

OWOSSO PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary
and additional supplementary information)
YEAR ENDED JUNE 30, 2017

CONTENTS

| | <u>Page</u> |
|---|-------------|
| Independent auditor's report | 4 - 6 |
| Management's discussion and analysis | 7 - 13 |
| Basic financial statements | 14 |
| Government-wide financial statements | |
| Statement of net position..... | 15 |
| Statement of activities..... | 16 |
| Fund financial statements | |
| Balance sheet - governmental funds | 17 - 18 |
| Statement of revenues, expenditures and changes in fund balances - governmental funds..... | 19 - 20 |
| Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities..... | 21 |
| Fiduciary funds | |
| Statement of fiduciary assets and liabilities | 22 |
| Notes to financial statements..... | 23 - 49 |
| Required supplementary information | 50 |
| Budgetary comparison schedule - general fund..... | 51 - 52 |
| Schedule of the reporting unit's proportionate share of the net pension liability..... | 53 |
| Schedule of the reporting unit's contributions | 54 |
| Notes to required supplementary information | 55 |

CONTENTS

| | <u>Page</u> |
|---|-------------|
| Additional supplementary information | 56 |
| Nonmajor governmental fund types | |
| Combining balance sheet | 57 |
| Combining statement of revenues, expenditures, and changes in fund balances | 58 |
| General fund | |
| Balance sheets | 59 |
| Schedule of revenues and other financing sources | 60 |
| Schedule of expenditures | 61 - 68 |
| Capital projects funds | |
| Combining balance sheet | 69 |
| Combining statement of revenues, expenditures and changes in fund balances..... | 70 |
| Schedule of expenditures of federal awards | 71 - 72 |
| Notes to schedule of expenditures of federal awards | 73 |
| Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> | 74 - 75 |
| Independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance..... | 76 - 77 |
| Schedule of findings and questioned costs | 78 |
| Schedule of prior year audit findings | 79 |

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Owosso Public Schools

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Owosso Public Schools as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and other required supplementary information as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 Owosso Public Schools basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The additional supplementary 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 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 additional supplementary information is fairly stated, in all material respects, in relation to the 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 16, 2017 on our consideration of Owosso Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of the effectiveness of Owosso Public Schools' 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 Owosso Public Schools' internal control over financial reporting and compliance.

Maney Costeiran PC

October 16, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

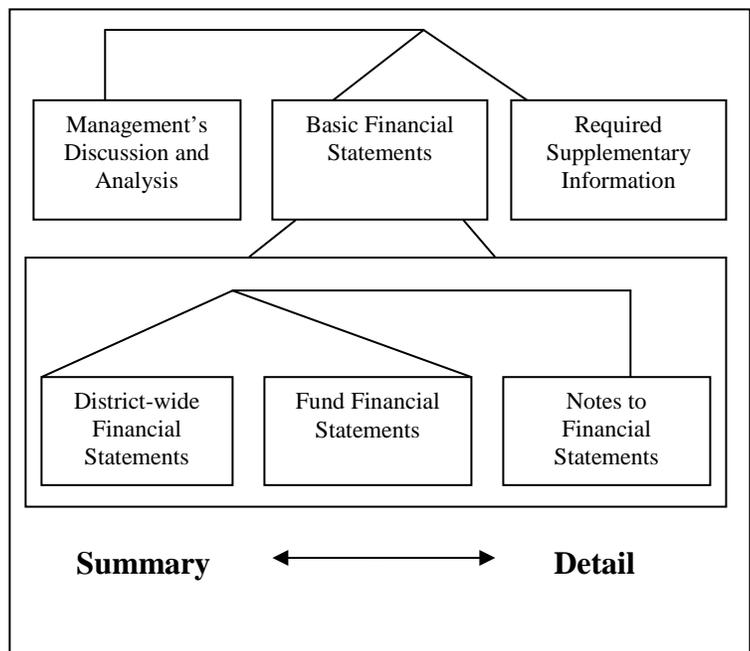
This section of Owosso Public Schools' (OPS) annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FORMAT OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the District-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others.

Figure A-1
Organization of Owosso Public Schools' Annual Financial Report



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

DISTRICT-WIDE STATEMENTS

The District-wide statements report information about the District as a whole using the accrual accounting method similar to those used by private-sector companies. The statement of net position includes *all* of the District's assets from all funds including the general, capital projects and other non-major governmental funds. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how they have changed. Net position - the difference between the District's assets, deferred outflows of resources and liabilities, deferred inflows of resources - are one way to measure the District's financial health or *position* as of a point in time.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base, the condition of school buildings and other facilities and qualitative factors that are not indicated by financial information. In addition, it should be noted that one of the goals behind presenting a statement of net position is to make school's financial statements look similar to that of commercial and private sector businesses whose primary purpose is to generate profits. The mission of the District is to continually provide excellent educational opportunities for students and adults to create lifelong learners. During some fiscal years, given the state of the economy, it may be necessary for the District, with the support of the Board, to use the fund balance to improve these opportunities or to save funds for use in future years to prevent future reductions in programming.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole utilizing the modified accrual method of accounting. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs, some of which are required by law.

The District has two kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out; and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information is provided with the governmental funds statements that explain the relationship (or differences) between them.
- *Fiduciary funds* - The District is the trustee, or *fiduciary*, for assets that are designated for student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. These activities are excluded from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL HIGHLIGHTS OF THE DISTRICT AS A WHOLE

The following section provides a summary of the overall financial picture of the District as of and for the years ended June 30, 2017 and 2016, along with a brief discussion of the changes that took place and what precipitated those changes. The overall financial picture includes all funds, not just the results of the general fund, and includes entries to convert the modified accrual statements to full accrual statements. It should be noted that the focus of every financial decision that is made is to support the District's mission of "ensuring rich educational opportunities for each student in an environment of mutual trust and respect" as well as promoting a 21st Century learning environment. This is done through expectations that every employee will follow norms established by the District and utilize the International Baccalaureate Learner Profile as a guide to teaching the "whole" child. The first and most crucial norm is "Kids First."

There are certain adjustments that have been made to the financial statements to convert them into an "accrual" basis to represent conformity with the business industry. These adjustments result from pronouncements from GASB (Governmental Accounting Standards Board) that must be followed and provide information but do not change the basic operations of the District. Starting with the fiscal period ended June 30, 2016, GASB dictated that the District incorporate the full computed pension liability for its current and past employees as determined by actuaries at the State level. This has resulted in a significant liability being "recorded" in the "District-wide" financial statements of over \$47 million for the period ended June 30, 2017. The District does have expense associated with the retirement system, as dictated by the state, and pays and recognizes the employer portion of the obligation every payroll. It should be noted that the District does not have any control over the type of benefits provided by the retirement system as it is a state run system and therefore has no influence on the short or long term costs (refer to Note 8 to the financial statements for additional information on the District's Defined Benefit Plan and Post-Retirement Benefits).

| Table A-2 | | |
|--|------------------------|------------------------|
| Owosso Public Schools | | |
| Summary of Net Position | | |
| | 2017 | 2016 |
| ASSETS: | | |
| Current assets | \$ 12,858,132 | \$ 12,653,157 |
| Capital assets, net of depreciation | 18,849,290 | 19,184,773 |
| TOTAL ASSETS | 31,707,422 | 31,837,930 |
| DEFERRED OUTFLOWS OF RESOURCES: | | |
| Related to pensions | 8,177,277 | 5,277,648 |
| LIABILITIES: | | |
| Other liabilities | 5,573,921 | 5,952,019 |
| Long-term debt outstanding | 339,055 | 327,416 |
| Net pension liability | 47,707,252 | 44,320,330 |
| TOTAL LIABILITIES | 53,620,228 | 50,599,765 |
| DEFERRED INFLOWS OF RESOURCES: | | |
| Related to pensions | 641,819 | 700,030 |
| Related to state aid funding pension | 1,506,035 | 1,209,479 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 2,147,854 | 1,909,509 |
| NET POSITION: | | |
| Net investment in capital assets | 18,913,687 | 19,249,133 |
| Restricted | 3,041,039 | 2,357,006 |
| Unrestricted | (37,838,109) | (36,999,835) |
| TOTAL NET POSITION | \$ (15,883,383) | \$ (15,393,696) |

**Table A-3
Owosso Public Schools
Changes in Net Position**

| | 2017 | 2016 |
|---|---------------------|-------------------|
| Revenues: | | |
| General revenue: | | |
| Property taxes received for general operations | \$ 2,788,670 | \$ 2,730,237 |
| Property taxes received for capital projects | 1,594,774 | 1,594,227 |
| State of Michigan unrestricted foundation allowance | 23,493,723 | 22,211,057 |
| Investment earnings | 41,004 | 11,151 |
| Shiawassee Regional Education Service District | 456,396 | 534,728 |
| Other | 201,058 | 482,912 |
| Total general revenue | <u>28,575,625</u> | <u>27,564,312</u> |
| Operating grants: | | |
| Federal and state categorical grants | <u>4,091,970</u> | <u>3,797,538</u> |
| Charges for services: | | |
| Support services | 66,088 | 72,354 |
| Community services | 449,071 | 451,137 |
| Food service | 303,471 | 290,361 |
| | <u>818,630</u> | <u>813,852</u> |
| Total revenues | <u>33,486,225</u> | <u>32,175,702</u> |
| Expenses: | | |
| Instruction | 20,860,207 | 19,140,017 |
| Support services | 9,482,939 | 8,668,718 |
| Community services | 362,645 | 354,901 |
| Food services | 2,116,684 | 1,952,302 |
| Interest on long-term debt | 43,289 | 44,596 |
| Unallocated depreciation | 1,110,148 | 1,075,905 |
| Total expenses | <u>33,975,912</u> | <u>31,236,439</u> |
| Change in net position | <u>\$ (489,687)</u> | <u>\$ 939,263</u> |

Again, it should be noted that the “Statement of Activities” reflects items that are not included in the “Statement of Revenues, Expenditures and Changes in Fund Balances.” In order to reconcile from the net change in fund balance reflected in the governmental financial statements to the change in net position, the reader should review the “Reconciliation of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.” This provides a better comparison of the operations of the District in comparison to the previous year.

The following highlights some of the significant factors affecting net position during the year:

➤ General Fund Operations

The District's General Fund revenue exceeded expenditures and other financing sources by \$126,787 for the fiscal year ended June 30, 2017; for the fiscal year ended June 30, 2016, revenues exceeded expenditures by \$850,531. The comparison to budgeted figures, particularly in the instance of the comparison to the original budget adopted in June of 2016, results in variability. This variability stems from changes in pupil enrollment, staffing, retirement and health benefit elections, changes in operations, and refinement of other revenue and expenses stemming from programming changes. These changes are analyzed and adjusted as they occur with formal amendments to the budget taking place, typically, twice during the year (refer to the budget to actual analysis that follows in the MDA) It should also be noted, even in the case of the final adopted budget, there will be variability particularly in the area of expenses. The development of the final adoption takes place during May to allow for adequate time for development of the final budget allocation for the current fiscal year and to prepare for the budget that must be adopted for the upcoming fiscal year. The final allocation must allow, by law, sufficient funds for the District to operate to the end of the fiscal year without exceeding the allocations adopted by the Board. This consistently results in variability in the area of expenditures.

➤ Capital Projects - Sinking Fund

The Capital Projects Fund is primarily comprised of activities related to the collection and spending of the District's sinking fund millage that was passed by the voters in November of 2013. The Capital Projects fund revenues exceed expenditures by \$684,033 for the fiscal year ended June 30, 2017; for the fiscal year ended June 30, 2016, revenues exceeded expenditures by \$687,850. Revenue to fund projects is collected in the winter and the projects, typically, take place during the following summer. In most instances, this means that the expenditures for these projects cross fiscal years. The importance of this is that the annual income and expenditures are not as significant as the overall plan for expenditures. As in the past, the plan for expenditures is developed as part of a facility appraisal that considers the District's facilities from a long-term viewpoint to ensure good stewardship of these assets. This plan is updated on an annual basis to reflect any new information. (It should be noted that these funds are restricted for use in capital improvements and are not available for operational purposes.)

➤ Other Non-major Governmental Funds

This category includes Food Services and non-major Capital Projects Funds (i.e. revenues that are not derived from the Sinking Fund millage but are utilized for capital expenditures). The combined expenditures and operating transfers out exceeded revenues by \$227,747 for the fiscal year ended June 30, 2017; for the fiscal year ended June 30, 2016, combined expenditures and operating transfers out exceeded revenues by \$123,745. The Food Service Fund continued to make investment in improvements to the program for the year to meet expectations from the Michigan Department of Education to draw down the fund balance.

REPORTING THE BUDGET VERSUS ACTUAL EXPENDITURES

All school districts are required to present to the public and to approve a budget for the next fiscal year by June 30 of the current fiscal year. The Owosso Public Schools Board of Education adopted the original or initial budget for 2016-17 on June 27, 2016. As a result of significant changes that occur in revenues and expenditures throughout the year, the Board adopted the final revision to the budget on June 26, 2017. The actual expenditures and revenue are compared in the supplementary information of these audited financial statements to the June 26, 2017 budget with the initial budget presented for comparison. The budgeting process incorporates plans designed by building and program administrators to ensure that all items that support the mission and vision of the District are considered.

The challenge in budgeting in the educational environment is evident when the budget-to-actual statements are reviewed. This challenge stems from the heavy reliance that schools must place on the budgetary environment at the State and Federal level resulting in fluctuations that can occur in revenue and expenditure projections.

Overall, the comparison of the budget to actual figures reflects fluctuations that stem from more current information than is available at the time that the budget is adopted. The bottom line is that through a conservative approach to expenditures by the program administrators, positive changes in retirement and benefit expense and a student count coming in better than anticipated, the District was able to add a modest amount to fund balance. It all should be noted that the final to actual expense budget variance is less than 2% when removing the variances that take place within the grant programs. It should also be noted that the ending fund balance is at approximately 13% which is in line with the recommended industry standard for good financial standing of 5 - 15%. In addition, the State has moved forward with putting Districts under financial review for funds balances of less than 5% so it is prudent for the District to be considered in good financial standing to promote smooth operations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following represents the summary of the capital assets, at acquisition value, owned by Owosso Public Schools. As represented below, the largest investment that the District has is in “buildings and additions.” The facilities of the District are well maintained, largely through the use of funds from the sinking fund millage. As has been common practice, the facility plan has been used as a guide to identify necessary improvements. During the 2016-17 fiscal year, the District conducted a wide variety of projects to enhance the safety and accessibility of the facilities. In particular, Willman field received a significant renovation to improve the safety of the field, stands and lighting. In addition, several athletic fields received needed renovation to improve playability and safety. As previously noted, capital improvements to the facilities are done in conjunction with a facility appraisal plan as well as input from the various building administrators.

| Owosso Public Schools' Capital Assets as of June 30, 2017 and 2016 | | |
|---|---------------|---------------|
| | 2017 | 2016 |
| Land (non-depreciable) | \$ 546,683 | \$ 546,683 |
| Construction in progress (non-depreciable) | 332,292 | 500,955 |
| Land improvements | 4,577,230 | 4,577,230 |
| Buildings and additions | 29,146,186 | 28,150,934 |
| Equipment and furniture | 5,745,186 | 5,629,388 |
| Total capital assets | 40,347,577 | 39,405,190 |
| Accumulated depreciation | 21,498,287 | 20,220,417 |
| Net capital assets | \$ 18,849,290 | \$ 19,184,773 |

Long-term Debt

The District does not have any bonded debt outstanding as of June 30, 2017 and has not since 1988.

(More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.)

In addition, \$339,055 and \$327,416 of compensated absences are included in long-term debt for the years ended June 30, 2017 and 2016, respectively.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, you are welcome to contact the Finance Department, Owosso Public Schools, 645 Alger Street, Owosso, MI 48867 at 989-723-8131.

BASIC FINANCIAL STATEMENTS

**OWOSSO PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2017**

| | Governmental activities |
|---|------------------------------------|
| ASSETS: | |
| Cash and cash equivalents | \$ 2,935,419 |
| Investments | 4,823,279 |
| Receivables: | |
| Accounts receivable | 22,273 |
| Intergovernmental | 5,072,447 |
| Inventories | 2,314 |
| Prepays | 2,400 |
| Capital assets, not being depreciated | 878,975 |
| Capital assets, net of accumulated depreciation | 17,970,315 |
| TOTAL ASSETS | 31,707,422 |
| DEFERRED OUTFLOWS OF RESOURCES: | |
| Related to pensions | 8,177,277 |
| LIABILITIES: | |
| Accounts payable | 571,061 |
| Accrued salaries and related items | 2,294,227 |
| Accrued retirement | 563,730 |
| Accrued interest | 16,015 |
| Unearned revenue | 201,557 |
| State aid note | 1,927,331 |
| Noncurrent liabilities: | |
| Due within one year | 33,900 |
| Due in more than one year | 305,155 |
| Net pension liability | 47,707,252 |
| TOTAL LIABILITIES | 53,620,228 |
| DEFERRED INFLOWS OF RESOURCES: | |
| Related to pensions | 641,819 |
| Related to state aid funding for pension | 1,506,035 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 2,147,854 |
| NET POSITION: | |
| Net investment in capital assets | 18,913,687 |
| Restricted for capital projects (sinking fund) | 3,041,039 |
| Unrestricted | (37,838,109) |
| TOTAL NET POSITION | \$ (15,883,383) |

**OWOSSO PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

| <u>Functions/programs</u> | <u>Expenses</u> | <u>Program revenues</u> | | <u>Governmental activities</u> |
|---|----------------------|-------------------------|---------------------|--------------------------------|
| | | <u>Charges for</u> | <u>Operating</u> | <u>Net (expense)</u> |
| | | <u>services</u> | <u>grants</u> | <u>revenue and</u> |
| | | | | <u>changes in</u> |
| | | | | <u>net position</u> |
| Governmental activities: | | | | |
| Instruction | \$ 20,860,207 | \$ - | \$ 2,140,294 | \$ (18,719,913) |
| Support services | 9,482,939 | 66,088 | 308,146 | (9,108,705) |
| Community services | 362,645 | 449,071 | - | 86,426 |
| Food services | 2,116,684 | 303,471 | 1,643,530 | (169,683) |
| Interest on long-term debt | 43,289 | - | - | (43,289) |
| Unallocated depreciation | 1,110,148 | - | - | (1,110,148) |
| Total governmental activities | <u>\$ 33,975,912</u> | <u>\$ 818,630</u> | <u>\$ 4,091,970</u> | <u>(29,065,312)</u> |
| General revenues: | | | | |
| Property taxes, levied for general purposes | | | | 2,788,670 |
| Property taxes, levied for capital projects | | | | 1,594,774 |
| Investment earnings | | | | 41,004 |
| State sources - unrestricted | | | | 23,493,723 |
| Intermediate sources | | | | 456,396 |
| Other | | | | 201,058 |
| Total general revenues | | | | <u>28,575,625</u> |
| CHANGE IN NET POSITION | | | | (489,687) |
| NET POSITION, beginning of year | | | | <u>(15,393,696)</u> |
| NET POSITION, end of year | | | | <u>\$ (15,883,383)</u> |

**OWOSSO PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

| ASSETS | General fund | Capital projects sinking fund | Other nonmajor funds | Total governmental funds |
|--------------------------------------|---------------------|--|---------------------------------|---|
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 597,668 | \$ 1,968,197 | \$ 369,554 | \$ 2,935,419 |
| Investments | 3,594,769 | 1,138,896 | 89,614 | 4,823,279 |
| Receivables: | | | | |
| Accounts receivable | 18,701 | - | 3,572 | 22,273 |
| Intergovernmental | 4,999,266 | - | 73,181 | 5,072,447 |
| Due from other funds | 121,080 | - | - | 121,080 |
| Inventories | - | - | 2,314 | 2,314 |
| Prepays | 2,400 | - | - | 2,400 |
| TOTAL ASSETS | \$ 9,333,884 | \$ 3,107,093 | \$ 538,235 | \$ 12,979,212 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ 500,113 | \$ 66,054 | \$ 4,894 | \$ 571,061 |
| Accrued salaries and related items | 2,280,110 | - | 14,117 | 2,294,227 |
| Accrued retirement | 499,223 | - | 64,507 | 563,730 |
| Due to other funds | - | - | 121,080 | 121,080 |
| Unearned revenue | 199,442 | - | 2,115 | 201,557 |
| Accrued interest | 16,015 | - | - | 16,015 |
| State aid note | 1,927,331 | - | - | 1,927,331 |
| TOTAL LIABILITIES | 5,422,234 | 66,054 | 206,713 | 5,695,001 |

See notes to financial statements.

| | <u>General fund</u> | <u>Capital projects sinking fund</u> | <u>Other nonmajor funds</u> | <u>Total governmental funds</u> |
|---|---------------------|--|---------------------------------|---|
| FUND BALANCES: | | | | |
| Nonspendable: | | | | |
| Inventories | \$ - | \$ - | \$ 2,314 | \$ 2,314 |
| Prepays | 2,400 | - | - | 2,400 |
| Restricted for: | | | | |
| Capital projects | - | 3,041,039 | 64,397 | 3,105,436 |
| Food service | - | - | 238,769 | 238,769 |
| Assigned for: | | | | |
| Subsequent year expenditures | 1,648,907 | - | - | 1,648,907 |
| Capital projects | - | - | 26,042 | 26,042 |
| Unassigned | 2,260,343 | - | - | 2,260,343 |
| TOTAL FUND BALANCES | <u>3,911,650</u> | <u>3,041,039</u> | <u>331,522</u> | <u>7,284,211</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 9,333,884</u> | <u>\$ 3,107,093</u> | <u>\$ 538,235</u> | <u>\$ 12,979,212</u> |
| Total governmental fund balances | | | | \$ 7,284,211 |
| Amounts reported for governmental activities in the statement of net position are different because: | | | | |
| Deferred outflows of resources - related to pensions | | | \$ 8,177,277 | |
| Deferred inflows of resources - related to pensions | | | (641,819) | |
| Deferred inflows of resources - related to state pension funding | | | <u>(1,506,035)</u> | |
| | | | | 6,029,423 |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds: | | | | |
| The cost of the capital assets is | | | 40,347,577 | |
| Accumulated depreciation is | | | <u>(21,498,287)</u> | |
| | | | | 18,849,290 |
| Noncurrent liabilities are not due and payable in the current period and are not reported in the funds: | | | | |
| Compensated absences and termination benefits | | | | (339,055) |
| Net pension liability | | | | <u>(47,707,252)</u> |
| Net position of governmental activities | | | | <u>\$ (15,883,383)</u> |

See notes to financial statements.

**OWOSSO PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

| | <u>General fund</u> | <u>Capital projects sinking fund</u> | <u>Other nonmajor funds</u> | <u>Total governmental funds</u> |
|--|---------------------|--|---------------------------------|---|
| REVENUES: | | | | |
| Local sources: | | | | |
| Property taxes | \$ 2,788,670 | \$ 1,594,774 | \$ - | \$ 4,383,444 |
| Investment earnings | 29,738 | 10,718 | 548 | 41,004 |
| Food sales, athletics, and community service | 515,159 | - | 303,471 | 818,630 |
| Other | 145,902 | 47,447 | - | 193,349 |
| Total local sources | 3,479,469 | 1,652,939 | 304,019 | 5,436,427 |
| State sources | 24,755,636 | - | 76,764 | 24,832,400 |
| Federal sources | 1,289,734 | - | 1,566,766 | 2,856,500 |
| Incoming transfers and other | 657,454 | - | - | 657,454 |
| Total revenues | 30,182,293 | 1,652,939 | 1,947,549 | 33,782,781 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction | 21,090,302 | - | - | 21,090,302 |
| Supporting services | 9,042,763 | - | - | 9,042,763 |
| Food service activities (excluding capital outlay) | - | - | 1,987,172 | 1,987,172 |
| Capital outlay | - | 968,906 | 67,276 | 1,036,182 |

See notes to financial statements.

| | <u>General fund</u> | <u>Capital projects sinking fund</u> | <u>Other nonmajor funds</u> | <u>Total governmental funds</u> |
|--|---------------------|--|---------------------------------|---|
| EXPENDITURES (Concluded): | | | | |
| Debt service: | | | | |
| Interest | \$ 43,289 | \$ - | \$ - | \$ 43,289 |
| Total expenditures | <u>30,176,354</u> | <u>968,906</u> | <u>2,054,448</u> | <u>33,199,708</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>5,939</u> | <u>684,033</u> | <u>(106,899)</u> | <u>583,073</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 120,848 | - | - | 120,848 |
| Transfers out | <u>-</u> | <u>-</u> | <u>(120,848)</u> | <u>(120,848)</u> |
| Total other financing sources (uses) | <u>120,848</u> | <u>-</u> | <u>(120,848)</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | 126,787 | 684,033 | (227,747) | 583,073 |
| FUND BALANCES: | | | | |
| Beginning of year | <u>3,784,863</u> | <u>2,357,006</u> | <u>559,269</u> | <u>6,701,138</u> |
| End of year | <u>\$ 3,911,650</u> | <u>\$ 3,041,039</u> | <u>\$ 331,522</u> | <u>\$ 7,284,211</u> |

See notes to financial statements.

**OWOSSO PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

| | |
|--|---------------------|
| Net change in fund balances total governmental funds | \$ 583,073 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation: | |
| Depreciation expense | (1,334,113) |
| Capital outlay | 998,630 |
| Compensated absences are reported on the accrual method in the statement activities, and recorded as an expenditure when financial resources are used in the governmental funds: | |
| Accrued compensated absences and termination benefits, beginning of the year | 327,416 |
| Accrued compensated absences and termination benefits, end of the year | (339,055) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: | |
| Pension related items | (429,082) |
| Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period: | |
| State aid funding for pension, beginning of year | 1,209,479 |
| State aid funding for pension, end of year | (1,506,035) |
| Change in net position of governmental activities | \$ (489,687) |

**OWOSSO PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2017**

| | <u>Agency fund</u> |
|-----------------------------|--------------------|
| ASSETS: | |
| Cash | \$ 273,909 |
| | <hr/> |
| LIABILITIES: | |
| Agency fund - High school | \$ 100,346 |
| Agency fund - Middle school | 57,889 |
| Agency fund - Bryant | 48,137 |
| Agency fund - Central | 18,245 |
| Agency fund - Emerson | 32,960 |
| Agency fund - Lincoln | 16,332 |
| | <hr/> |
| TOTAL LIABILITIES | \$ 273,909 |
| | <hr/> |

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

B. Reporting Entity

The Owosso Public Schools (the “District”) is governed by the Owosso Public Schools Board of Education (the “Board”), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

C. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District’s funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

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

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Concluded)

The *capital projects sinking fund* accounts for the receipt of property taxes levied for sinking fund and the subsequent expenditures of those funds. The fund has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Other Nonmajor Funds

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

The *capital projects funds* account for the receipt of debt proceeds and transfers from the general fund and the acquisition of fixed assets or construction of major capital projects.

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements.

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

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

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

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

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

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

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

Property taxes, state and federal aid, 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

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

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

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

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

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

F. Budgetary Information

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. Other funds do not have appropriated budgets.

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

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information (Concluded)

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2017. The District does not consider these amendments to be significant.

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

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term certificates of deposit.

2. Investments

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

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

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

3. Inventories and prepaid items

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

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

4. Capital assets

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

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

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

| Capital asset classes | Lives |
|--------------------------|---------|
| Land improvements | 10 - 20 |
| Buildings and additions | 10 - 50 |
| Machinery and equipment | 5 - 20 |
| Transportation equipment | 5 - 8 |

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

5. Defined benefit plan

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

6. Deferred outflows/inflows of resources

Deferred outflows

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

Deferred inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The items arise only under a modified accrual basis of accounting. The future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary. The second is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

7. Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

8. Fund balance flow assumptions

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

9. Fund balance policies

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

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

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Concluded)

9. Fund balance policies (Concluded)

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized the superintendent and finance director to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

H. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as *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 requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 15 and February 15, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Revenues and Expenditures/Expenses (Concluded)

2. Property taxes (Concluded)

For the year ended June 30, 2017, the District levied the following amounts per \$1,000 of assessed valuation:

| Fund | Mills |
|--|---------|
| General fund: | |
| Non-Principal Residence Exemption (PRE) | 18.0000 |
| Commercial Personal Property | 6.0000 |
| Sinking fund: | |
| PRE, Non-PRE, Commercial Personal Property | 3.0000 |

3. Compensated absences

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

4. Long-term obligations

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

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

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2017, the District had the following investments:

| <u>Investment type</u> | <u>Fair value</u> | <u>Weighted average maturity (years)</u> | <u>Standard & Poor's rating</u> | <u>%</u> |
|--|---------------------|--|---|-------------|
| Michigan CLASS - pooled short term investments | <u>\$ 4,650,120</u> | 0.0027 | AAAm | <u>100%</u> |
| Portfolio weighted average maturity | | <u>0.0027</u> | | |

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in pooled short term investment funds which included money market funds. One of the pooled investment funds utilized by the District is Michigan Cooperative Liquid Assets Securities System (Michigan CLASS). Michigan Class is considered a local government investment pool of “qualified” investments for Michigan School Districts. Michigan Class is not regulated nor is it registered with the SEC. Michigan Class reports as of June 30, 2017, the fair value of the District’s investments is the same as the value of the pooled shares.

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

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

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

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2017, \$3,398,063 of the District’s bank balance of \$3,700,248 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount is \$3,382,487.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

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

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

Michigan Class investments are subject to the fair value measurement are a level 2.

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

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)

The carrying amount as previously reported in Note 2:

| | |
|---|----------------------------|
| Deposits - including fiduciary funds of \$273,909 | \$ 3,382,487 |
| Investments | <u>4,650,120</u> |
| | <u><u>\$ 8,032,607</u></u> |

The above amounts are reported in the financial statements as follows:

| | |
|-----------------------------|----------------------------|
| Cash - agency fund | \$ 273,909 |
| Cash - District-wide | 2,935,419 |
| Investments - District-wide | <u>4,823,279</u> |
| | <u><u>\$ 8,032,607</u></u> |

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Receivables at June 30, 2017 consist of the following:

| | |
|---------------------------|----------------------------|
| Intergovernmental: | |
| State aid | \$ 4,507,400 |
| Federal aid | 323,001 |
| Intermediate and other | <u>242,046</u> |
| Total intergovernmental | 5,072,447 |
| Other accounts receivable | <u>22,273</u> |
| | <u><u>\$ 5,094,720</u></u> |

No allowance for doubtful accounts is considered necessary.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

| | Balance July 1, 2016 | Additions | Deletions | Transfers | Balance June 30, 2017 |
|---------------------------------------|-------------------------|---------------------|-----------------|------------------|--------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 546,683 | \$ - | \$ - | \$ - | \$ 546,683 |
| Construction in progress | 500,955 | 332,292 | - | (500,955) | 332,292 |
| Total non-depreciable capital assets | <u>1,047,638</u> | <u>332,292</u> | <u>-</u> | <u>(500,955)</u> | <u>878,975</u> |
| Capital assets: | | | | | |
| Land improvements | 4,577,230 | - | - | - | 4,577,230 |
| Buildings and additions | 28,150,934 | 494,297 | - | 500,955 | 29,146,186 |
| Machinery and equipment | 4,816,276 | 136,704 | (9,919) | - | 4,943,061 |
| Transportation equipment | 813,112 | 35,337 | (46,324) | - | 802,125 |
| Total depreciable capital assets | <u>38,357,552</u> | <u>666,338</u> | <u>(56,243)</u> | <u>500,955</u> | <u>39,468,602</u> |
| Accumulated depreciation: | | | | | |
| Land improvements | 1,022,967 | 244,190 | - | - | 1,267,157 |
| Buildings and additions | 14,508,613 | 887,481 | - | - | 15,396,094 |
| Machinery and equipment | 4,146,083 | 141,691 | (9,919) | - | 4,277,855 |
| Transportation equipment | 542,754 | 60,751 | (46,324) | - | 557,181 |
| Total accumulated depreciation | <u>20,220,417</u> | <u>1,334,113</u> | <u>(56,243)</u> | <u>-</u> | <u>21,498,287</u> |
| Net capital assets being depreciated | <u>18,137,135</u> | <u>(667,775)</u> | <u>-</u> | <u>500,955</u> | <u>17,970,315</u> |
| Net capital assets | <u>\$ 19,184,773</u> | <u>\$ (335,483)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 18,849,290</u> |

Depreciation for the fiscal year ended June 30, 2017 amounted to \$1,334,113 and was allocated as follows:

| | |
|-------------------------------|---------------------|
| Governmental activities: | |
| Instruction | \$ 8,669 |
| Support services | 134,975 |
| Food service | 80,321 |
| Unallocated | <u>1,110,148</u> |
| Total governmental activities | <u>\$ 1,334,113</u> |

Depreciation of capital assets that serve multiple functions is recorded as unallocated.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - NOTES PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2017, the District has a state aid anticipation notes payable outstanding of \$1,927,331. Proceeds of the note were used to fund school operations. The notes have the following interest rates and maturities:

| Note | Amount | Interest rate | Maturity date |
|--------------------------|--------------|---------------|--------------------------|
| 2016 C-1 | \$ 170,744 | 1.000% | July 20, 2017 |
| 2016 C-2 | 256,587 | 0.760% | July 20, 2017 |
| 2016 C-3 | 1,500,000 | 1.200% | August 21, 2017 |
| Balance June 30, 2016 | Additions | Payments | Balance June 30, 2017 |
| \$ 1,956,483 | \$ 4,500,000 | \$ 4,529,152 | \$ 1,927,331 |

At June 30, 2017, the District issued a state aid anticipation notes payable with the original face amount of \$4,500,000. Proceeds of the note were used to fund school operations. The notes are secured by the full faith and credit of the District as well as pledged state aid. The notes required payments to an irrevocable set-aside account of \$2,572,669 at June 30, 2017. At year-end the balance of these payments are considered defeased debt and are not included in the year-end balance.

The District anticipates receiving a note to cover future expenditures from an independent bank in the amount of \$4,500,000 for the fiscal year ending June 30, 2018.

NOTE 6 - LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. As of June 30, 2017, the District had no bonds outstanding.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2017:

| | Accumulated compensated absences and termination benefits | Total |
|---------------------------|---|------------|
| Balance, July 1, 2016 | \$ 327,416 | \$ 327,416 |
| Additions | 11,639 | 11,639 |
| Balance, June 30, 2017 | 339,055 | 339,055 |
| Due within one year | (33,900) | (33,900) |
| Due in more than one year | \$ 305,155 | \$ 305,155 |

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT (Concluded)

General long-term debt at June 30, 2017 is comprised of the following:

| | |
|---|-------------------|
| Obligation under contract for compensated absences and termination benefits | <u>\$ 339,055</u> |
|---|-------------------|

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2017 are as follows:

| Receivable fund | Payable fund | | | | |
|---|-------------------|-------------------|--|-------------------|-------------------|
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">General fund</td> <td style="text-align: right; vertical-align: bottom;"><u>\$ 121,080</u></td> </tr> </table> | General fund | <u>\$ 121,080</u> | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Food service fund</td> <td style="text-align: right; vertical-align: bottom;"><u>\$ 121,080</u></td> </tr> </table> | Food service fund | <u>\$ 121,080</u> |
| General fund | <u>\$ 121,080</u> | | | | |
| Food service fund | <u>\$ 121,080</u> | | | | |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in accounting systems, and (3) payments between funds are made.

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www://michigan.gov/mpsers-cafr.

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 of the system.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Benefits Provided

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

| <u>Plan name</u> | <u>Plan type</u> | <u>Plan status</u> |
|------------------------------|----------------------|--------------------|
| Basic | Defined Benefit | Closed |
| Member Investment Plan (MIP) | Defined Benefit | Closed |
| Pension Plus | Hybrid | Open |
| Defined Contribution | Defined Contribution | Open |

Benefit provisions of the defined benefit pension plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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

Pension Reform 2010

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

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Pension Reform 2012

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

Regular Retirement (no reduction factor for age)

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

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

Pension Plus

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

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

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

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

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

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

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

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

Member Contributions

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

Employer Contributions

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

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

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

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

The District's pension contributions for the year ended June 30, 2017 were equal to the required contribution total. Pension contributions were approximately \$4,600,000, with \$4,500,000 specifically for the Defined Benefit Plan. These amounts include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate. (72.88% for pension and 27.12% for OPEB).

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

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

Pension Liabilities

At June 30, 2017, the District reported a liability of \$47,707,252 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2015 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2016 and 2015, the District's proportion was 0.19122% and 0.18145%.

| <u>MPERS (Plan) Non-university employers :</u> | <u>September 30, 2016</u> | <u>September 30, 2015</u> |
|--|---------------------------|---------------------------|
| Total Pension Liability | \$ 67,917,445,078 | \$ 66,312,041,902 |
| Plan Fiduciary Net Position | \$ 42,968,263,308 | \$ 41,887,015,147 |
| Net Pension Liability | \$ 24,949,181,763 | \$ 24,425,026,755 |
| Proportionate share | 0.19122% | 0.18145% |
| Net Pension liability for the District | \$ 47,707,252 | \$ 44,320,330 |

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

For the year ended June 30, 2017, the District recognized pension expense of approximately \$4,938,000.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded)

At June 30, 2017, the Reporting Unit 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 |
|---|--------------------------------------|-------------------------------------|
| Changes of assumptions | \$ 745,866 | \$ - |
| Net difference between projected and actual plan investment earnings | 792,894 | - |
| Differences between expected and actual experience | 594,558 | (113,067) |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 1,821,883 | (528,752) |
| Reporting Unit's contributions subsequent to the measurement date | 4,222,076 | - |
| | \$ 8,177,277 | \$ (641,819) |

\$4,222,076, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

| Year ended September 30, | Amount |
|--------------------------|------------|
| 2017 | \$ 694,989 |
| 2018 | 632,646 |
| 2019 | 1,508,933 |
| 2020 | 476,814 |

Actuarial Assumptions

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

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

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

Inflation - 2.5%

Mortality assumptions - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2025 using projection scale BB for men and women were used.

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

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

The target asset allocation at September 30, 2016 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Investment category</u> | <u>Target allocation</u> | <u>Long-term expected real rate of return*</u> |
|--------------------------------------|------------------------------|--|
| Domestic Equity Pools | 28.00% | 5.90% |
| Alternate Investment Pools | 18.00% | 9.20% |
| International Equity | 16.00% | 7.20% |
| Fixed Income Pools | 10.50% | 0.90% |
| Real Estate and Infrastructure Pools | 10.00% | 4.30% |
| Absolute Return Pools | 15.50% | 6.00% |
| Short Term Investment Pools | 2.00% | 0.00% |
| | <u>100.00%</u> | |

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

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Actuarial Assumptions (Concluded)

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

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

| | 1% Decrease (6.0% - 7.0%) | Discount rate (7.0% - 8.0%) | 1% Increase (8.0% - 9.0%) |
|---|------------------------------|--------------------------------|------------------------------|
| Reporting Unit's proportionate share of the net pension liability | \$ 61,434,932 | \$ 47,707,252 | \$ 36,133,497 |

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan - At year-end the School District is current on all required pension plan payments. Amounts accrued at year-end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Other Information

Discount Rate - Assumed Rate of Return

On February 23, 2017, in accordance with PA 300 of 1980, as amended, the Michigan Public Schools Employees' Retirement System's Board approved a decrease in the assumed investment rate of return (discount rate) used in the System's annual actuarial valuation for the non-hybrid defined benefit pension plan from 8% to 7.5% effective for the fiscal year 2016 valuation and following.

The September 30, 2016 Annual Actuarial Valuation Report will be used to establish the employer contribution for fiscal year beginning October 1, 2018 and will be based upon the 7.5% investment rate of return assumption. The actuarial computed employer contributions and the net pension liability will increase as a result of lowering the assumed investment rate of return.

Pension Reform 2017

Senate Bill 401, amends the Public School Employees Retirement Act (PA 300 of 1980, as amended).

The bill closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new option revised hybrid plan with similar plan benefit calculations but contains a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The bill includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefit Provisions - Other Post-Employment

Introduction

Benefit provisions of the post-employment healthcare plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Post-Employment 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.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Concluded)

Benefit Provisions - Other Post-Employment (Concluded)

Introduction (Concluded)

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

Retiree Healthcare Reform of 2012

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

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

Employer Contributions

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

The District post-employment healthcare contributions to MPSERS for the years ended June 30, 2017, 2016 and 2015 were approximately \$1,512,000, \$1,608,000 and \$2,031,000.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2017 or any of the prior three years.

NOTE 10 - TRANSFERS

The school lunch fund transferred \$120,848 to the general fund. The transfer from school lunch was to cover indirect costs paid by general fund.

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, was issued by the GASB in June 2015 and will be effective for the District's 2018 fiscal year. The Statement requires governments that participate in defined benefit Other Post-Employment Benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement No. 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENT (Concluded)

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

REQUIRED SUPPLEMENTARY INFORMATION

**OWOSSO PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017**

| | Original budget | Final budget | Actual | Variance with final budget |
|----------------------------------|----------------------------|-------------------------|-------------------|---|
| REVENUES: | | | | |
| Local sources | \$ 3,317,105 | \$ 3,516,331 | \$ 3,479,469 | \$ (36,862) |
| State sources | 24,209,927 | 24,947,886 | 24,755,636 | (192,250) |
| Federal sources | 1,272,141 | 1,431,881 | 1,289,734 | (142,147) |
| Incoming transfers and other | 856,018 | 653,276 | 657,454 | 4,178 |
| Total revenues | 29,655,191 | 30,549,374 | 30,182,293 | (367,081) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Basic programs | 15,509,849 | 15,263,275 | 15,154,799 | 108,476 |
| Added needs | 6,033,069 | 6,195,728 | 5,798,225 | 397,503 |
| Adult continuing education | 138,462 | 138,416 | 137,278 | 1,138 |
| Total instruction | 21,681,380 | 21,597,419 | 21,090,302 | 507,117 |
| Supporting services: | | | | |
| Pupil | 463,965 | 485,933 | 471,715 | 14,218 |
| Instructional staff | 840,603 | 907,036 | 859,156 | 47,880 |
| General administration | 632,462 | 600,747 | 562,428 | 38,319 |
| School administration | 2,563,603 | 2,517,620 | 2,547,718 | (30,098) |
| Business | 664,914 | 698,526 | 691,041 | 7,485 |
| Operation/maintenance | 2,733,687 | 2,685,134 | 2,587,156 | 97,978 |
| Pupil transportation | 849,192 | 839,934 | 783,991 | 55,943 |
| Athletics | 425,797 | 425,925 | 413,523 | 12,402 |
| Other | 127,826 | 126,347 | 126,035 | 312 |
| Total supporting services | 9,302,049 | 9,287,202 | 9,042,763 | 244,439 |
| Debt service: | | | | |
| Interest on debt | 59,596 | 42,536 | 43,289 | (753) |
| Total expenditures | 31,043,025 | 30,927,157 | 30,176,354 | 750,803 |

**OWOSSO PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017**

| | Original budget | Final budget | Actual | Variance with final budget |
|--|----------------------------|-------------------------|---------------|---|
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | \$ (1,387,834) | \$ (377,783) | \$ 5,939 | \$ 383,722 |
| OTHER FINANCING SOURCES: | | | | |
| Transfers in | - | 122,724 | 120,848 | (1,876) |
| Total other financing uses | - | 122,724 | 120,848 | (1,876) |
| NET CHANGE IN FUND BALANCE | \$ (1,387,834) | \$ (255,059) | 126,787 | \$ 381,846 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 3,784,863 | |
| End of year | | | \$ 3,911,650 | |

**OWOSSO PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 9/30 OF EACH FISCAL YEAR)**

| | 2016 | 2015 | 2014 |
|---|---------------|---------------|---------------|
| Reporting Unit's proportion of net pension liability (%) | 0.19122% | 0.18145% | 0.18442% |
| Reporting Unit's proportionate share of net pension liability | \$ 47,707,252 | \$ 44,320,330 | \$ 40,621,801 |
| Reporting Unit's covered-employee payroll | \$ 16,516,753 | \$ 15,137,808 | \$ 15,680,746 |
| Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll | 288.84% | 292.78% | 259.06% |
| Plan fiduciary net position as a percentage of total pension liability (Non-university employers) | 63.27% | 63.17% | 66.20% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**OWOSSO PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 6/30 OF EACH FISCAL YEAR)**

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|------------------|
| Statutorily required contributions | \$ 4,509,394 | \$ 4,160,963 | \$ 3,277,359 |
| Contributions in relation to statutorily required contributions | <u>4,509,394</u> | <u>4,160,963</u> | <u>3,277,359</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Reporting Unit's covered-employee payroll | \$ 16,117,201 | \$ 15,763,117 | \$ 15,731,734 |
| Contributions as a percentage of covered-employee payroll | 27.98% | 26.40% | 20.83% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**OWOSSO PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

Changes of benefit terms: There were no changes of benefit terms in 2016.

Changes of assumptions: There were no changes of benefit assumptions in 2016.

ADDITIONAL SUPPLEMENTARY INFORMATION

**OWOSSO PUBLIC SCHOOLS
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2017**

| | Special revenue | Nonmajor capital | Total nonmajor |
|--|----------------------------|-----------------------------|---------------------------|
| | Food service | projects | funds |
| ASSETS | | | |
| ASSETS: | | | |
| Cash and cash equivalents | \$ 368,729 | \$ 825 | \$ 369,554 |
| Investments | - | 89,614 | 89,614 |
| Accounts receivable | 3,572 | - | 3,572 |
| Intergovernmental | 73,181 | - | 73,181 |
| Inventories | 2,314 | - | 2,314 |
| TOTAL ASSETS | \$ 447,796 | \$ 90,439 | \$ 538,235 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES: | | | |
| Accounts payable | \$ 4,894 | \$ - | \$ 4,894 |
| Accrued salaries and related items | 14,117 | - | 14,117 |
| Accrued retirement | 64,507 | - | 64,507 |
| Due to other funds | 121,080 | - | 121,080 |
| Unearned revenue | 2,115 | - | 2,115 |
| TOTAL LIABILITIES | 206,713 | - | 206,713 |
| FUND BALANCES: | | | |
| Nonspendable: | | | |
| Inventories | 2,314 | - | 2,314 |
| Assigned for capital projects | - | 26,042 | 26,042 |
| Restricted for capital projects | - | 64,397 | 64,397 |
| Restricted for food service | 238,769 | - | 238,769 |
| TOTAL FUND BALANCES | 241,083 | 90,439 | 331,522 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 447,796 | \$ 90,439 | \$ 538,235 |

**OWOSSO PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2017**

| | <u>Special revenue</u> | <u>Nonmajor capital projects</u> | <u>Total nonmajor funds</u> |
|--|----------------------------|--|-------------------------------------|
| | <u>Food service</u> | | |
| REVENUES: | | | |
| Local sources: | | | |
| Investment earnings | \$ 484 | \$ 64 | \$ 548 |
| Food sales | 303,471 | - | 303,471 |
| Total local sources | 303,955 | 64 | 304,019 |
| State sources | 76,764 | - | 76,764 |
| Federal sources | 1,566,766 | - | 1,566,766 |
| Total revenues | 1,947,485 | 64 | 1,947,549 |
| EXPENDITURES: | | | |
| Current: | | | |
| Food service activities | 1,987,172 | - | 1,987,172 |
| Capital outlay | 67,276 | - | 67,276 |
| Total expenditures | 2,054,448 | - | 2,054,448 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (106,963) | 64 | (106,899) |
| OTHER FINANCING USES: | | | |
| Transfers out | (120,848) | - | (120,848) |
| NET CHANGE IN FUND BALANCES | (227,811) | 64 | (227,747) |
| FUND BALANCES: | | | |
| Beginning of year | 468,894 | 90,375 | 559,269 |
| End of year | \$ 241,083 | \$ 90,439 | \$ 331,522 |

**OWOSSO PUBLIC SCHOOLS
GENERAL FUND
BALANCE SHEETS
JUNE 30, 2017 AND 2016**

| | 2017 | 2016 |
|---|---------------------|---------------------|
| ASSETS: | | |
| Cash and cash equivalents | \$ 597,668 | \$ 301,988 |
| Investments | 3,594,769 | 3,675,371 |
| Receivables: | | |
| Accounts receivable | 18,701 | 2,359 |
| Due from other funds | 121,080 | 116,653 |
| Intergovernmental | 4,999,266 | 5,129,486 |
| Prepays | 2,400 | 2,400 |
| TOTAL ASSETS | \$ 9,333,884 | \$ 9,228,257 |
| LIABILITIES: | | |
| Accounts payable | \$ 500,113 | \$ 610,428 |
| Accrued salaries and related items | 2,280,110 | 2,698,958 |
| Accrued retirement | 499,223 | - |
| Unearned revenue | 199,442 | 160,751 |
| Accrued interest | 16,015 | 16,774 |
| State aid note | 1,927,331 | 1,956,483 |
| TOTAL LIABILITIES | 5,422,234 | 5,443,394 |
| FUND BALANCE: | | |
| Nonspendable: | | |
| Prepays | 2,400 | 2,400 |
| Assigned for subsequent years' expenditures | 1,648,907 | 1,387,834 |
| Unassigned | 2,260,343 | 2,394,629 |
| TOTAL FUND BALANCE | 3,911,650 | 3,784,863 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 9,333,884 | \$ 9,228,257 |

**OWOSSO PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
YEAR ENDED JUNE 30, 2017**

| | Original budget | Final budget | Actual | Variance with final budget |
|--|----------------------------|----------------------|---------------------|---|
| LOCAL SOURCES: | | | | |
| Property taxes | \$ 2,730,979 | \$ 2,803,406 | \$ 2,788,670 | \$ (14,736) |
| Investment earnings | 5,471 | 28,279 | 29,738 | 1,459 |
| Community service activities | 432,944 | 466,651 | 449,071 | (17,580) |
| Athletics | 68,560 | 66,089 | 66,088 | (1) |
| Other local revenue | 79,151 | 151,906 | 145,902 | (6,004) |
| TOTAL LOCAL SOURCES | 3,317,105 | 3,516,331 | 3,479,469 | (36,862) |
| STATE SOURCES: | | | | |
| State school aid | 20,299,041 | 20,288,714 | 20,291,657 | 2,943 |
| At risk | 1,025,473 | 1,186,026 | 1,003,988 | (182,038) |
| Special education | 808,260 | 915,092 | 915,092 | - |
| Adult education | - | 90,531 | 83,254 | (7,277) |
| Other state revenue | 2,077,153 | 2,467,523 | 2,461,645 | (5,878) |
| TOTAL STATE SOURCES | 24,209,927 | 24,947,886 | 24,755,636 | (192,250) |
| FEDERAL SOURCES: | | | | |
| Title I | 942,102 | 1,033,674 | 923,455 | (110,219) |
| Other federal revenue | 330,039 | 398,207 | 366,279 | (31,928) |
| TOTAL FEDERAL SOURCES | 1,272,141 | 1,431,881 | 1,289,734 | (142,147) |
| INCOMING TRANSFERS AND OTHER TRANSACTIONS: | | | | |
| Special education | 429,167 | 452,410 | 456,396 | 3,986 |
| Other | 426,851 | 200,866 | 201,058 | 192 |
| TOTAL INCOMING TRANSFERS AND OTHER TRANSACTIONS | 856,018 | 653,276 | 657,454 | 4,178 |
| TOTAL REVENUES | 29,655,191 | 30,549,374 | 30,182,293 | (367,081) |
| OTHER FINANCING SOURCES: | | | | |
| Transfers in | - | 122,724 | 120,848 | (1,876) |
| TOTAL REVENUES AND OTHER FINANCING SOURCES | \$ 29,655,191 | \$ 30,672,098 | \$30,303,141 | \$ (368,957) |

**OWOSSO PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2017**

| | <u>Original budget</u> | <u>Final budget</u> | <u>Actual</u> | <u>Variance with final budget</u> |
|----------------------------------|----------------------------|---------------------|------------------|---|
| INSTRUCTION: | | | | |
| Basic programs: | | | | |
| Elementary: | | | | |
| Salaries | \$ 3,909,138 | \$ 3,896,552 | \$ 3,898,327 | \$ (1,775) |
| Benefits | 2,638,736 | 2,638,380 | 2,645,115 | (6,735) |
| Purchased services | 89,875 | 97,066 | 83,738 | 13,328 |
| Supplies and materials | 130,058 | 162,117 | 155,912 | 6,205 |
| Other expenses | 100 | - | - | - |
| Capital outlay | 150,000 | - | - | - |
| Total elementary | <u>6,917,907</u> | <u>6,794,115</u> | <u>6,783,092</u> | <u>11,023</u> |
| Middle school: | | | | |
| Salaries | 2,023,208 | 1,943,219 | 1,939,520 | 3,699 |
| Benefits | 1,347,479 | 1,324,674 | 1,322,310 | 2,364 |
| Purchased services | 39,056 | 42,702 | 40,003 | 2,699 |
| Supplies and materials | 82,407 | 73,367 | 68,651 | 4,716 |
| Other expenses | 15,000 | 14,295 | 13,373 | 922 |
| Capital outlay | 153,363 | 41,413 | 41,413 | - |
| Total middle school | <u>3,660,513</u> | <u>3,439,670</u> | <u>3,425,270</u> | <u>14,400</u> |
| High school: | | | | |
| Salaries | 2,191,945 | 2,216,830 | 2,212,937 | 3,893 |
| Benefits | 1,448,210 | 1,479,405 | 1,488,537 | (9,132) |
| Purchased services | 172,491 | 167,881 | 164,591 | 3,290 |
| Supplies and materials | 75,431 | 69,301 | 63,423 | 5,878 |
| Other expenses | 104,646 | 119,328 | 36,464 | 82,864 |
| Capital outlay | - | 16,420 | 16,420 | - |
| Total high school | <u>3,992,723</u> | <u>4,069,165</u> | <u>3,982,372</u> | <u>86,793</u> |
| Alternative education (Lincoln): | | | | |
| Salaries | 378,756 | 354,539 | 359,832 | (5,293) |
| Benefits | 238,446 | 233,114 | 234,688 | (1,574) |
| Purchased services | 10,745 | 19,085 | 13,249 | 5,836 |
| Supplies and materials | 14,724 | 17,223 | 14,617 | 2,606 |
| Other expenses | 400 | 400 | 410 | (10) |
| Capital outlay | - | 19,400 | 19,400 | - |
| Total alternative education | <u>643,071</u> | <u>643,761</u> | <u>642,196</u> | <u>1,565</u> |

**OWOSSO PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2017**

| | <u>Original budget</u> | <u>Final budget</u> | <u>Actual</u> | <u>Variance with final budget</u> |
|---|----------------------------|--------------------------|--------------------------|---|
| INSTRUCTION (Continued): | | | | |
| Basic programs (Concluded): | | | | |
| Pre-school: | | | | |
| Salaries | 31,657 | \$ 37,783 | \$ 36,384 | \$ 1,399 |
| Benefits | 17,474 | 18,144 | 18,941 | (797) |
| Purchased services | 66,781 | 68,123 | 64,761 | 3,362 |
| Supplies and materials | 2,923 | 3,923 | 2,633 | 1,290 |
| Other expenses | - | - | 78 | (78) |
| Total pre-school | <u>118,835</u> | <u>127,973</u> | <u>122,797</u> | <u>5,176</u> |
| Pre-school (Michigan Readiness) Grant: | | | | |
| Salaries | 111,458 | 118,757 | 123,263 | (4,506) |
| Benefits | 56,949 | 63,004 | 65,732 | (2,728) |
| Purchased services | 3,243 | 3,318 | 5,258 | (1,940) |
| Supplies and materials | 4,800 | 3,362 | 4,535 | (1,173) |
| Other expenses | 350 | 150 | 284 | (134) |
| Total pre-school (Michigan Readiness) Grant | <u>176,800</u> | <u>188,591</u> | <u>199,072</u> | <u>(10,481)</u> |
| Total basic programs | <u>15,509,849</u> | <u>15,263,275</u> | <u>15,154,799</u> | <u>108,476</u> |
| Added needs: | | | | |
| Special education: | | | | |
| Salaries | 1,857,297 | 1,757,302 | 1,748,035 | 9,267 |
| Benefits | 1,275,742 | 1,164,242 | 1,152,553 | 11,689 |
| Purchased services | 72,890 | 71,435 | 62,517 | 8,918 |
| Supplies and materials | 51,498 | 46,278 | 22,025 | 24,253 |
| Total special education | <u>3,257,427</u> | <u>3,039,257</u> | <u>2,985,130</u> | <u>54,127</u> |
| Childcare program: | | | | |
| Benefits | 263 | 263 | - | 263 |
| Purchased services | 257,609 | 237,290 | 205,282 | 32,008 |
| Supplies and materials | 6,500 | 7,260 | 7,918 | (658) |
| Other expenses | 1,470 | 710 | 710 | - |
| Total childcare program | <u>265,842</u> | <u>245,523</u> | <u>213,910</u> | <u>31,613</u> |

**OWOSSO PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2017**

| | Original budget | Final budget | Actual | Variance with final budget |
|--------------------------------------|----------------------------|-------------------------|-------------------------|---|
| INSTRUCTION (Continued): | | | | |
| Added needs (Concluded): | | | | |
| Title I grant: | | | | |
| Salaries | \$ 546,990 | \$ 587,046 | \$ 518,654 | \$ 68,392 |
| Benefits | 320,259 | 363,184 | 325,803 | 37,381 |
| Supplies and materials | 50,442 | 61,681 | 55,775 | 5,906 |
| Total Title I grant | <u>917,691</u> | <u>1,011,911</u> | <u>900,232</u> | <u>111,679</u> |
| Vocational education: | | | | |
| Salaries | 250,945 | 288,382 | 287,248 | 1,134 |
| Benefits | 199,339 | 204,597 | 194,547 | 10,050 |
| Purchased services | 9,203 | 22,092 | 21,463 | 629 |
| Supplies and materials | 68,538 | 92,294 | 91,154 | 1,140 |
| Capital outlay | - | 21,156 | 21,156 | - |
| Total vocational education | <u>528,025</u> | <u>628,521</u> | <u>615,568</u> | <u>12,953</u> |
| At-risk grant: | | | | |
| Salaries | 433,842 | 498,224 | 382,450 | 115,774 |
| Benefits | 260,038 | 288,688 | 241,539 | 47,149 |
| Purchased services | 312,160 | 322,160 | 309,191 | 12,969 |
| Supplies and materials | 19,434 | 76,951 | 71,579 | 5,372 |
| Total at-risk grant | <u>1,025,474</u> | <u>1,186,023</u> | <u>1,004,759</u> | <u>181,264</u> |
| Technology and robotics grant (22i): | | | | |
| Purchased services | - | 5,000 | 2,000 | 3,000 |
| Supplies and materials | - | 1,943 | - | 1,943 |
| Total technology and robotics grant | <u>-</u> | <u>6,943</u> | <u>2,000</u> | <u>4,943</u> |
| Targeted literacy grant | | | | |
| Salaries | 20,095 | 20,095 | 19,537 | 558 |
| Employee benefits | 9,043 | 9,043 | 8,791 | 252 |
| Purchased services | 9,472 | 48,412 | 48,298 | 114 |
| Total targeted literacy grant | <u>38,610</u> | <u>77,550</u> | <u>76,626</u> | <u>924</u> |
| Total added needs | <u>6,033,069</u> | <u>6,195,728</u> | <u>5,798,225</u> | <u>397,503</u> |

**OWOSSO PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2017**

| | <u>Original budget</u> | <u>Final budget</u> | <u>Actual</u> | <u>Variance with final budget</u> |
|--|----------------------------|---------------------|-------------------|---|
| INSTRUCTION (Concluded): | | | | |
| Community education: | | | | |
| Salaries | \$ 77,087 | \$ 77,087 | \$ 77,086 | \$ 1 |
| Benefits | 53,599 | 54,829 | 53,786 | 1,043 |
| Purchased services | 6,275 | 6,275 | 6,268 | 7 |
| Supplies and materials | 1,376 | 100 | 13 | 87 |
| Other expenses | 125 | 125 | 125 | - |
| Total community education | 138,462 | 138,416 | 137,278 | 1,138 |
| TOTAL INSTRUCTION | 21,681,380 | 21,597,419 | 21,090,302 | 507,117 |
| SUPPORTING SERVICES: | | | | |
| Pupil services: | | | | |
| Guidance services: | | | | |
| Salaries | 258,931 | 276,033 | 278,090 | (2,057) |
| Benefits | 199,711 | 199,212 | 184,443 | 14,769 |
| Purchased services | 582 | 856 | 856 | - |
| Supplies and materials | 4,741 | 9,832 | 8,326 | 1,506 |
| Total guidance services | 463,965 | 485,933 | 471,715 | 14,218 |
| Total pupil services | 463,965 | 485,933 | 471,715 | 14,218 |
| Instructional staff services: | | | | |
| Title II, Part A and Rural Education: | | | | |
| Salaries | 98,575 | 113,655 | 97,954 | 15,701 |
| Benefits | 38,551 | 63,679 | 57,730 | 5,949 |
| Purchased services | 119,884 | 80,310 | 68,028 | 12,282 |
| Supplies and materials | 63,148 | 127,252 | 118,218 | 9,034 |
| Total Title II, Part A and Rural Education | 320,158 | 384,896 | 341,930 | 42,966 |

**OWOSSO PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2017**

| | <u>Original budget</u> | <u>Final budget</u> | <u>Actual</u> | <u>Variance with final budget</u> |
|--|----------------------------|-----------------------|-----------------------|---|
| SUPPORTING SERVICES (Continued): | | | | |
| Instructional staff services (Concluded): | | | | |
| Improvement of instruction: | | | | |
| Salaries | \$ 142,982 | \$ 126,622 | \$ 124,648 | \$ 1,974 |
| Benefits | 77,596 | 72,456 | 70,814 | 1,642 |
| Purchased services | 22,548 | 27,262 | 27,509 | (247) |
| Supplies and materials | 3,000 | 5,740 | 5,576 | 164 |
| Other expenses | 9,770 | 14,384 | 14,373 | 11 |
| Total improvement of instruction | <u>255,896</u> | <u>246,464</u> | <u>242,920</u> | <u>3,544</u> |
| Library services: | | | | |
| Salaries | 153,746 | 153,817 | 153,623 | 194 |
| Benefits | 96,839 | 99,088 | 98,423 | 665 |
| Supplies and materials | 9,000 | 8,994 | 8,483 | 511 |
| Other expenses | 4,964 | 4,845 | 4,845 | - |
| Capital outlay | - | 8,932 | 8,932 | - |
| Total library services | <u>264,549</u> | <u>275,676</u> | <u>274,306</u> | <u>1,370</u> |
| Total instructional staff services | <u>840,603</u> | <u>907,036</u> | <u>859,156</u> | <u>47,880</u> |
| General administration: | | | | |
| Board of Education: | | | | |
| Salaries | 1,575 | 1,975 | 1,350 | 625 |
| Benefits | 1,394 | 903 | 884 | 19 |
| Purchased services | 87,450 | 67,950 | 51,355 | 16,595 |
| Supplies and materials | 5,340 | 2,000 | 1,671 | 329 |
| Other expenses | 8,950 | 8,950 | 8,990 | (40) |
| Total Board of Education | <u>104,709</u> | <u>81,778</u> | <u>64,250</u> | <u>17,528</u> |

**OWOSSO PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2017**

| | <u>Original budget</u> | <u>Final budget</u> | <u>Actual</u> | <u>Variance with final budget</u> |
|--|----------------------------|-----------------------|-----------------------|---|
| SUPPORTING SERVICES (Continued) : | | | | |
| General administration (Concluded): | | | | |
| Executive administration: | | | | |
| Salaries | \$ 179,297 | \$ 176,677 | \$ 176,027 | \$ 650 |
| Benefits | 107,383 | 108,884 | 103,194 | 5,690 |
| Purchased services | 12,790 | 10,214 | 8,599 | 1,615 |
| Supplies and materials | 12,478 | 19,178 | 14,433 | 4,745 |
| Other expenses | 2,455 | 2,455 | 1,982 | 473 |
| Total executive administration | <u>314,403</u> | <u>317,408</u> | <u>304,235</u> | <u>13,173</u> |
| Human resources: | | | | |
| Salaries | 96,870 | 96,870 | 97,922 | (1,052) |
| Benefits | 78,423 | 65,694 | 64,975 | 719 |
| Purchased services | 18,966 | 21,451 | 14,292 | 7,159 |
| Supplies and materials | 2,675 | 2,675 | 2,064 | 611 |
| Other expenses | 16,416 | 14,871 | 14,690 | 181 |
| Total human resources | <u>213,350</u> | <u>201,561</u> | <u>193,943</u> | <u>7,618</u> |
| Total general administration | <u>632,462</u> | <u>600,747</u> | <u>562,428</u> | <u>38,319</u> |
| School administration: | | | | |
| Salaries | 1,495,439 | 1,431,487 | 1,495,810 | (64,323) |
| Benefits | 968,986 | 1,005,068 | 969,348 | 35,720 |
| Purchased services | 69,766 | 61,840 | 59,610 | 2,230 |
| Supplies and materials | 22,418 | 13,607 | 17,898 | (4,291) |
| Other expenses | 6,994 | 5,618 | 5,052 | 566 |
| Total school administration | <u>2,563,603</u> | <u>2,517,620</u> | <u>2,547,718</u> | <u>(30,098)</u> |
| Business services: | | | | |
| Fiscal services: | | | | |
| Salaries | 186,841 | 155,693 | 155,727 | (34) |
| Benefits | 138,752 | 130,831 | 127,963 | 2,868 |
| Purchased services | 8,151 | 8,418 | 8,384 | 34 |
| Supplies and materials | 3,245 | 2,500 | 1,363 | 1,137 |
| Other expenses | 1,750 | 1,270 | 1,158 | 112 |
| Total fiscal services | <u>338,739</u> | <u>298,712</u> | <u>294,595</u> | <u>4,117</u> |

**OWOSSO PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2017**

| | <u>Original budget</u> | <u>Final budget</u> | <u>Actual</u> | <u>Variance with final budget</u> |
|--|----------------------------|-----------------------|-----------------------|---|
| SUPPORTING SERVICES (Continued) : | | | | |
| Business services (Concluded) | | | | |
| Technology management: | | | | |
| Salaries | \$ 114,095 | \$ 147,934 | \$ 147,984 | \$ (50) |
| Benefits | 80,536 | 90,428 | 87,745 | 2,683 |
| Purchased services | 38,714 | 51,721 | 50,921 | 800 |
| Supplies and materials | 20,858 | 27,066 | 27,131 | (65) |
| Other expenses | 71,972 | 69,039 | 69,039 | - |
| Capital outlay | - | 13,626 | 13,626 | - |
| | <u>326,175</u> | <u>399,814</u> | <u>396,446</u> | <u>3,368</u> |
| Total technology management | | | | |
| Total business services | <u>664,914</u> | <u>698,526</u> | <u>691,041</u> | <u>7,485</u> |
| Operations and maintenance: | | | | |
| Salaries | 896,989 | 869,606 | 869,234 | 372 |
| Benefits | 718,619 | 695,804 | 669,162 | 26,642 |
| Purchased services | 364,987 | 318,099 | 282,313 | 35,786 |
| Supplies and materials | 696,292 | 734,673 | 700,137 | 34,536 |
| Other expenses | 1,800 | 1,200 | 777 | 423 |
| Capital outlay | 55,000 | 65,752 | 65,533 | 219 |
| | <u>2,733,687</u> | <u>2,685,134</u> | <u>2,587,156</u> | <u>97,978</u> |
| Total operations and maintenance | | | | |
| Transportation: | | | | |
| Salaries | 406,662 | 415,631 | 399,043 | 16,588 |
| Benefits | 228,758 | 233,196 | 221,599 | 11,597 |
| Purchased services | 79,758 | 78,758 | 67,215 | 11,543 |
| Supplies and materials | 133,814 | 112,149 | 95,932 | 16,217 |
| Other expenses | 200 | 200 | 202 | (2) |
| | <u>849,192</u> | <u>839,934</u> | <u>783,991</u> | <u>55,943</u> |
| Total transportation | | | | |

**OWOSSO PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2017**

| | <u>Original budget</u> | <u>Final budget</u> | <u>Actual</u> | <u>Variance with final budget</u> |
|---|----------------------------|----------------------|----------------------|---|
| SUPPORTING SERVICES (Concluded) : | | | | |
| Athletics: | | | | |
| Salaries | \$ 178,909 | \$ 158,416 | \$ 147,493 | \$ 10,923 |
| Benefits | 77,706 | 68,628 | 65,396 | 3,232 |
| Purchased services | 119,025 | 123,649 | 125,612 | (1,963) |
| Supplies and materials | 37,157 | 62,232 | 61,498 | 734 |
| Other expenses | 13,000 | 13,000 | 13,524 | (524) |
| Total athletics | 425,797 | 425,925 | 413,523 | 12,402 |
| Other supporting services: | | | | |
| Staff/personnel services: | | | | |
| Purchased services - PAC | 5,874 | - | - | - |
| Communication services: | | | | |
| Purchased services | 42,224 | 49,224 | 49,146 | 78 |
| Supplies and materials | 2,084 | 2,943 | 2,951 | (8) |
| Total communication services | 44,308 | 52,167 | 52,097 | 70 |
| Printing and other support services: | | | | |
| Salaries | 33,217 | 33,268 | 33,687 | (419) |
| Benefits | 29,398 | 29,713 | 29,488 | 225 |
| Purchased services | 10,599 | 10,599 | 10,293 | 306 |
| Supplies and materials | 4,430 | 600 | 470 | 130 |
| Total printing and other support services | 77,644 | 74,180 | 73,938 | 242 |
| Total other supporting services | 127,826 | 126,347 | 126,035 | 312 |
| TOTAL SUPPORTING SERVICES | 9,302,049 | 9,287,202 | 9,042,763 | 244,439 |
| DEBT SERVICE: | | | | |
| Interest on debt | 59,596 | 42,536 | 43,289 | (753) |
| TOTAL DEBT SERVICE | 59,596 | 42,536 | 43,289 | (753) |
| TOTAL EXPENDITURES | \$ 31,043,025 | \$ 30,927,157 | \$ 30,176,354 | \$ 750,803 |

**OWOSSO PUBLIC SCHOOLS
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017**

| | Durant state aid fund | Other fund | Total nonmajor capital projects |
|---------------------------------|--------------------------------------|-------------------|--|
| ASSETS | | | |
| ASSETS: | | | |
| Cash and cash equivalents | \$ - | \$ 825 | \$ 825 |
| Investments | 64,397 | 25,217 | 89,614 |
| | TOTAL ASSETS | \$ 26,042 | \$ 90,439 |
| | \$ 64,397 | \$ 26,042 | \$ 90,439 |
| FUND BALANCES | | | |
| FUND BALANCES: | | | |
| Assigned for capital projects | \$ - | \$ 26,042 | \$ 26,042 |
| Restricted for capital projects | 64,397 | - | 64,397 |
| | TOTAL FUND BALANCES | \$ 26,042 | \$ 90,439 |
| | \$ 64,397 | \$ 26,042 | \$ 90,439 |

**OWOSSO PUBLIC SCHOOLS
 CAPITAL PROJECTS FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 YEAR ENDED JUNE 30, 2017**

| | Durant state aid fund | Other fund | Total nonmajor capital projects |
|--|--------------------------------------|-------------------|--|
| REVENUE: | | | |
| Interest | \$ 37 | \$ 27 | \$ 64 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 37 | 27 | 64 |
| FUND BALANCES: | | | |
| Beginning of year | 64,360 | 26,015 | 90,375 |
| End of year | \$ 64,397 | \$ 26,042 | \$ 90,439 |

**OWOSSO PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

| Federal grantor/pass-through grantor/program title | Federal CFDA number | Pass-through grantor's number | Award amount | Accrued revenue July 1, 2016 | Prior years expenditures (memorandum only) | Current year expenditures | Current year cash receipts | Accrued revenue June 30, 2017 |
|--|---------------------------|----------------------------------|--------------|------------------------------------|---|------------------------------|-------------------------------|-------------------------------------|
| U.S. Department of Agriculture: | | | | | | | | |
| Passed through the Michigan Department of Education: | | | | | | | | |
| Child Nutrition Cluster: | | | | | | | | |
| Non-Cash Assistance (Donated Foods): | | | | | | | | |
| Entitlement | 10.555 | | \$ 115,453 | \$ - | \$ 120,949 | \$ 127,443 | \$ 127,443 | \$ - |
| Total Non-Cash Assistance | | | 115,453 | - | 120,949 | 127,443 | 127,443 | - |
| Cash Assistance: | | | | | | | | |
| National School Lunch Program - Section 11 | 10.555 | 17-1960 | 817,612 | - | - | 817,613 | 791,193 | 26,420 |
| National School Lunch Program - Section 11 | 10.555 | 16-1960 | 143,532 | - | 855,907 | 143,532 | 143,532 | - |
| National School Snack Program | 10.555 | 17-1980 | 17,157 | - | - | 17,157 | 17,000 | 157 |
| National School Snack Program | 10.555 | 16-1980 | 2,308 | - | 19,784 | 2,308 | 2,308 | - |
| | | | 980,609 | - | 875,691 | 980,610 | 954,033 | 26,577 |
| Total CFDA # 10.555 National School Lunch Program | | | 1,096,062 | - | 996,640 | 1,108,053 | 1,081,476 | 26,577 |
| National School Lunch Program - Breakfast | 10.553 | 17-1970 | 302,956 | - | - | 302,956 | 291,214 | 11,742 |
| National School Lunch Program - Breakfast | 10.553 | 16-1970 | 56,518 | - | 339,517 | 56,518 | 56,518 | - |
| Total CFDA #10.553 School Breakfast Program | | | 359,474 | - | 339,517 | 359,474 | 347,732 | 11,742 |
| SFSP Operating | 10.559 | 17-0900 | 20,108 | - | - | 20,108 | - | 20,108 |
| SFSP Operating | 10.559 | 16-0900 | 68,898 | 22,376 | 22,376 | 46,522 | 68,898 | - |
| SFSP Operating | 10.559 | 17-1900 | 2,084 | - | - | 2,084 | - | 2,084 |
| SFSP Operating | 10.559 | 16-1900 | 7,146 | 2,321 | 2,321 | 4,825 | 7,146 | - |
| Total CFDA #10.559 SFSP Operating Program | | | 98,236 | 24,697 | 24,697 | 73,539 | 76,044 | 22,192 |
| Total Cash Assistance | | | 1,438,319 | 24,697 | 1,239,905 | 1,413,623 | 1,377,809 | 60,511 |
| Total Child Nutrition Cluster | | | 1,553,772 | 24,697 | 1,360,854 | 1,541,066 | 1,505,252 | 60,511 |
| CNP Fresh Fruit and Vegetable Pilot | 10.582 | 17-0950-117 | 25,700 | - | - | 25,700 | 25,700 | - |
| Total Fresh Fruit and Vegetable Pilot | | | 25,700 | - | - | 25,700 | 25,700 | - |
| Total U.S. Department of Agriculture | | | 1,579,472 | 24,697 | 1,360,854 | 1,566,766 | 1,530,952 | 60,511 |

The accompanying notes are an integral part of this schedule.

**OWOSSO PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

| Federal grantor/pass-through grantor/program title | Federal CFDA number | Pass-through grantor's number | Award amount | Accrued revenue July 1, 2016 | Prior years expenditures (memorandum only) | Current year expenditures | Current year cash receipts | Accrued revenue June 30, 2017 |
|---|---------------------------|----------------------------------|---------------------|------------------------------------|---|------------------------------|-------------------------------|-------------------------------------|
| <u>U.S. Department of Education:</u> | | | | | | | | |
| Passed through the Michigan Department of Education: | | | | | | | | |
| Title I: | | | | | | | | |
| Title I | 84.010 | 17-1530-1617 | \$ 1,033,674 | \$ - | \$ - | \$ 923,454 | \$ 715,931 | \$ 207,523 |
| | 84.010 | 16-1530-1516 | 942,101 | 123,607 | 862,381 | - | 123,607 | - |
| Total CFDA #84.010 | | | 1,975,775 | 123,607 | 862,381 | 923,454 | 839,538 | 207,523 |
| Improving Teacher Quality (Title IIA) | 84.367 | 17-0520-1617 | 267,545 | - | - | 230,501 | 175,534 | 54,967 |
| | 84.367 | 16-0520-1516 | 264,082 | 21,796 | 203,391 | - | 21,796 | - |
| Total CFDA #84.367 | | | 531,627 | 21,796 | 203,391 | 230,501 | 197,330 | 54,967 |
| Title VI, Part B, Subpart 2 | 84.358 | 17-0660-1617 | 120,379 | - | 10,023 | 120,250 | 120,250 | - |
| | | | 120,379 | - | 10,023 | 120,250 | 120,250 | - |
| Total Michigan Department of Education | | | 2,627,781 | 145,403 | 1,075,795 | 1,274,205 | 1,157,118 | 262,490 |
| Total U.S. Department of Education | | | 2,627,781 | 145,403 | 1,075,795 | 1,274,205 | 1,157,118 | 262,490 |
| <u>U.S. Department of Health and Human Services:</u> | | | | | | | | |
| Passed through the Shiawassee Regional Education: | | | | | | | | |
| Service District: | | | | | | | | |
| Medicaid Outreach | 93.778 | | 15,528 | - | 1,364 | 15,529 | 15,529 | - |
| TOTAL FEDERAL AWARDS | | | \$ 4,222,781 | \$ 170,100 | \$ 2,438,013 | \$ 2,856,500 | \$ 2,703,599 | \$ 323,001 |

The accompanying notes are an integral part of this schedule.

**OWOSSO PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

1. Basis of Presentation - The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Owosso Public Schools under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Owosso Public Schools, it is not intended to and does not present the financial position or changes in net position of Owosso Public Schools.
2. Summary of Significant Accounting Policies - Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Owosso Public Schools has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Management has utilized the Cash Management System (CMS) and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.
4. Federal expenditures are reported as revenue in the following funds in the financial statements:

| | |
|----------------------------------|----------------------------|
| General fund | \$ 1,289,734 |
| Other nonmajor governmental fund | <u>1,566,766</u> |
| Total per financial statements | <u><u>\$ 2,856,500</u></u> |

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Owosso Public Schools

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Owosso Public Schools as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Owosso Public Schools' basic financial statements and have issued our report dated October 16, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Maney Costeiran PC

October 16, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Education
Owosso Public Schools

Report on Compliance for Each Major Federal Program

We have audited Owosso Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Owosso Public Schools' major federal programs for the year ended June 30, 2017. Owosso Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Owosso Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Owosso Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of Owosso Public Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Owosso Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Owosso Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Owosso Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Owosso Public Schools' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maney Costeiran PC

October 16, 2017

**OWOSSO PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified: _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|----------------------------|------------------------------------|
| 10.553, 10.555, and 10.559 | Child Nutrition Cluster |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

None noted

Section III - Federal Award Findings and Questioned Costs

None noted

**OWOSSO PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017**

There were no audit findings in either of the prior two years.