Clare Public Schools
Clare, Michigan

Financial Statements
With Supplementary Information
June 30, 2017

Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

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Clare Public Schools
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June 30, 2017

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Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Education
Clare Public Schools

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clare Public Schools (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, 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.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed 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 the District's basic financial statements. The other supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2017, on our consideration of the District's 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 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 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 the District's internal control over financial reporting and compliance.

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
October 4, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

CLARE PUBLIC SCHOOLS

Management's Discussion and Analysis

For the Year Ended June 30, 2017

Our discussion and analysis of the Clare School District's (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2017.

Financial Highlights

The School District's net position increased $1,477,442 or 15.8%. Program revenues accounted for $1.76 million or 11% of total revenues and general revenues accounted for $14.19 million or 89%.

The General Fund reported a positive fund balance in excess of $2,353,000.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Clare Public Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. *The Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's funds - the Major Fund which consists of the General Fund, and Non-Major Funds including the Food Service Fund, 2016 Refunding Bond Fund, 2015 Capital Projects Fund, Pioneer Development Fund, Capital Investment Fund, and the 2015 Debt Service Fund. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students activities. The following summarizes the presentation included in this annual financial report.

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

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Other Supplemental Information

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities
One of the most important questions asked about the School District's finances is, "Is the School District better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net position as a way to measure the School District's financial status. The change in net position provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of School District.

Reporting the District's Most Significant Funds

Fund Financial Statements
The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds
Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Fiduciary Funds
The School District is the trustee, or fiduciary, for its student activity funds and library funds. All of the School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

District-wide Financial Analysis

The statement of net assets provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net assets as of June 30, 2017 and 2016:

	Governmental Activities	
Exhibit A	2017	2016
Assets		
Current and other assets	$6,100,000	$ 6,700,000
Capital assets - net of accumulated depreciation	13,200,000	12,200,000
Total assets	19,300,000	18,900,000
Liabilities		
Current liabilities	3,300,000	3,800,000
Long-term liabilities	25,600,000	26,100,000
Total liabilities	28,900,000	29,900,000
Net Assets		
Invested in property and equipment - net of related debt	7,000,000	7,100,000
Restricted	1,100,000	400,000
Unrestricted	(16,000,000)	(16,800,000)
Total net position	$(7,900,000)	$ (9,300,000)

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local government.

Effective for fiscal years beginning after June 15, 2014, GASB Statement 68 requires all reporting units in a multi-employer cost sharing pension plan (like MPSERS) to record a balance sheet liability for their proportionate share of the net pension liability of the plan. The School District was required to implement GASB 68 in the year ended June 30, 2015 financial statements. Estimates from the State indicate a potential pension liability exceeding $19,000,000 for the School District, which is referenced in Exhibit A and Note 9 in the Notes to the Financial Statements. It is highly unlikely the School District would ever be held responsible to pay the potential pension amount, but the potential liability, however unlikely to materialize, must be reported to satisfy the federal GASB Statement 68 requirements.

The preceding table focuses on net position (Exhibit A). The School District's net position was $(7,900,000) at June 30, 2017. Capital assets, net of related debt totaling $7,000,000, compares the original costs, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use those net assets for day-to-day operations.

The $(16,000,000) in unrestricted net assets of governmental activities represents $3,000,000 *accumulated* results of all past years' operations, less the net pension liability of $19,000,000 that is required reporting by GASB 68. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities. Exhibit B provides a summary of the changes in net position for the years ended June 30, 2017 and 2016.

CLARE PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Exhibit B	Governmental Activities 2017	2016
Revenue		
Program revenue:		
Charges for services	$ 345,000	$ 370,000
Grants and categoricals	1,417,000	1,430,000
General revenue:		
Property taxes	2,417,000	2,460,000
State foundation allowance	11,370,000	10,430,000
Other	408,000	215,000
Total revenue	15,957,000	14,905,000
Function/Program Expenses		
Instruction	8,431,000	8,680,000
Support services	4,751,000	4,200,000
Food services	628,000	595,000
Other Expenditures	29,000	325,000
Interest on long-term debt	128,000	285,000
Depreciation - unallocated	513,000	480,000
Total expenses	14,480,000	14,565,000
Prior Period Adjustment		-
Change in net position	$ 1,477,000	$ 340,000

As reported in the statement of activities, the cost of all of our *governmental* activities this year was $14.5 million. Certain activities were partially funded from those who benefited from the programs ($345,000) or by the other governments and organizations that subsidized certain programs with grants and categorical ($1.4 million). We paid for the remaining "public benefit" portion of our governmental activities with $2.4 million in taxes, $11.3 million in State Foundation Allowance and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net position of $1,477,000. The increase was due to the excess of revenues over expenditures. The increase in net position differs from the change in fund balance and a reconciliation appears in the financial statements.

The School District's Funds

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

The School District's governmental funds reported a combined fund balance of $3.5 million, which approximates last year's balance. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	Fund Balance June 30, 2017	Fund Balance June 30, 2016	Change
General	$ 2,353,160	$ 1,568,329	$ 784,831
Special Revenue	205,155	223,737	(18,582)
Debt Service	157,293	183,127	(25,834)
Capital Projects	759,355	1,572,899	(813,544)
Total	$ 3,474,963	$ 3,548,092	$ (73,129)

The School District completed this year with a combined fund balance decrease of $73,129 from the previous year.

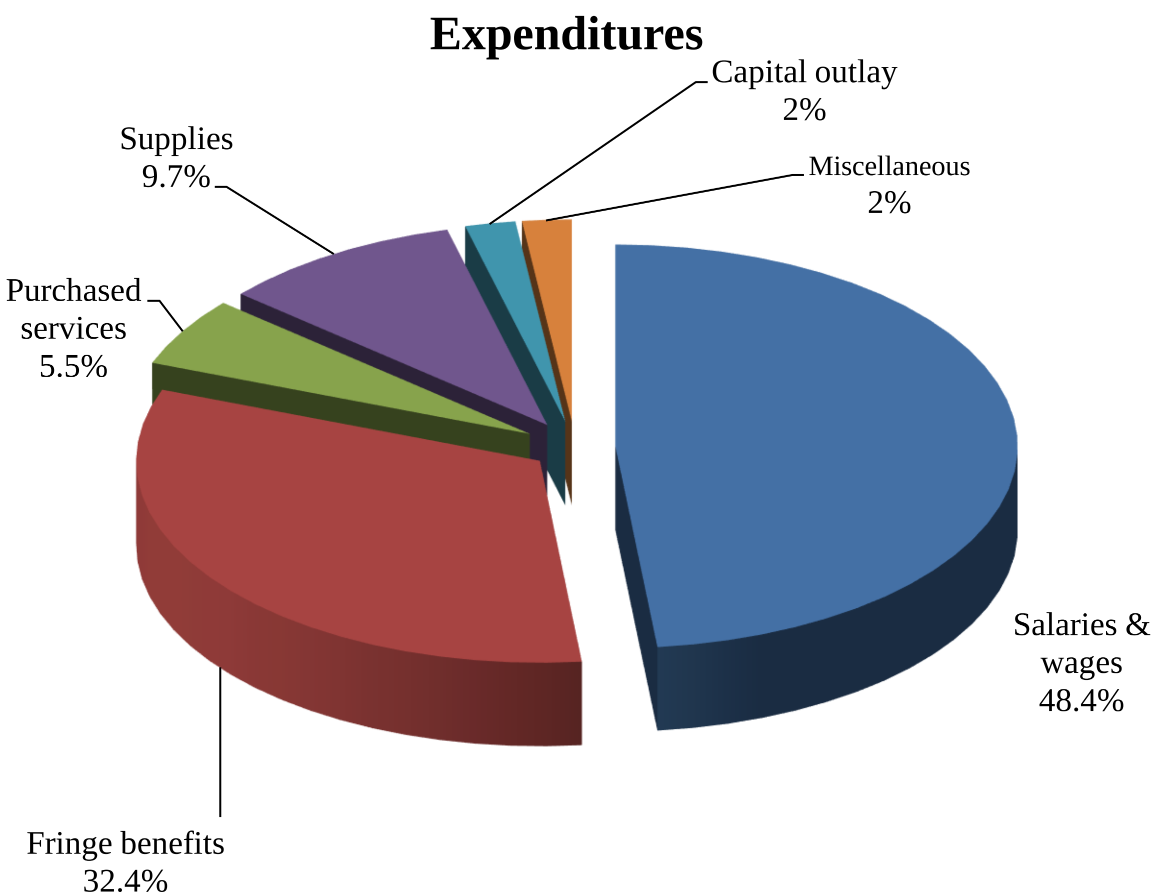
- The General Fund balance increased by $784,831 due in large part to increased State Aid revenue as the per pupil foundation allowance was increased by $120 from the prior year. The student count increased by 38 students as well. Overall, the General Fund activity was within 97 percent of budgeted revenues and expenditures.

- Our Special Revenue Fund balance decreased by $18,852. There was a slight decrease in food sales, a slight increase in Federal reimbursement, and planned purchases of $45,000 in Food Service equipment.

- Our Debt Service Funds' balances decreased by $25,834. Scheduled debt payments were made from the 2016 Refunding Bond Fund and the 2015 Debt Services Fund.

- Our Capital Projects Funds' balances decreased by $813,544. The 2015 Capital Projects Fund decreased $1,100,000 due to spending the bond proceeds as work was completed. The Pioneer Development Fund decreased by $100,000 due to the Brookwood 2.0 projects (paved parking lot) completed early in the 2016-17 fiscal year. The increase of $410,000 in the Capital Investment Fund was due to transfers from the general fund: $125,000 annual planned transfer and $285,000 from the sale of land.

As the graph below illustrates, the largest portions of General Fund expenditures (excluding fund transfers) are for salaries and fringe benefits. The School District by nature is a labor intensive organization.



	2017	2016
Expenditures by object		
Salaries and wages	$ 6,581,637	$ 6,647,044
Fringe benefits	4,409,611	4,360,858
Purchased services	752,299	709,747
Supplies	1,327,446	1,160,871
Capital outlay	274,790	31,469
Miscellaneous	268,914	362,559
Total	$13,614,697	$13,272,548

Expenditures (not including transfers) are up $342,149 or 2.6%. Salaries and wages have decreased by $65,407 or 1%. This change is due to a year of salary increases offset by the difference in salaries of several new staff verses retired staff the year before. Fringe benefits are up $48,753 or 1%. There was an increase in retirement expense that was reimbursed by the state and various changes in insurance coverage were made by employees throughout the course of the fiscal year. Capital Outlay for 16-17 is comprised of the purchase of three copiers, basketball hoops in the high school gym, technology updates, and a maintenance truck.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Final budgeted revenues were $508,463 more than the original budget, due mainly to the increase in the student count (State Aid).

- The actual revenues were $12,289 more than the final budgeted revenues. This was due to a combination of small variances within all three major funding sources.

- Final budgeted expenditures were $133,195 above the original budget. This was due to many minor factors as well as the addition of technology updates and a truck purchase.

- The actual expenditures were $342,960 lower than the final budgeted expenditures. About 40% of the $342,960 not spent occurred in the many instructional areas making up most of the District budget. About $68,000 was unspent from the building maintenance areas. About $34,000 was unspent from the transportation repair accounts. The remainder was smaller variances in many areas of the District budget.

Capital Assets

At June 30, 2017, the School District had $13.2 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions and disposals) of $1,009,783, or 8%, from last year.

	2017	2016
Land	$ 135,211	$ 298,977
Buildings and improvements	18,523,853	17,293,111
Furniture and equipment	7,706,688	7,330,795
Vehicles	712,625	637,154
Total capital assets	27,078,377	25,560,037
Less accumulated depreciation	13,830,596	13,322,039
Net capital assets	$ 13,247,781	$ 12,237,998

This year's additions included $1.27 million in bond projects, most being primary school improvements. Food Service funds also purchased $30,000 in new equipment. We purchased one used bus, disposed of one old bus and sold vacant land. The additions were offset by depreciation resulting in a net increase exceeding $1,184,000. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had $6,290,000 in bonds outstanding versus $6,910,000 in the previous year – a decrease of 9%. The decrease reflects the principal portion of debt payments made during the fiscal year.

	2017	2016
2016 Refunding Bonds	$ 4,075,000	$ 4,560,000
2015 School Building & Site Bonds	2,215,000	2,350,000
	$ 6,290,000	$ 6,910,000

The School District has been assigned a General Obligation Bond rating of "A" by Standard & Poor's Ratings Services. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below the statutorily imposed limit.

Factors Expected to have an Effect on Future Operations

Our elected Board and administration consider many factors when setting the School District's 2017-18 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2017-18 fiscal year budget was adopted in June 2017, based on an estimate of students that will be enrolled in October 2017. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2017-18 school year, we anticipate that the fall student count will exceed the estimates used in creating the 2017-18 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Requests For Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Superintendent
Clare Public School District
201 East State Street
Clare, Michigan 48617

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

Clare Public Schools
Statement of Net Position
June 30, 2017

Assets	
Current assets	
Cash and investments	$ 3,835,124
Accounts receivable	14,896
Due from other governmental units	2,126,733
Inventory	13,453
Other current assets	67,030
Total current assets	6,057,236
Noncurrent assets	
Capital assets not being depreciated	135,211
Capital assets being depreciated, net	13,112,570
Total noncurrent assets	13,247,781
Total assets	19,305,017
Deferred Outflows of Resources	
Deferred outflow - related to pension	2,608,306
Liabilities	
Current liabilities	
Accounts payable	163,666
Due to other governmental units	151,955
Short-term note payable	1,342,895
Accrued expenditures	917,322
Unearned revenues	6,435
Accrued interest on long-term debt	9,643
Long-term obligations, due within one year	645,000
Compensated absences, due within one year	28,829
Post-employment benefits, due within one year	27,546
Total current liabilities	3,293,291
Noncurrent liabilities	
Long-term obligations, due beyond one year	5,645,000
Compensated absences, due beyond one year	163,366
Premium on bonds sold, net of amortization	29,618
Net pension liability	19,768,701
Total noncurrent liabilities	25,606,685
Total liabilities	28,899,976
Deferred Inflows of Resources	
Deferred inflow - related to pension	257,400
Deferred inflow - 147c allocation	608,823
Total deferred inflows of resources	866,223
Net position	
Net investment in capital assets	6,987,399
Restricted for:	
Food service	191,702
Debt service	157,293
Capital project funds	759,355
Unrestricted	(15,948,625)
Total net position	$ (7,852,876)

The notes are an integral part of these financial statements.

Clare Public Schools
Statement of Activities
For the Year Ended June 30, 2017

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes Net Position
Governmental activities:				
Instruction	$ 8,431,222	$ -	$ 1,008,443	$ (7,422,779)
Support services	4,751,462	149,842	-	(4,601,620)
Food service	628,494	171,664	408,681	(48,149)
Community services	18,031	23,674	-	5,643
Payments to other public schools	11,047	-	-	(11,047)
Interest and fees on long-term debt	127,780	-	-	(127,780)
Depreciation - unallocated	512,776	-	-	(512,776)
Total governmental activities	$ 14,480,812	$ 345,180	$ 1,417,124	(12,718,508)
General revenues:				
Property taxes				2,417,816
State sources				11,370,520
Unrestricted interest and investment earnings				9,428
Restricted interest and investment earnings				9,694
Gain on disposal of capital assets				109,449
Miscellaneous				280,043
Total general revenues				14,196,950
Transfers in/(out)				
Transfer out to activities fund				(1,000)
Change in net position				1,477,442
Net position - beginning				(9,330,318)
Net position - ending				$ (7,852,876)

FUND FINANCIAL STATEMENTS

Clare Public Schools
Balance Sheet - Governmental Funds
June 30, 2017

	Major Fund	Non-Major Funds						
	General Fund	Food Service	2016 Refunding	2015 Debt Service	Pioneer Development	Capital Investment	2015 Capital Projects	Totals
Assets								
Cash and investments	$ 2,775,586	$ 142,890	$ 69,082	$ 88,211	$ 63,924	$ 515,104	$ 180,327	$ 3,835,124
Accounts receivable	12,802	2,094	-	-	-	-	-	14,896
Due from other governmental units	2,123,517	3,216	-	-	-	-	-	2,126,733
Inventory	-	13,453	-	-	-	-	-	13,453
Other current assets	17,030	50,000	-	-	-	-	-	67,030
Total assets	$ 4,928,935	$ 211,653	$ 69,082	$ 88,211	$ 63,924	$ 515,104	$ 180,327	$ 6,057,236
Liabilities								
Accounts payable	$ 163,603	$ 63	$ -	$ -	$ -	$ -	$ -	$ 163,666
Due to other governmental units	151,955	-	-	-	-	-	-	151,955
Short-term note payable	1,342,895	-	-	-	-	-	-	1,342,895
Accrued expenditures	917,322	-	-	-	-	-	-	917,322
Unearned revenues	-	6,435	-	-	-	-	-	6,435
Total liabilities	2,575,775	6,498	-	-	-	-	-	2,582,273
Fund balance								
Non-spendable								
Inventory	-	13,453	-	-	-	-	-	13,453
Restricted	-	191,702	69,082	88,211	63,924	515,104	180,327	1,108,350
Unassigned	2,353,160	-	-	-	-	-	-	2,353,160
Total fund balance	2,353,160	205,155	69,082	88,211	63,924	515,104	180,327	3,474,963
Total liabilities and fund balance	$ 4,928,935	$ 211,653	$ 69,082	$ 88,211	$ 63,924	$ 515,104	$ 180,327	$ 6,057,236

The notes are an integral part of these financial statements.

Clare Public Schools
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Position of Governmental Activities on the Statement of Net Position
June 30, 2017

Total fund balance - governmental funds		$ 3,474,963
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Add:	Cost of capital assets	27,078,377
Deduct:	Accumulated depreciation	(13,830,596)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These liabilities consist of:		
Deduct:	2016 Refunding bonds	(4,075,000)
Deduct:	2015 School Building & Site Bonds	(2,215,000)
Deduct:	Premium on bonds sold, net of amortization	(29,618)
Long-term liabilities (and corresponding deferrals) are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:		
Add:	Deferred outflow - related to pension	2,608,306
Deduct:	Net pension liability	(19,768,701)
Deduct:	Deferred inflow - related to pension	(257,400)
Deduct:	Deferred inflow - 147c allocation	(608,823)
Deduct:	Compensated absences payable	(192,195)
Deduct:	Post-employment benefits	(27,546)
Deduct:	Accrued interest on long-term liabilities	(9,643)
Total net position - governmental activities		$ (7,852,876)

Clare Public Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2017

	Major Fund	Non-Major Funds						
	General Fund	Food Service	2016 Refunding	2015 Debt Service	Pioneer Development	Capital Investment	2015 Capital Projects	Totals
Revenues								
Local sources	$ 2,107,401	$ 172,247	$ 529,923	$ 185,067	$ 15,812	$ 1,466	$ 36,386	$ 3,048,302
State sources	11,403,488	28,420	9,493	3,312	-	-	-	11,444,713
Federal sources	1,008,443	408,681	-	-	-	-	-	1,417,124
Other sources	13,860	-	-	-	-	-	-	13,860
Total revenues	14,533,192	609,348	539,416	188,379	15,812	1,466	36,386	15,923,999
Expenditures								
Instruction								
Basic programs	6,958,704	-	-	-	-	-	-	6,958,704
Added needs	1,803,857	-	-	-	-	-	-	1,803,857
Adult / continuing education	71,902	-	-	-	-	-	-	71,902
Total instruction	8,834,463	-	-	-	-	-	-	8,834,463
Support services								
Pupil	573,297	-	-	-	-	-	-	573,297
Instructional staff	383,928	-	-	-	-	-	-	383,928
General administration	282,777	-	-	-	-	-	-	282,777
School administration	701,028	-	-	-	-	-	-	701,028
Business services	372,036	-	334	-	-	-	-	372,370
Operation and maintenance	1,130,760	-	-	-	-	-	-	1,130,760
Pupil transportation	376,072	-	-	-	-	-	-	376,072
Central	638,374	-	-	-	-	-	-	638,374
Athletics	288,388	-	-	-	-	-	-	288,388
Total support services	4,746,660	-	334	-	-	-	-	4,746,994
Food service	-	628,494	-	-	-	-	-	628,494
Community services	18,013	-	-	-	-	-	-	18,013
Payments to other public schools	11,047	-	-	-	-	-	-	11,047
Construction and improvement	4,514	-	-	-	133,514	-	1,149,790	1,287,818
Debt service								
Principal payments	-	-	485,000	135,000	-	-	-	620,000
Interest, fees and other	-	-	78,362	54,933	-	-	-	133,295
Total expenditures	13,614,697	628,494	563,696	189,933	133,514	-	1,149,790	16,280,124
Excess (deficiency) of revenues over expenditures	918,495	(19,146)	(24,280)	(1,554)	(117,702)	1,466	(1,113,404)	(356,125)

The notes are an integral part of these financial statements.

Clare Public Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2017

	Major Fund	Non-Major Funds						
	General Fund	Food Service	2016 Refunding	2015 Debt Service	Pioneer Development	Capital Investment	2015 Capital Projects	Totals
Other financing sources (uses)								
Proceeds from sale of capital assets	$ 283,996	$ -	$ -	$ -	$ -	$ -	$ -	$ 283,996
Transfers in	-	564	-	-	7,200	408,896	-	416,660
Transfers (out)	(416,660)	-	-	-	-	-	-	(416,660)
Transfer to activities fund	(1,000)	-	-	-	-	-	-	(1,000)
Net change in fund balance	784,831	(18,582)	(24,280)	(1,554)	(110,502)	410,362	(1,113,404)	(73,129)
Fund balances - beginning	1,568,329	223,737	93,362	89,765	174,426	104,742	1,293,731	3,548,092
Fund balances - ending	$ 2,353,160	$ 205,155	$ 69,082	$ 88,211	$ 63,924	$ 515,104	$ 180,327	$ 3,474,963

Clare Public 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, 2017

Net change in fund balances - total governmental funds	$	(73,129)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Add: Capital outlay		1,697,106
Deduct: Depreciation expense		(512,776)
Deduct: Disposal of capital assets		(174,547)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Add: 2016 Refunding bonds		485,000
Add: 2015 School Building & Site Bonds		135,000
Add: Amortization of premium on bonds sold		3,702
Revenue in support of pension contributions made subsequent to the measurement date.		
Deduct: Change in deferred inflow - 147c allocation		(74,193)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.		
Add: Change in deferred outflow - related to pension		330,319
Deduct: Change in net pension liability		(155,426)
Deduct: Change in deferred inflow - related to pension		(192,435)
Deduct: Change in accrual for compensated absences		(7,130)
Add: Change in accrual for other post-employment benefits		14,138
Add: Change in accrued interest on long term debt		1,813
Change in net position - governmental activities	$	1,477,442

Clare Public Schools
Statement of Net Position - Fiduciary Funds
June 30, 2017

	Private Purpose Trust	Agency Fund
Assets		
Cash and cash equivalents	$ 25,000	$ 225,611
Liabilities		
Due to student and other groups	-	225,611
Net position		
Restricted net position	$ 25,000	$ -

The notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
The accounting policies of the Clare Public Schools (the District) conform to generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the District. All amounts shown are in dollars.

Reporting Entity
The District is governed by Board of Education members which have the responsibility and control over all activities related to public school education within the District. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The District receives funding from local, state and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America.

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 District's reporting entity, and which organizations are legally separate, component units of the District. Based on the application of the criteria, the District does not contain any component units.

Basis of Presentation - Government-wide Financial Statements
While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation - Fund Financial Statements
The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds. Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following major governmental funds:

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

The District reports the following non-major governmental funds:

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

- The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District accounts for its 2016 Refunding and 2015 Debt Service in the debt service funds.

- The *capital projects funds* account for the receipt of bond proceeds, transfers from the general fund (as applicable), and the acquisition of fixed assets or construction of capital projects. The District accounts for its Pioneer Development, Capital Investment and 2015 Capital Projects in the capital projects funds.

The District reports the following fiduciary funds:

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

- The private purpose trust funds account for funds entrusted to the District for scholarship awards and only the interest may be spent. These funds are not reported in the District's government-wide financial statements.

Measurement Focus and Basis of Accounting

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

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

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

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

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

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

- The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal

year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.

- Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30. The District does not consider these amendments to be significant.

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

Cash and Cash Equivalents
The District's cash and cash equivalents are considered to be demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

Inventory
Inventory are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

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

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

Capital Assets
Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated fair value at the date of donation.

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

Land and construction in progress if any are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Land	Not Depreciated
Buildings and improvements	10 - 50
Furniture and equipment	5 - 20
Vehicles	7

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District has the following items that qualify for reporting in this category:

- Related to pension - A deferred outflow is recognized for pension related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualifies for reporting in this category:

- Related to pension - Future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary.
- 147c allocation - Restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period.

Compensated Absences

The District’s policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the fund financial statements and Government-wide financial statements, and revenue is recognized.

Long-term Obligations

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

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

Defined Benefit Plan

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

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.

Net Position and Fund Balances

Restricted net position shown in the Government-wide financial statements will generally be different from amounts reported as reserved/designated fund balances in the governmental fund financial statements. This occurs because of differences in the measurement focus and basis of accounting used in the government-wide and fund financial statements and because of the use of funds to imply that restrictions exist.

Net Position – Restrictions

Net position in the government-wide financial statements are reported as restricted when constraints placed on net position use is either:

- Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

Fund Balance

The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* - amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.
- *Committed fund balance* - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- *Assigned fund balance* - amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.
- *Unassigned fund balance* - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Property Tax Revenue

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

The District levied the following amounts per $1,000 of assessed valuation. The District levied 18.00 mills for school general operations on the non-homestead taxable value. The District also levied an additional 2.90 mills on all property in the District for the purpose of debt service.

State Aid Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the Foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

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

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 at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS
At June 30th, the carrying amount of the District's cash, cash equivalents and investments were as follows:

Description	Amount
Petty Cash	1,300
Checking, Savings, & Money Market Accounts	1,518,987
Investments - MILAF	2,314,837
Total	3,835,124

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2017, the fair value of the District’s investments is the same as the value of the pool shares.

The other pooled investment fund is Michigan Class. Michigan Class is considered a local government investment pool of "qualified" investments for Michigan School Districts. Michigan Class is not regulated nor is it registered with the SEC. Michigan Class reports as of year-end, the fair value of the District's investments is the same as the value of the pooled shares.

MILAF, as defined by the GASB, are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures. Michigan Class is recorded at fair value and are subject to fair value disclosures.

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

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

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

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2017, $1,174,126 of the District’s bank balance of $1,424,126 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts. The fiduciary fund balances are not included in the above balances.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

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

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

- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Michigan Class investments are subject to the fair value measurement and are level 2. 1 day maturity equals 0.0027, one year equals 1.00

Investment Type	**Fair Value**	**Weighted Average Maturity**	**Standard & Poor's Rating**	**%**
MILAF External Investment pool-Cash Mgmt Class	659,820	0.2376 yrs	AAAm	28.5%
MILAF External Investment pool-MIMAX	1,655,017	0.2376 yrs	AAAm	71.5%
Total	2,314,837			

Foreign currency risk: The District is not authorized to invest in investments which have this type of risk.

NOTE 3 - DUE FROM OTHER GOVERNMENTAL UNITS

As of June 30th, due from other governmental units is comprised of the following amounts:

Description	Amount
State aid	2,037,331
Federal grants and other pass-through agencies	76,513
Other	12,889
Total	2,126,733

No allowance for doubtful accounts is considered necessary.

NOTE 4 - CAPITAL ASSETS
A summary of changes in the District's capital assets follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated				
Land	298,977	-	(163,766)	135,211
Total capital assets not being depreciated	298,977	-	(163,766)	135,211
Capital assets being depreciated				
Buildings and improvements	17,293,111	1,230,742	-	18,523,853
Furniture and equipment	7,330,795	375,893	-	7,706,688
Vehicles	637,154	90,471	(15,000)	712,625
Total capital assets being depreciated	25,261,060	1,697,106	(15,000)	26,943,166
Accumulated depreciation				
Buildings and improvements	(6,458,570)	(317,011)	-	(6,775,581)
Furniture and equipment	(6,642,728)	(127,273)	-	(6,770,001)
Vehicles	(220,741)	(68,492)	4,219	(285,014)
Total accumulated depreciation	(13,322,039)	(512,776)	4,219	(13,830,596)
Net capital assets being depreciated	11,939,021	1,184,330	(10,781)	13,112,570
Net capital assets	12,237,998	1,184,330	(174,547)	13,247,781

Depreciation for the year ended June 30, 2017th totaled $512,776. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - ACCRUED EXPENSES
Accrued expenses as of year-end include amounts due for accrued wages, retirement, FICA, employee benefit insurances, and termination benefits (if any). Accrued wages represent the remaining balance on teacher contracts to be paid during the summer and other salaries and wages earned as of June 30th.

NOTE 6 - DEBT

<u>Short-term debt</u>
On August 22, 2016, the District borrowed $2,200,000 in three notes ($399,755, $600,245, and $1,200,000) in the form of State Aid Anticipation Notes for the purpose of providing funds for school operations. The interest rates are stated at 1.00%, 0.76%, and 1.20% respectively. These notes are payable at maturity on July 20, 2017, July 20, 2017, and August 21, 2017, respectively. The amount included in current liabilities on the Statement of Net Position is net of set aside funds.

On August 21, 2017 (after the end of the current fiscal year), the District borrowed $1,400,000 in two notes ($1,000,000 and $400,000) in the form of State Aid Anticipation Notes for the purpose of providing funds for school operations. The interest rates are stated at 1.27% and 1.49% respectively. These notes are payable at maturity on July 20, 2018 and August 20, 2018, respectively. These loans were acquired after the end of the fiscal year and, therefore, are not shown as current liabilities in the General Fund.

<u>Long-term debt</u>
2015 School Building & Site Bonds
During 2015, the District issued $2,450,000 of School Building & Site bonds due in annual installments of $100,000 to $340,000 through May 1, 2026. The interest rate is between 2.0% and 3.0%.

2016 Refunding Bonds
In February 2016, the School District issued $4,560,000 in 2016 refunding bonds with an interest rate between 0.75% and 2.15%. The 2016 refunding bonds were used to pay $4,535,000 in 2006 refunding bonds with an average interest rate of 4.00%. The remaining $25,000 was left in 2016 refunding debt fund to make future principal and interest payments. The bonds are considered to be defeased and the liability for the bonds has been removed from the School District's long-term obligations. The escrow agent paid the 2006 refunding bonds in February 2016. The refunding reduced total debt service payments by approximately $504,014, which represents an economic gain of approximately $457,884.

Summary of Debt Transactions
The changes in debt during the fiscal year are as follows:

	Beginning Balance	Additions	(Deletions)	Ending Balance	Due within one year
Short-term debt (net of set-aside funds)	1,542,857	2,200,000	(2,399,962)	1,342,895	1,342,895
Long-term debt					
Compensated abs	185,065	34,890	(27,760)	192,195	28,829
Post-employment benefits	41,684	-	(14,138)	27,546	27,546
2015 Bond	2,350,000	-	(135,000)	2,215,000	155,000
2016 Refunding	4,560,000	-	(485,000)	4,075,000	490,000
Total long-term debt	7,136,749	34,890	(661,898)	6,509,741	701,375

The annual requirements to pay principal and interest on the obligations outstanding at June 30, 2017, are shown in the *Schedule of Long-term Debt*.

NOTE 7 - NET INVESTMENT IN CAPITAL ASSETS
As of June 30th, the composition of net investment in capital assets was comprised of the following:

Net investment in capital assets	Amount
Capital assets not being depreciated	135,211
Capital asset being depreciated, net	13,112,570
Capital related general obligation bonds	(6,290,000)
Unamortized premium on bonds	29,618
Net investment in capital assets	6,987,399

NOTE 8 - RISK MANAGEMENT
The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District participates in commercial insurance for claims relating to property loss, torts, errors and omissions, and employee injuries (workers' compensation). Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 9 - RETIREMENT AND POST RETIREMENT BENEFITS

Plan Description
The Michigan Public School Employees' Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public

Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at http://michigan.gov/mpsers-cafr.

Benefits Provided

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

Plan name	Plan Type	Plan status
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

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

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

Pension Reform 2010

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

Pension Reform 2012

September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund. Members who elected under option 1 to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP).

Regular Retirement (no reduction factor for age)

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

Annual Amount - Total credited service as of the Transition Date times 1.5% of final average compensation.

Pension Plus

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

Option 1 - Credited Service after the Transition Date times 1.5% times FAC.

Option 2 - Credited Service after the Transition Date (until total service reaches 30 years) times 1.5% times FAC, PLUS Credited Service after the Transition Date and over 30 years times 1.25% times FAC.

Option 3 - Credited Service after the Transition Date times 1.25% times FAC.

Option 4 - None (Member will receive benefit through a Defined Contribution plan). As a DC participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS.

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

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

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7%. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Districts are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

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

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

October 1, 2015 - September 30, 2016	14.56% - 18.95%
October 1, 2016 - September 30, 2017	15.27% - 19.03%

The District’s pension contributions for the year ended June 30, 2017 were equal to the required contribution total. Required and actual contributions to the plan for the years ended June 30, 2017 and 2016 were $1,844,014 and $1,838,472 respectively. These amounts include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (72.88% for pension and 27.12% for OPEB). The District UAAL/147c contributions for the years ended June 30, 2017 and 2016 were $608,823 and $534,630 respectively.

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

Pension Liabilities

At June 30, 2017, the District reported a liability of $19,768,701 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2015 and rolled-forward using generally accepted actuarial procedures. The District’s proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating districts, actuarially determined. At September 30, 2016 and 2015, the District’s proportion is shown in the table below.

MPSERS (Plan) Non-university employers	September 30, 2016	September 30, 2015
Total Pension Liability	67,917,445,078	66,312,041,902
Plan Fiduciary Net Position	42,968,263,308	41,887,015,147
Net Pension Liability	24,949,181,763	24,425,026,755
Proportionate share	0.07923587%	0.08029990%
Net Pension Liability for the District	19,768,701	19,613,275

<u>Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

For the year ended June 30, 2017 and 2016, the District recognized pension expense of approximately $1,884,900 and $1,716,461 respectively. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate, these amounts have been recorded as a deferred outflow as of June 30, 2017.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	246,370	(46,852)
Changes of assumptions	309,068	-
Net difference between projected and actual plan investments earnings	328,556	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	159,441	(210,548)
District's contributions subsequent to the measurement date	1,564,871	-
Total	2,608,306	(257,400)

$1,564,871, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Description	Amount
June 30, 2018	156,373
June 30, 2019	130,531
June 30, 2020	459,467
June 30, 2021	39,664

<u>Actuarial Assumptions</u>

Investment rate of return - 8.0% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus plan).

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

Inflation - 2.5%

Mortality assumptions – RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2020 using projection scale AA for men and women were used.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2015. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

The long-term expected rate of return on pension plan investments - The rate was **8%** (**7%** Pension Plus Plan) net of investment and administrative expenses was determined using a 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.

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.00%	5.90%
Alternate Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.90%
Real Estate and Infrastructure Pools	10.00%	4.30%
Absolute Return Pools	15.50%	6.00%
Short Term Investment Pools	2.00%	0.00%

*Long term rate of return does not include 2.1% inflation.

Discount rate - The discount rate used to measure the total pension liability was **8%** (**7%** for Pension Plus Plan). The discount rate did not change from the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent (7% for Pension Plus Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net pension liability	25,457,111	19,768,701	14,972,825

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2016 Comprehensive Annual Financial Report.

Payable to the Pension Plan - At year end the School District is current on all required pension plan payments. At June 30, 2017, the District reported a payable of $212,125 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017, consisting of pension contribution payable plus any other amounts owed to the pension plan including the UAAL payments for July and August 2017.

Other Postemployment Benefits - MPSERS

Introduction
Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care 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.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

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

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

Employer Contributions
The employer contribution rate ranged from 5.52% - 6.45% of covered payroll for the period October 1, 2013 to March 9, 2015, 2.2% to 2.71% of covered payroll for the period from March 10, 2015 to September 30, 2015, and from 6.4% to 6.83% of covered payroll for the period from October 1, 2015 through September 30, 2016 5.69% to 5.91% of covered payroll for the period from October 1, 2016 through September 30, 2017 dependent upon the employee's date of hire and plan election.

The District's contributions to the plan for retiree healthcare benefits for the years ended June 30, 2017, 2016, and 2015 were $388,681, $354,947, and $348,490, respectively.

Other Postemployment Benefits – Self Administered
<u>Plan Description</u>
The School District provides another post-employment benefit (OPEB), in accordance with contractual language, to all teaching and support personnel who retire with 10 years of service to the School District. The School District

will pay $10,000 per retiring teacher up to a maximum of five (5) in any one fiscal year. The School District also pays retiring support personnel, excluding maintenance, custodial and transportation personnel, $100 to $200 per year of service for personnel with 10 years of service. Retiring maintenance and custodial personnel receive $100 to $175 per year of service for personnel with 10 years of service. Retiring transportation personnel receive $50 to $175 per year of service for personnel with 10 years of service. Retiring administrators are no longer eligible for this benefit.

Funding Policy
The required contribution is funded on a cash basis.

Annual OPEB Cost and net OPEB Obligation
The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Description	Amount
OPEB obligation – beginning of year	41,684
Increase (decrease) in net OPEB obligation	(14,138)
OPEB obligation – end of year	27,546

Funded Status and Funding Progress
As of June 30th, unfunded actuarial accrued liability (UAAL) for benefits was $27,546, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include years until retirement, turnover rate and discount percentage. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions
Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District 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 plans members to that point. The 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.

The following simplifying assumptions were made:

Turnover – Historical average retirement age for the covered groups and probability that active members would remain employed until the assumed retirement criteria were met were both used to develop an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Benefit growth rate – Based on the historical and expected returns of the District's short-term investment portfolio, a discount rate of 5.5% was used.

NOTE 10 - TRANSFERS
During the year the following transfers were made between funds:

- The transfer of $564 from the General Fund to the Food Service Fund for the purpose of required at risk expense.
- The transfer of $7,200 from the General Fund to the Pioneer Development Fund for the purpose of future tennis court and football field maintenance.

- The transfer of $408,896 from the General Fund to the Capital Investment fund for the purpose of Board approved future projects.

NOTE 11 - TAX ABATEMENTS

Effective for the year ended June 30, 2017 the District is required to disclose significant tax abatements as required by GASB statement 77 (Tax abatements).

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. 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; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds by municipality under these programs are as follows:

Municipality	Amount
Clare County	3,571
Isabella County	15,510
Total	19,081

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

There are no significant abatements made by the District.

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, establishes requirements for governments that provide their employees with OPEB through a trust and replaces *GASB Statement No. 45* for those government employers. The most significant change is that governments will now be required to recognize their net OPEB liability, which is the difference between the total OPEB liability (the portion of the present value of projected benefit payments that is attributed to past periods) and the value of OPEB assets available to pay pension benefits. Additional note disclosure and the first two RSI schedules from *GASB 74* will be required. This requirement also applies to cost sharing, multiple-employer plans and plans that are not administered through a trust. Unlike pension plans, which most governments have been funding for quite a while, many OPEB plans are severely underfunded, and the liability to be recorded will be significant.

The statement mirrors the pension requirements of *GASB 68*. Most changes in the net OPEB liability will be included in current period expense. Other components, such as changes in economic assumptions, will be recognized over a closed period equal to the expected remaining service lives of all employees that are provided benefits. Differences between expected and actual investment rate of return will be recognized in expense over a closed five-year period. The pronouncement will be effective for years ending June 30, 2018.

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

REQUIRED SUPPLEMENTARY INFORMATION

Clare Public Schools
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget
Revenues				
Local sources	$ 1,834,274	$ 2,097,361	$ 2,107,401	$ 10,040
State sources	11,078,182	11,418,681	11,403,488	(15,193)
Federal sources	1,099,984	991,361	1,008,443	17,082
Other sources	-	13,500	13,860	360
Total revenues	14,012,440	14,520,903	14,533,192	12,289
Expenditures				
Instruction				
Basic programs	6,992,119	7,007,378	6,958,704	48,674
Added needs	1,902,458	1,888,962	1,803,857	85,105
Adult / continuing education	72,390	74,753	71,902	2,851
Total instruction	8,966,967	8,971,093	8,834,463	136,630
Support services				
Pupil	580,843	579,480	573,297	6,183
Instructional staff	440,587	402,649	383,928	18,721
General administration	301,242	300,888	282,777	18,111
School administration	709,455	716,820	701,028	15,792
Business services	406,489	380,318	372,036	8,282
Operation and maintenance	1,123,491	1,199,719	1,130,760	68,959
Pupil transportation	447,907	410,446	376,072	34,374
Central	469,507	639,301	638,374	927
Athletics	294,778	291,481	288,388	3,093
Total support services	4,774,299	4,921,102	4,746,660	174,442
Community services	23,396	31,350	18,013	13,337
Payments to other public schools	45,000	15,000	11,047	3,953
Construction and improvement	-	4,519	4,514	5
Other	14,800	14,593	-	14,593
Total expenditures	13,824,462	13,957,657	13,614,697	342,960
Excess (deficiency) of revenues over expenditures	187,978	563,246	918,495	355,249
Other financing sources (uses)				
Proceeds from sale of capital assets	-	280,100	283,996	3,896
Transfers (out)	(132,200)	(417,764)	(416,660)	1,104
Transfer to activities fund	(1,000)	(1,000)	(1,000)	-
Net change in fund balance	54,778	424,582	784,831	360,249
Fund balances - beginning	1,568,329	1,568,329	1,568,329	-
Fund balances - ending	$ 1,623,107	$ 1,992,911	$ 2,353,160	$ 360,249

Clare Public Schools
Required Supplemental Information
Michigan Public School Employees Retirement Plan
Prospective 10-year trend information

Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability	Plan year Sept 30, 2016	Plan year Sept 30, 2015	Plan year Sept 30, 2014
Reporting unit's proportion of net pension liability (%)	0.07923587%	0.08029991%	0.07912978%
Reporting unit's proportionate share of net pension liability	$ 19,768,701	$ 19,613,275	$ 17,429,523
Reporting unit's covered employee payroll	$ 6,677,500	$ 6,693,671	$ 6,722,422
Reporting unit's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	296.05%	293.01%	259.27%
Plan fiduciary net position as a percentage of total pension liability	63.01%	62.92%	66.20%

Note: Amounts were determined as of 9/30 of each fiscal year.

Schedule of the Reporting Unit's Contributions	Fiscal year June 30, 2017	Fiscal year June 30, 2016	Fiscal year June 30, 2015
Statutorily required contributions	$ 1,827,125	$ 1,824,355	$ 1,537,475
Contributions in relation to statutorily required contributions	1,827,125	1,824,355	1,537,475
Contribution deficiency (excess)	$ -	$ -	$ -
Reporting unit's covered-employee payroll	$ 6,473,975	$ 6,366,764	$ 6,757,761
Contributions as a percentage of covered-employee payroll	28.22%	28.65%	22.75%

Note: Amounts were determined as of 6/30 of each year.

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes of benefit terms
Changes of assumptions: There were no changes of benefit assumptions

OTHER SUPPLEMENTARY INFORMATION

Clare Public Schools
Schedule of Long-Term Debt
For the Year Ended June 30, 2017

Fiscal Year Maturity Date	Interest Rate (%)	Annual Principal Due	Annual Interest Due	Total
2015 School Building & Site Bonds				
Original Issue Amount: $2,450,000				
Due May & November,				
2018	2.00	$ 155,000	$ 51,638	$ 206,638
2019	2.00	175,000	48,538	223,538
2020	2.00	195,000	45,038	240,038
2021	2.00	220,000	41,138	261,138
2022	2.00	245,000	36,738	281,738
2023	2.00	270,000	31,838	301,838
2024	2.25	295,000	26,438	321,438
2025	3.00	320,000	19,800	339,800
2026	3.00	340,000	10,200	350,200
		$ 2,215,000	$ 311,366	$ 2,526,366
2016 Refunding Bonds				
Original Issue in 2001 - $8,890,000; Refunded in 2006 - $6,680,000; Refunded in 2016 - $4,560,000				
Due May & November,				
2018	0.95	$ 490,000	$ 64,075	$ 554,075
2019	1.15	485,000	59,420	544,420
2020	1.30	475,000	53,843	528,843
2021	1.45	465,000	47,668	512,668
2022	1.60	450,000	40,925	490,925
2023	1.75	440,000	33,725	473,725
2024	1.95	430,000	26,025	456,025
2025	2.05	420,000	17,640	437,640
2026	2.15	420,000	9,030	429,030
		$ 4,075,000	$ 352,351	$ 4,427,351

Summary

2018		$ 645,000	$ 115,713	$ 760,713
2019		660,000	107,958	767,958
2020		670,000	98,881	768,881
2021		685,000	88,806	773,806
2022		695,000	77,663	772,663
2023-2026		2,935,000	174,696	3,109,696
		$ 6,290,000	$ 663,717	$ 6,953,717