Onaway Area Community Schools

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

Year Ended June 30, 2018

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Onaway Area Community Schools

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June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Onaway Area Community Schools
Cheboygan and Presque Isle Counties, Michigan

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities and each major fund and the aggregate remaining fund information of Onaway Area Community Schools, Michigan, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents. We did not audit the district's proportionate share of the net pension liability and the OPEB Healthcare liability of the Michigan Public School Employees' Retirement System and the related transactions and disclosures. Those balances and disclosures were audited by the State of Michigan Office of the Auditor General whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for the district, is based solely on the report of the State of Michigan Office of the Auditor General.

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 and the report of the State of Michigan Office of the Auditor General, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund and aggregate remaining fund information of Onaway Area Community Schools, Michigan, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle
As described in Note 1 to the financial statements, in the year ended June 30, 2018, the district adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the administration's discussion and analysis and budgetary comparison information on pages 3 through 11 and page 41 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 Onaway Area Community Schools's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are 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 26, 2018, on our consideration of Onaway Area Community Schools, Michigan'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 Onaway Area Community Schools, Michigan's internal control over financial reporting and compliance.

Douglas Wohlberg

Douglas Wohlberg, CPA
Byron Center, Michigan
October 26, 2018

Onaway Area Community School District is a K-12 School District located in Cheboygan and Presque Isle Counties, Michigan. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Onaway Area Community Schools District Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2018.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District-Wide Financial Statements and Fund Financial Statements

Fund Financial Statements

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Funds, and the School Service Fund, which is comprised of Food Service, and various Activity accounts.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District-Wide Financial Statements:

The District-wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short- and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Position of the District-wide financial statements.

Summary of Net Position:

The following summarizes the net position at fiscal year ended June 30, 2018:

	2018	2017
Assets		
Current assets	$ 3,363,900	$ 2,134,032
Capital assets	7,151,782	6,983,957
Total assets	10,515,682	9,117,989
Deferred outflows of resources	1,463,994	1,018,349
Liabilities		
Current liabilities	709,588	743,886
Long-term liabilities	16,217,175	11,708,943
Total liabilities	16,926,763	12,452,829
Deferred inflows of resources	1,205,050	536,815
Net Position		
Invested in capital assets, net of related debt	3,538,462	4,564,972
Restricted:		
Food service	77,837	90,265
Debt service	120,093	103,914
Capital outlay	1,721,668	421,227
Unrestricted	(11,610,197)	(8,033,684)
Total net position	$ (6,152,137)	$ (2,853,306)

Analysis of Financial Position:

During the fiscal year, the District's total net position decreased by $3,298,831. A few of the significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

GASB 34 requires School Districts to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net position.

For fiscal year, the net increase in accumulated depreciation was $226,870.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset less an estimated salvage value.

One way to think of depreciation expense is that in order to maintain net position at the same level, acquisitions of capital outlay and capitalized major maintenance projects would have to equal the annual depreciation expense. In other words, to stay even in net position the District would have had to capitalize an additional $226,870 in assets during the year.

2. Capital Outlay Acquisitions

Capital outlay acquisitions for the fiscal year were $426,633. This represents major improvements in the district's building and equipment that was made possible by issuing a building and site bond in the amount of $1,735,000.

Since accumulated depreciation is based on original cost, it does not take into consideration inflation. As a result, the actual investment in capital outlay would have to be more than depreciation expense in order to maintain assets at the same level of maintenance and upkeep.

3. Capital Outlay Dispositions

During the year, the District did not sell any significant capital assets.

4. Long Term Debt Reduction

The long-term liabilities for the District were increased by $1,207,033. When liabilities are decreased faster than capital assets depreciate, the result is an increase to net position. This debt increase is a result of the building and site bond.

5. Implementation of GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

Implementation of GASB 75 required a restatement of beginning net position for the net OPEB liability related to the defined benefit retirement plan. The plan is the Michigan Public School Employees' Retirement System (MPSERS). This plan 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.

The above restatements had the following impact on previously reported balances.

Net position as previously reported	$	(2,853,306)
OPEB liability		(3,306,639)
Net position restated	$	(6,159,945)

Results of Operations:

For the fiscal year the District-wide results of operations were:

	2018	% of Total	2017*	% of Total
General Revenues				
Michigan's Foundation Grant Allowance:				
Property taxes levied for general operations	$ 2,561,743	36.4 %	$ 2,512,399	38.0 %
State of Michigan Aid, unrestricted	2,075,116	29.5 %	2,183,954	32.9 %
Michigan's Foundation Grant Allowance	4,636,859	65.9 %	4,696,353	70.9 %
Property taxes levied for debt service	569,267	8.1 %	539,538	8.2 %
Other	104,413	1.5 %	126,919	1.9 %
Total General Revenues	5,310,539	75.5 %	5,362,810	81.0 %
Program Revenues				
Charges for services	93,607	1.3 %	111,965	1.7 %
Operating grants - Federal and State	1,636,242	23.2 %	1,144,856	17.3 %
Total Revenues	7,040,388	100.0 %	6,619,631	100.0 %
Expenses				
Instructional and instructional support	4,467,633	63.5 %	3,823,121	59.9 %
Support services	1,836,051	26.1 %	1,863,716	29.3 %
Food services	308,707	4.4 %	298,704	4.7 %
Athletics	112,401	1.6 %	112,064	1.8 %
Interest on long-term debt	48,980	0.7 %	49,745	0.8 %
Depreciation (unallocated)	258,808	3.7 %	223,657	3.5 %
Total Expenses	7,032,580	100.0 %	6,371,007	100.0 %
Increase (Decrease) in Net Position	$ 7,808		$ 248,624	

*The district implemented GASB 75 during the year ended June 30, 2018. The impact on expenses for the year ended June 30, 2017 is unknown and, therefore, expenses for 2018 and 2017 are not comparable.

Analysis of Results of Operations:

During fiscal year, the District's total net position decreased by $3,298,831. A few of the significant factors affecting the results of operations during the year are discussed below:

1. Property Taxes levied for General Operations (General Fund Property Taxes)

The District levies 18.0 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5%, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50% of the market value.

The District's non-homestead property levy for the fiscal year was $2,572,039. The non-homestead tax levy decreased by 1.55% over the prior year.

Fiscal Year	Non Homestead Tax Levy	Percent change
2017-2018	$ 2,572,039	1.55 %
2016-2017	2,532,795	(0.93)%
2015-2016	2,556,615	0.18 %
2014-2015	2,551,911	0.15 %
2013-2014	2,547,994	0.09 %

The average increase over the last 5 years was 0.21%.

2. State Of Michigan Aid, Unrestricted

The State of Michigan aid, unrestricted is determined by the following variables:

a. State of Michigan State Aid Act per student foundation allowance
b. Student Enrollment - Blended at 90% of current year fall count and 10% of prior year winter count
c. The District's non-homestead levy

Per Student, Foundation Allowance:

Annually, the State of Michigan sets the per student foundation allowance. The Onaway Area Community Schools District foundation allowance was $7,511 per pupil for the school year. This was an increase of $120 per pupil over the District's previous year foundation allowance.

Student Enrollment:

The District's student blended enrollment for the year was 616 students. The District's enrollments have generally declined in the past five years. The following summarizes fall student enrollments in the past five years:

Fiscal Year	Student Membership	Increase (Decrease) Prior Year
2017-2018	616	(11)
2016-2017	627	(19)
2015-2016	646	(16)
2014-2015	662	(6)
2013-2014	668	(5)

Preliminary student enrollments for 2018-2019 indicate that enrollments will decrease slightly from 2017-2018.

3. Property Taxes levied for Debt Service:

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2017-2018, the District's debt millage levy was 2.20 mills, which generated revenue of $569,267.

4. Food Service Sales to Students & Adults:

The District's Food Service revenues decreased from the previous year by approximately $7,889 to $301,429. School lunch and milk prices were raised from the previous year.

The total expenditures from Food Service operations were greater than total revenues for the year by $7,278. The food service fund spent approximately $4,000 on capital outlays during the year.

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

General Fund Revenue Budget vs. Actual 5-Year History

Fiscal Year	Original Budget	Final Budget	Actual	Variance Actual & Original Budget	Variance Actual & Final Budget
2017-2018	$ 6,024,818	$ 6,112,967	$ 6,122,171	1.62 %	0.15 %
2016-2017	6,027,589	6,100,244	6,122,009	1.57 %	0.36 %
2015-2016	5,758,808	6,074,789	6,181,041	7.33 %	1.75 %
2014-2015	5,801,396	6,033,388	6,085,014	4.89 %	0.86 %
2013-2014	5,764,863	5,954,752	5,966,056	3.49 %	0.19 %

General Fund Expenditures Budget vs. Actual 5-Year History

Fiscal Year	Original Budget	Final Budget	Actual	Variance Actual & Original Budget	Variance Actual & Final Budget
2017-2018	$ 6,180,903	$ 6,279,276	$ 6,165,920	0.24 %	1.81 %
2016-2017	6,068,916	6,091,655	5,983,671	1.40 %	1.77 %
2015-2016	5,920,159	6,129,710	6,019,414	(1.68)%	1.80 %
2014-2015	5,997,393	6,208,429	6,175,520	(2.97)%	0.53 %
2013-2014	6,004,834	6,185,403	6,062,172	(0.95)%	1.99 %

Original vs. Final Budget:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, Onaway Area Community School District amends its budget twice during the school year. For fiscal year 2017-2018, the budget was amended in March, and the final budget amendments were made in June.

Change from Original to Final Budget

General Fund Revenues:

Total Revenues Original Budget	$	6,024,818
Total Revenues Final Budget		6,112,967
Increase (Decrease) in Budgeted Revenues	$	88,149

The District's actual general fund revenues were greater than the final budget by $9,204, a variance of 0.15%. The final revenue budget reflects the following changes from the original budget:

- Final budgeted local revenues were decreased by $12,976 from the original budget.
- Final budgeted state revenues were increased by $105,286 from the original. The majority of this increase was due to adjusting for categorical revenues such as Early Literacy Targeted Instruction and the MPSERS UAAL Rate Stabilization.
- Final budgeted federal revenues were decreased by $25,442. This resulted from the finalization of federal grants.
- Intermediate revenues were increased by $21,281. The majority of this increase was due to changes in funding from the COP-ESD.

General Fund Expenditures:

The District's budget for expenditures changed as follows during the year:

Total Expenditures Original Budget	$	6,180,903
Total Expenditures Final Budget		6,279,276
Increase (Decrease) in Budgeted Expenditures	$	98,373

The District's actual expenditures differed from the final budget by $113,356 or 1.81%. Some of the significant budget adjustments for the year include:

- The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, Onaway Area Community School District amends its budget twice during the school year. For fiscal year 2017-2018, the budget was amended in April of 2018, and final budget amendments were made in June of 2018.
- The administration made adjustments in April to reflect changes that occurred with the state aid payment. Salaries and benefits were also adjusted to show actual salary amounts, not just forecasted amounts.
- Retirement payments were adjusted to match UAAL payments that were received in state aid revenues.
- Operations and Maintenance costs were higher than expected. Overall this area went up by $37,970, the two most notable increases were to custodial supplies and contracted repair and maintenance.
- Transportation costs went down by $16,739. Fuel costs alone were down by $8,736. With the purchase of new buses, the district's overall fuel economy has improved and repair costs have been lower as well.

Conclusion:

In anticipation of shrinking revenues in the foreseeable future, the District's management is continuing to minimize expenses in most areas. Public Education has had difficulty maintaining programming over the last several years. Onaway Area Community Schools has been making several attempts to creatively come up with ways to maintain and enhance programming while maintaining financial health.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Onaway Area Community School District Business Office.

BASIC FINANCIAL STATEMENTS

Onaway Area Community Schools

Statement of Net Position

June 30, 2018

		Governmental Activities
ASSETS		
Cash and investments	$	2,760,319
Receivables, net		6,368
Intergovernmental receivable		565,001
Inventories		12,515
Prepaids		19,697
Capital assets less accumulated depreciation of $3,099,567		7,151,782
Total assets		10,515,682
DEFERRED OUTFLOWS OF RESOURCES		
Pension related		1,463,994
LIABILITIES		
Accounts payable		9,270
Accrued and other liabilities		688,538
Accrued interest		7,181
Unearned revenue		4,599
Long-term liabilities:		-
Due within one year		485,665
Due in more than one year		3,127,655
Net pension liability		9,138,311
OPEB healthcare liability		3,134,913
Compensated absences payable		301,138
Early retirement incentive		29,493
Total liabilities		16,926,763
DEFERRED INFLOWS OF RESOURCES		
Pension related		1,092,182
OPEB healthcare related		112,868
Total deferred inflows of resources		1,205,050
NET POSITION		
Net investment in capital assets		3,538,462
Restricted for:		
Food service		77,837
Debt service		120,093
Capital outlay		1,721,668
Unrestricted		(11,610,197)
Total net position	$	(6,152,137)

The Notes to Financial Statements are an integral part of this statement.

Onaway Area Community Schools

Statement of Activities

For the year ended June 30, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Functions/Programs:				
Governmental activities:				
Instruction	$ 4,467,633	$ 1,332	$ 1,391,160	$ (3,075,141)
Support services	1,836,051	13,200	-	(1,822,851)
Food service	308,707	58,635	242,683	(7,389)
Athletics	112,401	20,440	2,399	(89,562)
Interest	48,980	-	-	(48,980)
Depreciation (unallocated)	258,808	-	-	(258,808)
Total governmental activities	$ 7,032,580	$ 93,607	$ 1,636,242	(5,302,731)

General revenues:	
Taxes:	
Property taxes, levied for general operations	2,561,743
Property taxes, levied for debt service	569,267
State of Michigan aid, unrestricted	2,075,116
Unrestricted investment earnings	36,900
Other revenues	47,268
Bond proceeds	19,195
Gain (loss) on sale of capital assets	1,050
Total general revenues	5,310,539
Change in net position	7,808
Net position-beginning-restated	(6,159,945)
Net position-ending	$ (6,152,137)

The Notes to Financial Statements are an integral part of this statement.

Onaway Area Community Schools

Governmental Funds

Balance Sheet

June 30, 2018

	General	2016 Construction	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 858,075	$ 1,721,668	$ 180,576	$ 2,760,319
Accounts receivable	6,368	-	-	6,368
Due from other funds	-	-	33,430	33,430
Intergovernmental receivable	563,446	-	1,555	565,001
Inventories	-	-	12,515	12,515
Prepaid items	19,697	-	-	19,697
Total assets	$ 1,447,586	$ 1,721,668	$ 228,076	$ 3,397,330
LIABILITIES				
Accounts payable	$ 9,270	$ -	$ -	$ 9,270
Accured liabilities	675,506	-	13,032	688,538
Due to other funds	33,430	-	-	33,430
Unearned revenue	-	-	4,599	4,599
Total liabilities	718,206	-	17,631	735,837
FUND BALANCES				
Nonspendable:				
Inventories	-	-	12,515	12,515
Prepaid items	19,697	-	-	19,697
Restricted:				
Food service	-	-	77,837	77,837
Debt service	-	-	120,093	120,093
Capital outlay	-	1,721,668	-	1,721,668
Unassigned	709,683	-	-	709,683
Total fund balances	729,380	1,721,668	210,445	2,661,493
Total liabilities and fund balances	$ 1,447,586	$ 1,721,668	$ 228,076	$ 3,397,330

The Notes to Financial Statements are an integral part of this statement.

Onaway Area Community Schools

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

June 30, 2018

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds	$	2,661,493
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		7,151,782
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Balances at June 30, 2018 were:		
Installment purchase contract		(78,320)
Bonds payable		(3,535,000)
Early retirement incentive		(29,493)
Deferred compensated absences		(301,138)
Net pension liability		(9,138,311)
OPEB healthcare liability		(3,134,913)
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources:		
Pension related		1,463,994
Deferred inflows of resources:		
Pension related		(1,092,182)
OPEB healthcare related		(112,868)
Interest on long-term debt is accrued as a liability in the district-wide statements, but is not recognized in the governmental funds until due.		(7,181)
Net position of governmental activities	$	(6,152,137)

The Notes to Financial Statements are an integral part of this statement.

Onaway Area Community Schools

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended June 30, 2018

	General	2016 Construction	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Local sources	$ 2,657,126	$ 4,757	$ 651,584	$ 3,313,467
State sources	2,983,240	-	10,261	2,993,501
Federal sources	221,373	-	232,422	453,795
Incoming transfers and other transactions	260,432	-	-	260,432
Total revenues	6,122,171	4,757	894,267	7,021,195
EXPENDITURES				
Current:				
Instruction	4,237,786	-	-	4,237,786
Support services	1,913,608	-	-	1,913,608
Food service	-	-	308,707	308,707
Community services	1,167	-	-	1,167
Debt service:	13,359	-	576,659	590,018
Capital outlay	-	458,511	-	458,511
Total expenditures	6,165,920	458,511	885,366	7,509,797
Excess (deficiency) of revenues over expenses	(43,749)	(453,754)	8,901	(488,602)
OTHER FINANCING SOURCES (USES)				
Proceeds for debt issuance	-	1,754,195	-	1,754,195
Net change in fund balances	(43,749)	1,300,441	8,901	1,265,593
Fund balances-beginning	773,129	421,227	201,544	1,395,900
Fund balances-ending	$ 729,380	$ 1,721,668	$ 210,445	$ 2,661,493

The Notes to Financial Statements are an integral part of this statement.

Onaway Area Community Schools

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

For the year ended June 30, 2018

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	$	1,265,593
Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense		(258,808)
Capital outlay		426,633
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.		(1,427)
The issuance of long-term debt provides current financial resources to governmental funds, but not in the statement of activities, where it increases long-term debt.		(1,735,000)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities, where it reduces long-term debt.		530,000
Repayment of installment purchase agreements is an expenditure in the governmental funds, but not in the statement of activities, where it reduces long-term debt.		10,665
Increases in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6.		(37,175)
Reductions of compensated absences is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).		6,930
Reductions of early retirement incentive is an expenditure in the governmental funds, but not in the statement of activities, where it reduces long-term debt.		17,547
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the pension expense is determined by the pension plan. This is the amount by which the pension expense exceeded the contributions.		(276,011)
Governmental funds report OPEB Healthcare contributions as expenditures. However, in the statement of activities, the OPEB Healthcare expense is determined by the pension plan. This is the amount by which the pension expense exceeded the contributions.		58,861
Change in net position of governmental activities	$	7,808

The Notes to Financial Statements are an integral part of this statement.

Onaway Area Community Schools

Fiduciary Fund

Statement of Assets and Liabilities

June 30, 2018

ASSETS		
Cash and investments	$	208,147
LIABILITIES		
Due to student groups	$	208,147

The Notes to Financial Statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Onaway Area Community Schools (the "School District") is located in Cheboygan and Presque Isle Counties. The School District is governed by an elected seven-member Board of Education. The accounting policies of Onaway Area Community Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

A. Reporting Entity

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

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. All of the School District's district-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported as general revenue.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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

Revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, unrestricted State aid, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School District.

The School District reports the following major governmental fund:

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

The 2016 Construction Fund account for bond proceeds and fund modifications used to provide capital additions for the School District.

Additionally, the School District reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's Special Revenue Fund accounts for the School District's food service activity. Any operating deficit generated by this activity is the responsibility of the General Fund.

Debt Service Funds account for property taxes and other revenues used to pay principal, interest, and fees related to long-term debt.

The Agency Fund is used to account for assets held by the School District in a trustee capacity for individuals or school-related organizations. The Agency Fund is custodial in nature and does not involve measurement of results of operations.

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

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on February 15th of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as inventory until used. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than $5,000. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 the asset's useful life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles of the School District are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Lives
Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years
Computer software	3-5 years

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial 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 School District has two items that qualify for reporting in this category. They are pension related items and OPEB healthcare related items.

Compensated Absences

The liability for compensated absences reported in the district-wide statements consists of earned but unused accumulated vacation and sick leave benefits. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, disclosure of contingent 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.

Other Financing Sources (Uses)

Transfers of cash between the various School District funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

Net Position and Fund Balances

The difference between fund assets and liabilities is "Net Position" on the district-wide statements and "Fund Balances" on governmental fund statements. Net Position are classified as "Net investment in capital assets," legally "Restricted" for a specific purpose, or "Unrestricted" and available for appropriation for the general purposes of the fund. In governmental fund financial statements, fund balances are classified as follows:

- Nonspendable--Amounts that cannot be spent either because they are (a) not in spendable form; or (b) legally or contractually required to be maintained intact.
- Restricted--Amounts with constraints placed on the use of resources because they are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed--Amounts that can be used only for specific purposes determined by a formal action by Board of Education resolution, and that remain binding unless removed in the same manner.
- Assigned--Amounts neither restricted nor committed for which a School District has a stated intended use as established by the Board of Education or a body or official to which the Board of Education has delegated the authority to assign amounts for specific purposes.
- Unassigned--Amounts that cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the School District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the School District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

Comparative Data/Reclassifications

Comparative data is not included in the School District's financial statements.

E. Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes and unrestricted State aid.

Property Taxes

The School District's 2017 ad valorem tax was levied and collectible on December 1. It is the School District's policy to recognize revenues from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing operations. Taxes are considered delinquent on February 15th of the following year, at which time penalties and interest are assessed.

F. Pension

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

G. Postemployment Benefits Other Than Pensions

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

H. Change in Accounting Principle

Statements Number 74 and 75. Implementation of these new accounting standards required a restatement of beginning net position for the net OPEB liability related to the defined benefit retirement plan. The plan is the Michigan Public School Employees' Retirement System (MPSERS). This plan 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.

Previously GASB Statement Number 27 excluded this OPEB liability from the financial statements of the School District. The above restatements had the following impact on previously reported balances.

Net position as previously reported	$	(2,853,306)
OPEB liability		(3,306,639)
Net position restated	$	(6,159,945)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budgets were amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as restrictions, commitments, or assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds

For the year ended June 30, 2018, expenditures exceeded appropriations in the following functions:

Fund and Function	Final Budget Appropriation	Actual Expenditure	Excess Expenditure
General Fund:			
Athletics	$ 111,659	$ 112,401	$ (742)

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Deposits are carried at cost. The investment policy adopted by the Board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The School District's deposits and investment policy are in accordance with statutory authority.

As of June 30, 2018, the School District had the following deposits.

Michigan Liquid Asset Fund	$ 2,032,875
Citizens Bank	936,350
Huron National Bank	1,185
Petty cash	100
Total	$ 2,970,510

At year end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and investments	$ 2,760,319	$ 208,147	$ 2,968,466

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

Custodial Credit Risk of Deposits

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the School District's deposits may not be recovered. At year end, the bank balance of the School District's deposits is $2,970,510, of which $371,277 is covered by federal depository insurance. The remaining $2,599,233 is uninsured and uncollateralized.

Interest Rate Risk

The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The School District places no limit on the amount the district may invest in any one issuer. More than five percent of the School District's deposits are in Michigan Liquid Asset Fund, Citizens Bank and Huron National Bank. These investments are 68.4%, 31.5%, and % respectively, of the School District's total deposits.

Fair Value Hierarchy

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

The following is a summary of the fair value hierarchy of the fair value of investments of the School District as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Michigan Liquid Asset Fund Plus	$ 2,032,875	$ -	$ -	$ 2,032,875

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the School District's governmental activities, for the year ended June 30, 2018, was as follows:

Governmental Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, not being depreciated:				
Land	$ 20,800	$ -	$ -	$ 20,800
Capital assets, being depreciated:				
Buildings and additions	8,367,029	326,896	-	8,693,925
Equipment and furnishings	649,488	57,543	-	707,031
Computer software	7,412	-	-	7,412
Vehicles - other than buses	150,954	42,194	31,938	161,210
School buses	660,971	-	-	660,971
Total capital assets, being depreciated	9,835,854	426,633	31,938	10,230,549
Less accumulated depreciation for:				
Buildings and additions	1,989,418	124,461	-	2,113,879
Equipment and furnishings	469,818	51,452	-	521,270
Computer software	7,412	-	-	7,412
Vehicles - other than buses	95,287	13,499	31,938	76,848
School buses	310,762	69,396	-	380,158
Total accumulated depreciation	2,872,697	258,808	31,938	3,099,567
Total capital assets being depreciated, net	6,963,157	167,825	-	7,130,982
Governmental activities capital assets, net	$ 6,983,957	$ 167,825	$ -	$ 7,151,782

Depreciation expense was not charged to specific activities as the School District considers its assets to impact multiple activities and allocation is not practicable.

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances, as of June 30, 2018, is as follows:

Due to/from other funds:

	Payable Fund
Receivable Fund	**General**
Food Service	$ 33,430

The School District reports interfund balances between certain funds. The sum of all balances presented in the table above agrees with the sum of interfund balances presented in the balance sheet for governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 6 - LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General Obligation Bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and purchase contracts.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes and bonds payable:					
Installment purchase contracts	$ 88,985	$ -	$ 10,665	$ 78,320	$ 10,665
Bonds	2,330,000	1,735,000	530,000	3,535,000	475,000
Total notes and bonds payable	2,418,985	1,735,000	540,665	3,613,320	485,665
Early retirement incentive	47,040	-	17,547	29,493	-
Compensated absences	270,893	37,175	6,930	301,138	-
Total long-term debt	$ 2,736,918	$ 1,772,175	$ 565,142	$ 3,943,951	$ 485,665

The annual requirement to amortize long-term debt outstanding as of June 30, 2018 follows:

Year ended	Notes and Bonds Payable		
June 30,	Principal	Interest	Total
2019	$ 485,665	$ 87,373	$ 573,038
2020	495,665	78,825	574,490
2021	510,665	66,941	577,606
2022	521,665	54,606	576,271
2023	536,665	41,927	578,592
2024	542,665	28,798	571,463
2025	257,665	15,549	273,214
2026	262,665	7,849	270,514
Totals	$ 3,613,320	$ 381,868	$ 3,995,188

Notes and Bonds payable at June 30, 2018 were comprised of the following:

$1,850,000 2016 Building and Site General Obligation Unlimited Tax Bonds due in annual installments of $25,000 to $300,000; interest due in bi-annual payments, rate of 1.20% to 2.00%	$	1,800,000
$114,976 installment purchase agreement due in annual installments of $7,665 through May 23, 2026; interest at 2.60%		61,320
$42,000 installment purchase agreement due in bi-annual installments of $3,495 to $4,440 including interest at 4.50%		17,000
$2,905,000 2012 Refunding General Obligation Unlimited Tax Bonds due in annual installments of $465,000 to $505,000; interest due in bi-annual payments, with a rate of 1.68%		1,735,000
Total notes and bonds payable	$	3,613,320

NOTE 7 - SHORT-TERM DEBT

The School District borrows funds to provide short-term financing for governmental activities. The School District borrowed and repaid with interest, by May 23, 2017, $1,200,000 in State Aid Notes. The interest rate was 2.00%. There are no short-term loans outstanding at year end.

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

	Beginning Balance	Additions	Reductions	Ending Balance
State aid note	$ -	$ 1,200,000	$ 1,200,000	$ -

NOTE 8 - RETIREMENT INCENTIVES

In past years, the School District offered an early retirement incentive to certified employees. The remaining amount owed by the School District is $29,493 which will be paid to eight employees over the next three years.

NOTE 9 - RISK MANAGEMENT

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

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 10 - PENSION PLAN

General Information about the Michigan Public School Employees' Retirement System (MPSERS) pension plan

Plan Description

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

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

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

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

Benefits Provided

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

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

Contributions

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

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

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

Pension Contribution Rates

Benefit Structure	Member	Employer Universities	Employer Non-Universities
Basic	0.0 - 4.0 %	23.05 %	19.03 %
Member Investment Plan	3.0 - 7.0 %	23.05 %	19.03 %
Pension Plus	3.0 - 6.4 %	N/A	18.40 %
Defined Contribution	0.0 %	18.75 %	15.27 %

Required contributions to the pension plan from the district were $827,120 for the year ended September 30, 2017.

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

At June 30, 2018, the district reported a liability of $9,138,311 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. The district's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2017, the district's proportion was 0.03526370 percent, which was a decrease of 1.97795467 percent from its proportion measured as of September 30, 2016.

For the year ended June 30, 2018, the district recognized pension expense of $894,133. At June 30, 2018, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 79,418	$ 44,840
Changes of assumptions	1,001,175	-
Net difference between projected and actual earnings on pension plan investments	-	436,871
Changes in proportion and differences between district contributions and proportionate share of contributions	53,488	248,655
District contributions subsequent to the measurement date	329,913	361,816
Total	$ 1,463,994	$ 1,092,182

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

Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized in Future Pension Expenses)

Year Ending September 30	Amount
2018	$ 113,403
2019	258,425
2020	72,785
2021	(40,898)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

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

Notes:

- Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5188 for non-university employers.
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, are summarized in the following table:

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

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

Rate of Return

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

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the district's proportionate share of the net pension liability to changes in the discount rate

The following presents the district's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for the Hybrid 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 higher:

1% Decrease (Non-Hybrid/Hybrid)* 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 8.5% / 8.0%
$ 11,904,179	$ 9,138,311	$ 6,809,626

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

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

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

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the Michigan Public School Employees' Retirement System (MPSERS) OPEB plan

Plan Description

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

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

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

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

Benefits Provided

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

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

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

Contributions

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

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

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

OPEB Contribution Rates

		Employer	
Benefit Structure	**Member**	**Universities**	**Non-Universities**
Premium Subsidy	3.00 %	7.36 %	5.91 %
Personal Healthcare Fund (PHF)	0.00 %	6.98 %	5.69 %

Required contributions to the OPEB plan from the district were $275,611 for the year ended September 30, 2017.

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

At June 30, 2018, the district reported a liability of $3,134,913 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The district's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the district's proportion was 0.03540086 percent, which was an increase of - percent from its proportion measured as of October 1, 2017.

For the year ended June 30, 2018, the district recognized OPEB expense of $208,506. At June 30, 2018, the district reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 33,378
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	72,605
Changes in proportion and differences between district contributions and proportionate share of contributions	-	5,287
District contributions subsequent to the measurement date	-	1,598
Total	$ -	$ 112,868

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

Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized in Future OPEB Expenses)

Year Ending September 30		Amount
2018	$	(26,793)
2019		(26,793)
2020		(26,793)
2021		(26,793)
2022		(4,098)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2015
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	7.5%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.
Other Assumptions:	
Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2017, are summarized in the following table:

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

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

Rate of Return

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

Discount Rate

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

Sensitivity of the district's proportionate share of the net OPEB liability to changes in the discount rate

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

1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
$ 3,671,889	$ 3,134,913	$ 2,679,188

Sensitivity of the district's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

The following presents the district's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the district's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 6.5%	Current Healthcare Cost Trend Rate 7.5%	1% Increase 8.5%
$ 2,654,850	$ 3,134,913	$ 3,679,991

OPEB Plan Fiduciary Net Position

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

NOTE 12 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Postemployment Benefits

Under the MPSERS' Act, all retirees participating in the MPSERS' pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage. The MPSERS board of trustees annually sets the employer contribution rate to fund these benefits on a pay-as-you-go basis. Employer contributions ranged from 8.18 percent to 9.11 percent of covered compensation for the year ended June 30, 2018.

Defined Contribution Plan

The defined contribution plan has an employer match of 50% of the Employee contribution from 0% to 4% depending on the employee plan & choice and employer paid 2% on the employee’s health care fund.

NOTE 13 - UNEARNED REVENUE

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

Fund	Unavailable	Unearned
Food Service	$ -	$ 4,599

NOTE 14 - PROPERTY TAX ABATEMENTS

Act 198, the Plant Rehabilitation and Industrial Development Districts Act, was adopted in the State of Michigan as a means of providing a stimulus in the form of significant tax incentives to industry for the purpose of creating new jobs and maintaining existing jobs. It allows an obsolete property, when replaced or restored, to have its assessed value frozen at the level prior to the improvement for a maximum of twelve years; and new plants to receive a fifty percent exemption from property tax on the taxable value of new real and personal properties, also for a maximum period of twelve years.

Public Act 381 of 1996, the Brownfield Redevelopment Financing Act, was adopted in the State of Michigan as a means to authorize municipalities to create a brownfield redevelopment authority to facilitate the implementation of brownfield plans; to create brownfield redevelopment zones; to promote the revitalization, redevelopment, and reuse of certain property, including, but not limited to, tax reverted, blighted, or functionally obsolete property; to prescribe the powers and duties of brownfield redevelopment authorities; to permit the issuance of bonds and other evidences of indebtedness by an authority; to authorize the acquisition and disposal of certain property; to authorize certain funds; to prescribe certain powers and duties of certain state officers and agencies; and to authorize and permit the use of certain tax increment financing.

No significant abatements have been made that would affect the District.

NOTE 15 - SUBSEQUENT EVENTS

Management evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation was performed through October 26, 2018, the date the financial statements were approved for issuance. There were no subsequent events that should be accounted for or require disclosure in the accompanying financial statements.

NOTE 16- RECENTLY ISSUED ACCOUNTING PRINCIPLES

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

In March 2016, GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

In January 2017, GASB issued Statement 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of 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. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

In March 2017, GASB issued Statement 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and "negative" goodwill • Classifying real estate held by insurance entities • Measuring certain money market investments and participating interest earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

In June, 2017, GASB issued Statement No. 87, *Leases*. Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

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REQUIRED SUPPLEMENTAL INFORMATION

Onaway Area Community Schools

General Fund

Budgetary Comparison Schedule

For the year ended June 30, 2018

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Local sources	$ 2,666,462	$ 2,653,486	$ 2,657,126	$ 3,640
State sources	2,872,389	2,977,675	2,983,240	5,565
Federal sources	246,685	221,243	221,373	130
Incoming transfers and other transactions	239,282	260,563	260,432	(131)
Total revenues	6,024,818	6,112,967	6,122,171	9,204
EXPENDITURES				
Current:				
Instruction:				
Basic programs	3,518,277	3,661,487	3,609,716	51,771
Added needs	584,387	640,135	628,070	12,065
Support services:				
Pupil services	53,472	2,846	2,832	14
Instructional staff services	105,721	49,964	47,090	2,874
General administration	331,671	296,454	290,254	6,200
School administration	338,482	339,612	327,366	12,246
Business services	102,408	87,902	85,085	2,817
Operations and maintenance	585,493	623,463	598,898	24,565
Pupil transportation	309,094	302,355	301,353	1,002
Central support services	142,822	148,423	148,329	94
Athletics	89,676	111,659	112,401	(742)
Community activities	500	1,167	1,167	-
Facilities acquisition, construction and improvements	2,000	-	-	-
Debt service	16,900	13,809	13,359	450
Total expenditures	6,180,903	6,279,276	6,165,920	113,356
Net change in fund balance	(156,085)	(166,309)	(43,749)	122,560
Fund balance-beginning	773,129	773,129	773,129	-
Fund balance-ending	$ 617,044	$ 606,820	$ 729,380	$ 122,560

Onaway Area Community Schools
Required Supplemental Information
June 30, 2018

Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability
Michigan Public Schools Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	2017	2016	2015	2014
Reporting unit's proportion of net pension liability (%)	0.03526365 %	0.03596120 %	0.03668000 %	0.03606165 %
Reporting unit's proportionate share of net pension liability	$ 9,138,311	$ 8,972,025	$ 8,959,764	$ 7,943,114
Reporting unit's covered employee payroll	$ 2,941,848	$ 3,009,785	$ 3,126,371	$ 3,065,070
Reporting unit's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	310.63 %	298.10 %	286.59 %	259.15 %
Plan fiduciary net position as a percentage of total pension liability	64.21 %	63.27 %	66.15 %	66.20 %

Schedule of the Reporting Unit's Contributions
Michigan Public Schools Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	2018	2017	2016	2015
Statutorily required contributions	$ 827,120	$ 724,317	$ 707,657	$ 778,664
Contributions in relation to statutorily required contributions	827,120	724,317	707,657	778,664
Contribution deficiency (excess)	-	-	-	-
Reporting units covered-employee payroll	$ 3,985,588	$ 2,908,368	$ 3,126,371	$ 3,065,070
Contributions as a percentage of covered-employee payroll	20.75 %	24.90 %	22.64 %	25.40 %

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes of benefit terms during the plan year ending 2017.
Changes of assumptions: There were no changes of benefit assumptions during the plan year ending 2017.

Schedule of the District's Proportionate Share of the Net OPEB Liability
Michigan Public Schools Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	2017
District's proportion of net OPEB liability (%)	0.03540086 %
District's proportionate share of net OPEB liability	$ 3,134,913
District's covered payroll (OPEB)	$ 2,491,848
District's proportionate share of net OPEB liability as a percentage of its covered employee payroll (%)	125.81 %
Plan fiduciary net position as a percentage of total OPEB liability	36.39 %

Schedule of the District's OPEB Contributions
Michigan Public Schools Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	2018
Statutorily required contributions	$ 275,611
Contributions in relation to statutorily required contributions	275,611
Contribution deficiency (excess)	-
Reporting units covered-employee payroll	$ 2,985,588
Contributions as a percentage of covered-employee payroll	9.23 %

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes of benefit terms during the plan year ending 2017.

Changes of assumptions: There were no changes of benefit assumptions during the plan year ending 2017.

OTHER SUPPLEMENTAL INFORMATION

Onaway Area Community Schools

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2018

	Food Service	Debt Service	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	$ 60,483	$ 120,093	$ 180,576
Intergovernmental receivable	1,555	-	1,555
Due from other funds	33,430	-	33,430
Inventories	12,515	-	12,515
Total assets	$ 107,983	$ 120,093	$ 228,076
LIABILITIES			
Accrued liabilities	$ 13,032	$ -	$ 13,032
Unearned revenue	4,599	-	4,599
Total liabilities	17,631	-	17,631
FUND BALANCES			
Nonspendable - inventories	12,515	-	12,515
Restricted:			
Food service	77,837	-	77,837
Debt service	-	120,093	120,093
Total fund balances	90,352	120,093	210,445
Total liabilities and fund balances	$ 107,983	$ 120,093	$ 228,076

Onaway Area Community Schools

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended June 30, 2018

	Food Service	Debt Service	Total Nonmajor Governmental Funds
REVENUES			
Local sources	$ 58,746	$ 592,838	$ 651,584
State sources	10,261	-	10,261
Federal sources	232,422	-	232,422
Total revenues	301,429	592,838	894,267
EXPENDITURES			
Current:			
Food service	308,707	-	308,707
Debt service:			
Principal	-	530,000	530,000
Interest	-	44,859	44,859
Fees	-	1,800	1,800
Total expenditures	308,707	576,659	885,366
Net change in fund balances	(7,278)	16,179	8,901
Fund balances-beginning	97,630	103,914	201,544
Fund balances-ending	$ 90,352	$ 120,093	$ 210,445