funds
Revenues				
Local sources	$ 166,385	$ 981,606	$ 1,078,171	$ 2,226,162
State sources	47,110	-	-	47,110
Federal sources	294,053	-	-	294,053
Total revenues	507,548	981,606	1,078,171	2,567,325
Expenditures				
Current				
Education				
Food services	481,300	-	-	481,300
Capital outlay	51,191	-	-	51,191
Debt service				
Principal	-	750,000	250,000	1,000,000
Interest and other expenditures	-	226,100	817,250	1,043,350
Total expenditures	532,491	976,100	1,067,250	2,575,841
Excess (deficiency) of revenues over expenditures	(24,943)	5,506	10,921	(8,516)
Other Financing Sources (Uses)				
Transfers out	(31,500)	-	-	(31,500)
Net change in fund balance	(56,443)	5,506	10,921	(40,016)
Fund balances - beginning	169,967	174,009	490,871	834,847
Fund balances - ending	$ 113,524	$ 179,515	$ 501,792	$ 794,831

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Management and the Board of Education
Stockbridge Community Schools
Stockbridge, Michigan

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stockbridge Community Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Stockbridge Community Schools' basic financial statements, and have issued our report thereon dated August 23, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stockbridge Community Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Stockbridge Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Stockbridge Community Schools' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stockbridge Community Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Lansing, Michigan
August 23, 2018