

WHITE CLOUD PUBLIC SCHOOLS
ANNUAL FINANCIAL REPORT
(with required supplementary and additional information)

JUNE 30, 2017



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749
www.bcbcpa.com

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

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August 18, 2017

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
White Cloud Public Schools
White Cloud, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages iv through x and 36-39 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 White Cloud Public Schools' basic financial statements. The combining and individual fund financial statements and other information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2017, on our consideration of White Cloud 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 internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of White Cloud Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering White Cloud Public Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

WHITE CLOUD PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

This section of White Cloud Public Schools' ("the District") annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

A. Government-Wide Financial Statements

The government-wide statements provide short-term and long-term financial information about the District's overall financial status. The district-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The Statement of Net Position includes all of the District's assets and liabilities. All of the year's revenue 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 and liabilities – is one way to measure the District's financial health or position.

Over time, increases and decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the District requires consideration of additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are all shown in one category titled "Governmental Activities". These activities, including regular and special education, transportation, administration, food services, athletic activities, and community services, are primarily financed with state and federal aids and property taxes.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, rather than the District as a whole. Funds that do not meet the threshold to be classified as major funds are called "non-major" funds. Detailed financial information for non-major funds can be found in the combining and individual fund statements section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes.

WHITE CLOUD PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

The District maintains the following kinds of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can be 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 to determine whether there are more or less 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 government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

Fiduciary Funds – The District is a trustee, or fiduciary, for assets that belong to other organizations. 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. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in both the government-wide and the fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

C. Summary of Net Position

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

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets	\$ 8,833,460	\$ 4,148,818
Non Current Assets		
Net of Accumulated Depreciation and Amortization	<u>17,900,149</u>	<u>15,590,048</u>
Total Assets	<u>26,733,609</u>	<u>19,738,866</u>
Deferred Outflows of Resources		
Deferred Charges on Refunding	158,168	176,923
Deferred Outflows of Resources Related to Pensions	<u>2,417,803</u>	<u>1,358,599</u>
Total Deferred Outflows of Resources	<u>2,575,971</u>	<u>1,535,522</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 29,309,580</u>	<u>\$ 21,274,388</u>

WHITE CLOUD PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>
Liabilities		
Current Liabilities	\$ 4,544,224	\$ 3,660,111
Long-Term Liabilities	36,116,671	29,111,242
Total Liabilities	<u>40,660,895</u>	<u>32,771,353</u>
Deferred Inflows of Resources		
Deferred Inflows of Resources Related to Pensions	<u>756,342</u>	<u>732,263</u>
Net Position		
Net Investment in Capital Assets	6,095,077	5,112,615
Unrestricted - (Deficit)	<u>(18,202,734)</u>	<u>(17,341,843)</u>
Total Net Position - (Deficit)	<u>(12,107,657)</u>	<u>(12,229,228)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 29,309,580</u>	<u>\$ 21,274,388</u>

D. Analysis of Financial Position

During the fiscal year ended June 30, 2017, the District's net position increased by \$121,571. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

The school district is required to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2017, \$588,504 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2017, \$2,898,605 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is an increase to capital assets in the amount of \$2,310,101 for the fiscal year ended June 30, 2017. An increase to net capital assets is a rise in net position.

WHITE CLOUD PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

3. Pension Expense

GASB 68 now requires the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension liability increases or decreases in any given year. For the year ended June 30, 2017, the District reported a decrease in net position of \$90,446 related to GASB 68.

4. Payment of Principal on Long-Term Debt and Issuance of Debt Proceeds

During the year ending June 30, 2017, the District reduced the principal on its long-term liabilities by \$1,315,000. The payment of principal results in an increase to net position. Also during the year, the District increased the principal on its long-term liabilities by \$6,310,000. The receipt of bond proceeds results in a decrease to net position.

E. Change in Net Position

The following schedule summarizes the results of operations, on a district-wide basis, for the year ended June 30:

	<u>2017</u>	<u>2016</u>
Revenue		
Program Revenue:		
Charges for Services	\$ 148,967	\$ 205,415
Operating Grants	2,654,507	2,229,313
General Revenue:		
Property Taxes - Levied for General Purposes	1,450,857	1,442,524
Property Taxes - Levied for Debt Service	1,652,472	1,430,623
Investment Earnings	46,290	3,404
State Sources	5,556,512	5,577,698
Other	48,801	73,741
Total Revenue	<u>11,558,406</u>	<u>10,962,718</u>
Function/Program Expense		
Instruction	6,156,347	5,679,394
Supporting Services	3,512,020	3,115,965
Community Services	1,984	9,568
Facilities Acquisition, Construction, and Improvements	5,521	0
Food Services	493,222	509,256
Interest on Long-Term Debt	675,537	547,372
Other Transactions	3,700	0
Unallocated Depreciation	588,504	599,925
Total Expenses	<u>11,436,835</u>	<u>10,461,480</u>
Change in Net Position	<u>\$ 121,571</u>	<u>\$ 501,238</u>

WHITE CLOUD PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

F. Financial Analysis of the District's Funds

The financial performance of the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

	2017	2016	Increase (Decrease)
Major Fund			
General Fund	\$ 999,264	\$ 1,238,677	\$ (239,413)
2016 School Building and Site Fund	4,463,208	0	4,463,208
Nonmajor Funds			
Food Service	236,585	276,541	(39,956)
Debt Retirement Funds	326,908	209,930	116,978
Total Governmental Funds	<u>\$ 6,025,965</u>	<u>\$ 1,725,148</u>	<u>\$ 4,300,817</u>

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

As the District completed this year, the governmental funds reported a combined fund balance of \$6,025,965, which is an increase of \$4,300,817 from last year.

- The General Fund, our principal operating fund, decreased its fund balance by \$239,413 for an ending balance of \$999,264. This decrease is primarily due to an increase in expenditures, when compared to the prior year, in basic programs, added needs, school administration, and operations and maintenance. Of the fund balance of \$999,264, \$24,222 is nonspendable for prepaid expenditures, \$109,841 is committed for retirement contracts, \$19,026 is assigned for subsequent year budget shortfall, and \$846,175 is unassigned.
- The 2016 School Building and Site Fund increased its fund balance by \$4,463,208 for an ending balance equal to the increase. The increase in fund balance is a result receiving more proceeds from the issuance of general obligations than was spent for school building and site improvements. The entire fund balance of \$4,463,208 is restricted for capital projects.
- The Food Service Fund decreased its fund balance by \$39,956 for an ending balance of \$236,585. The decrease can be attributed to local, state, and federal revenues being less than expenditures associated with these revenues, as well as the purchase of new equipment. Of the fund balance of \$236,585, \$5,305 is nonspendable for inventory and \$231,280 is restricted for food service.
- The debt retirement funds increased their fund balance by \$116,978 for an ending balance of \$326,908. The increase in the Debt Retirement Funds can be attributed to the school borrowing from the School Loan Revolving Fund because it was not going to be able to meet its principal in interest debt obligations. The entire fund balance of \$326,908 is restricted for debt service.

WHITE CLOUD PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

G. General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2016-2017 fiscal year, the District amended the general fund budget various times throughout the year. The following schedule shows a comparison of the original general fund budget to actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>TOTAL REVENUES</u>	<u>\$ 9,305,868</u>	<u>\$ 9,443,118</u>	<u>\$ 9,375,204</u>
<u>EXPENDITURES</u>			
Instruction	\$ 6,188,677	\$ 6,219,331	\$ 6,243,601
Supporting Services	3,232,721	3,440,776	3,395,332
Community Activities	12,000	9,484	1,984
Other Transactions	170,000	0	3,700
Total Expenditures	<u>\$ 9,603,398</u>	<u>\$ 9,669,591</u>	<u>\$ 9,644,617</u>

The revenue budget was amended as it became clearer on the amounts the District would receive for State and Federal Funding, as well as funding from Property Taxes and Local Grants. There were minimal changes between both the original and final budget and final budget and actual budget.

The variances between the total expenditures original budget to final budget and final budget to actual were minimal and mainly the result of many of the expenditures being revenue driven and once the revenue picture became clearer, the District was able to allocate additional funds for expenditures it hadn't allocated for in its original budget.

H. Capital Asset and Debt Administration

1. Capital Assets

At June 30, 2017, the District has \$28,051,599 in a broad range of capital assets, including school buildings and facilities, school buses, and various types of equipment. Depreciation expense for the year amounted to \$588,504, bringing the accumulated depreciation to \$10,151,450 as of June 30, 2017.

The additions to capital assets included:

- Construction in Progress for various school improvements related to the 2016 bonds in the amount of \$2,358,263.
- Truck and salt spreader purchased in the amount of \$16,707.
- Track renovations in the amount of \$354,695.

WHITE CLOUD PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

- Equipment purchased in the amount of \$99,993.
- Roof repairs in the amount of \$68,947.

Additional information on the District's capital assets can be found in the notes to this report.

In addition to purchasing the above assets, the School has committed to spend roughly \$3,700,000 for building and site improvements and equipment purchases within the district that will be added to capital assets in the 2017-2018 fiscal year.

2. Long-Term Debt

At the end of this year, the District had \$34,092,995 in long-term debt outstanding versus \$27,609,633 in the previous year. This represents an increase of \$6,483,362 from the prior year. The majority of this debt consists of bonds payable of \$15,030,000. Other obligations include amounts borrowed from the School Bond Loan Fund and School Loan Revolving Fund of \$4,709,845, employee compensated absences and retirement contracts estimated at \$987,197, and net pension liability of \$13,365,953.

Additional information on the District's long-term debt can be found in the notes to this report.

I. Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- With the current economic condition in the State of Michigan, uncertainty surrounds the level at which districts will be funded through the student foundation allowance for the 2017-2018 fiscal year.
- The District, like many in the State, has seen declining enrollment over recent years, and understands the potential loss in State funding for the 2017-2018 fiscal year.
- As with other employers, the District continues to face increases in rates paid for employee benefits, particularly health insurance and retirement.
- With passage of the bond, technology and infrastructure needs will be addressed. This allows the District to concentrate available funds to much needed areas such as staffing and supply needs as well as repair and maintenance projects.
- The District has tentative agreements or settled contracts with all staff members. This means the District will maintain Wage and Benefit stability throughout the 2017-2018 fiscal year.

J. Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, 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 financial information, contact the Business Department, 555 Wilcox Street, White Cloud, Michigan 49349.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 1,205,897
Restricted Cash	19,517
Investments	904,278
Restricted Investments	4,882,187
Accounts Receivable	29,883
Due from Other Governmental Units	1,762,171
Prepaid Expenses	24,222
Inventory	<u>5,305</u>
Total Current Assets	<u>8,833,460</u>
<u>NON CURRENT ASSETS</u>	
Capital Assets	28,051,599
Less Accumulated Depreciation	<u>(10,151,450)</u>
Total Non Current Assets	<u>17,900,149</u>
Total Assets	<u>26,733,609</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Charges on Refunding	158,168
Deferred Outflows of Resources Related to Pensions	<u>2,417,803</u>
Total Deferred Outflows of Resources	<u>2,575,971</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	434,823
Retainage Payable	39,794
Accrued Expenses	235,840
Accrued Interest Payable	91,888
Due to Other Governmental Units	269,838
Unearned Revenue	117,912
Salaries Payable	709,288
State Aid Anticipation Note	1,000,000
Current Portion of Non Current Liabilities	<u>1,644,841</u>
Total Current Liabilities	<u>4,544,224</u>

The notes to the financial statements are an integral part of this statement.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>NON CURRENT LIABILITIES</u>	
Bonds Payable - Net	16,426,448
School Bond Loan Fund Loan	4,709,845
Compensated Absences and Retirement Contracts	987,197
Net Pension Liability	13,365,953
Accrued Interest on School Bond Loan Fund	2,272,069
Less Current Portion of Non Current Liabilities	<u>(1,644,841)</u>
 Total Non Current Liabilities	 <u>36,116,671</u>
 Total Liabilities	 <u>40,660,895</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows of Resources Related to Pensions	<u>756,342</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets	6,095,077
Unrestricted - (Deficit)	<u>(18,202,734)</u>
 TOTAL NET POSITION - (DEFICIT)	 <u>\$ (12,107,657)</u>

The notes to the financial statements are an integral part of this statement.

WHITE CLOUD PUBLIC SCHOOLS

WHITE CLOUD, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>GOVERNMENTAL</u>
		<u>CHARGES FOR</u>	<u>OPERATING</u>	<u>ACTIVITIES</u>
		<u>SERVICES</u>	<u>GRANTS</u>	<u>NET (EXPENSES)</u>
				<u>REVENUES AND</u>
				<u>CHANGE IN</u>
				<u>NET POSITION</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction	\$ 6,156,347	\$ 0	\$ 1,354,962	\$ (4,801,385)
Supporting Services	3,512,020	68,580	786,124	(2,657,316)
Community Services	1,984	0	1,984	0
Facilities Acquisition, Construction and Improvements	5,521	0	0	(5,521)
Food Service	493,222	80,387	511,437	98,602
Interest on Long-Term Debt	675,537	0	0	(675,537)
Other Transactions	3,700	0	0	(3,700)
Unallocated Depreciation	588,504	0	0	(588,504)
TOTAL GOVERNMENTAL ACTIVITIES	\$11,436,835	\$ 148,967	\$ 2,654,507	(8,633,361)
<u>GENERAL REVENUES</u>				
Property Taxes - Levied for General Purposes				1,450,857
Property Taxes - Levied for Debt Service				1,652,472
Investment Earnings				46,290
State Sources				5,556,512
Other				48,801
Total General Revenues				8,754,932
Change in Net Position				121,571
<u>NET POSITION</u> - Beginning of Year - (Deficit)				(12,229,228)
<u>NET POSITION</u> - End of Year - (Deficit)				<u>\$ (12,107,657)</u>

The notes to the financial statements are an integral part of this statement.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2017

	GENERAL FUND	2016 SCHOOL BUILDING AND SITE FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash	\$ 635,168	\$ 0	\$ 570,729	\$ 1,205,897
Restricted Cash	0	19,517	0	19,517
Investments	904,278	0	0	904,278
Restricted Investments	0	4,882,187	0	4,882,187
Accounts Receivable	29,883	0	0	29,883
Due from Other Funds	9,855	0	0	9,855
Due from Other Governmental Units	1,762,171	0	0	1,762,171
Prepaid Expenditures	24,222	0	0	24,222
Inventory	0	0	5,305	5,305
TOTAL ASSETS	\$ 3,365,577	\$ 4,901,704	\$ 576,034	\$ 8,843,315
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 36,121	\$ 398,702	\$ 0	\$ 434,823
Retainage Payable	0	39,794	0	39,794
Accrued Expenses	235,840	0	0	235,840
Due to Other Funds	0	0	9,855	9,855
Due to Other Governmental Units	269,838	0	0	269,838
Unearned Revenue	115,226	0	2,686	117,912
Salaries & Benefits Payable	709,288	0	0	709,288
State Aid Anticipation Note	1,000,000	0	0	1,000,000
Total Liabilities	2,366,313	438,496	12,541	2,817,350
<u>FUND BALANCES</u>				
Nonspendable				
Inventory	0	0	5,305	5,305
Prepaid Expenditures	24,222	0	0	24,222
Restricted for:				
Debt Service	0	0	326,908	326,908
Food Service	0	0	231,280	231,280
Capital Projects	0	4,463,208	0	4,463,208
Committed for:				
Retirement Contracts	109,841	0	0	109,841
Assigned for:				
Subsequent Year Budget Shortfall	19,026	0	0	19,026
Unassigned	846,175	0	0	846,175
Total Fund Balances	999,264	4,463,208	563,493	6,025,965
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,365,577	\$ 4,901,704	\$ 576,034	\$ 8,843,315

The notes to the financial statements are an integral part of this statement.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION

JUNE 30, 2017

Total Governmental Fund Balances	\$	6,025,965
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$	28,051,599
Accumulated depreciation is	<u>(10,151,450)</u>	17,900,149
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Bonds Payable		(15,030,000)
School Bond Loan Fund Loan		(4,709,845)
Compensated Absences and Retirement Contracts		(987,197)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid.		(2,363,957)
Bond discounts for bonds issued after June 30, 2002, are expenditures at the modified accrual fund level, but are capitalized and written off over the life of the bonds payable at the district-wide full accrual level.		
Deferred Loss on Refunding		158,168
Bond Discount (Premium)		(1,396,448)
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the		
Net Pension Liability		(13,365,953)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pensions		2,417,803
Deferred Inflow of Resources Related to Pensions		<u>(756,342)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES - (DEFICIT)	\$	<u>(12,107,657)</u>

The notes to the financial statements are an integral part of this statement.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2017

	GENERAL FUND	2016 SCHOOL BUILDING AND SITE FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$ 1,579,115	\$ 40,911	\$ 1,732,859	\$ 3,352,885
State Sources	7,031,750	0	37,858	7,069,608
Federal Sources	649,540	0	462,478	1,112,018
Other Transactions	114,799	0	0	114,799
Total Revenues	9,375,204	40,911	2,233,195	11,649,310
<u>EXPENDITURES</u>				
Instruction				
Basic Programs	4,412,405	0	0	4,412,405
Added Needs	1,831,196	0	0	1,831,196
Supporting Services				
Pupil	489,850	0	0	489,850
Instructional Staff	28,906	0	0	28,906
General Administration	208,251	0	0	208,251
School Administration	618,005	0	0	618,005
Business	172,891	0	0	172,891
Operation and Maintenance of Plant	805,874	0	0	805,874
Pupil Transportation Services	710,529	0	0	710,529
Support Service Technology	155,801	0	0	155,801
Athletic Activities	205,225	0	0	205,225
Community Services				
Community Activities	1,984	0	0	1,984
Food Service	0	0	590,679	590,679
Facilities Acquisition, Construction and Improvements	0	2,718,479	0	2,718,479
Debt Service				
Principal	0	0	1,315,000	1,315,000
Interest and Fiscal Charges	0	0	520,903	520,903
Bond Issuance Costs	0	55,700	0	55,700
Other Transactions	3,700	0	0	3,700
Total Expenditures	9,644,617	2,774,179	2,426,582	14,845,378
Excess (Deficiency) of Revenues Over Expenditures	(269,413)	(2,733,268)	(193,387)	(3,196,068)
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from School Loan Revolving Fund	0	0	300,409	300,409
Face Value of Debt	0	6,310,000	0	6,310,000
Premium on Issuance of Bonds	0	886,476	0	886,476
Transfers In (Out)	30,000	0	(30,000)	0
Total Other Financing Sources (Uses)	30,000	7,196,476	270,409	7,496,885
Net Change in Fund Balance	(239,413)	4,463,208	77,022	4,300,817
<u>FUND BALANCE</u> - Beginning of Year	1,238,677	0	486,471	1,725,148
<u>FUND BALANCE</u> - End of Year	\$ 999,264	\$ 4,463,208	\$ 563,493	\$ 6,025,965

The notes to the financial statements are an integral part of this statement.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

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 \$ 4,300,817

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures. In the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation. Additionally, the gain or loss on sale or disposal of capital assets is recorded in the statement of activities.

Depreciation Expense	(588,504)
Capital Outlay	2,898,605

Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	2,118,694
Accrued Interest Payable - End of Year	(2,363,957)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available.

Repayment of Bond Principal	1,315,000
Face Value of Debt	(6,310,000)
Proceeds from School Loan Revolving Fund	(300,409)
Premium on Issuance of Bonds	(886,476)
Amortization of Deferred Charges and Bond Issuance Premium	90,629

Accumulated Sick Pay and Retirement Buyout are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accumulated Sick Pay and Other Vested Benefits- Beginning of Year	698,265
Accumulated Sick Pay and Other Vested Benefits- End of Year	(668,913)
Retirement Buyout - Beginning of Year	226,550
Retirement Buyout - End of Year	(318,284)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Changes in Pension Related Items	458
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Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to Section 147 C pension contributions subsequent to the measurement date

Change in State Aid Funding for Pension	<u>(90,904)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 121,571</u>
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The notes to the financial statements are an integral part of this statement.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2017

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 68,481
<u>LIABILITIES</u>	
Due to Groups and Organizations	<u>68,481</u>
<u>NET POSITION</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the White Cloud Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The School District (“the District”) is located in Newaygo County with its administrative offices located in White Cloud, Michigan. The District operates under an elected 7-member board of education and provides services to its 966 students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service, and athletics. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. 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.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District does not have any business-type activities or component units.

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 government'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, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The District reports the following major governmental funds:

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

The *2016 school building and site fund* accounts for expenditures related to the 2016 bond issue.

Other Non-Major Funds:

The *special revenue (School Service) fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes. The District accounts for its food service activities in a special revenue fund.

The *debt retirement funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

Additionally, the District reports the following fund type:

Fiduciary funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. This fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following fiduciary fund:

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.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

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, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). 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). All other revenue items are considered to be measurable and available only when cash is received by the government.

The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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

- a) Prior to July 1, the business office submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.
- c) Prior to June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. 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 financial 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.
- d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the school district, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted on June 27, 2016, or as amended by the School Board of Education throughout the year.

2. *Excess of Expenditures Over Appropriations*

General Fund

Instruction

- a) Basic Program expenditures of \$4,412,405 exceeded appropriations by \$23,010.
- b) Added Needs expenditures of \$1,831,196 exceeded appropriations by \$1,260.

Supporting Services

- a) Pupil expenditures of \$489,850 exceeded appropriations by \$4,394.
- b) General Administration expenditures of \$208,251 exceeded appropriations by \$15,109.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

- c) School Administration expenditures of \$618,005 exceeded appropriations by \$8,603.
- d) Pupil Transportation Services expenditures of \$710,529 exceeded appropriations by \$1,745.
- e) Athletic Activities expenditures of \$205,225 exceeded appropriations by \$1,626.

Other Transactions

- a) Other Transactions expenditures of \$3,700 exceeded appropriations by \$3,700.

School Service Fund

- a) Food Service expenditures of \$590,679 exceeded appropriations by \$69,395.

These overages were funded by savings in other expenditure areas compared to budget.

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 investments. The District considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

2. Investments

Investments are carried at amortized cost which approximates fair value. The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States.
- (e) United States government or federal agency obligation repurchase agreements.
- (f) Bankers' acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation (FDIC).
- (g) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

- (h) Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

The District's deposits and investments are held separately by several of the School District's funds.

3. *Inventory and Prepaid Items*

Inventory is valued at cost using the first-in-first-out method. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

Certain payments made 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.

The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year-end to indicate the portion of the governmental fund balances that are nonspendable.

4. *Capital Assets*

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their acquisition value on the date received.

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 is not depreciated and construction in progress is not depreciated until the underlying assets are placed in service upon completion of the project. At that time, the asset costs are reclassified out of construction in progress and into the appropriate depreciable category.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings, Additions and Improvements	20-50 years
Furniture, Vehicles and Equipment	5-15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000 and aggregate purchases of similar items purchased at the same time, such as textbooks for a classroom.

5. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-wide *Statement of Net Position*. A deferred charge on refunding results from the difference

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or funding debt. The other deferred outflow relates to the pension plan for its employees. Details can be found in footnote 3.E.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The 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 one item that qualifies for reporting in this category, which is related to the pension plan for its employees. Details can be found in footnote 3.E.

6. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. 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.

7. Unearned Revenue

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The District has unearned revenue related to state and local grants received and unspent due to restrictions on how they can be spent.

8. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. 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

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.

10. Fund Balance Flow Assumption

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.

11. 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 governing board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

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 governing board has authorized the superintendent or business manager to assign fund balance. The board 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.

12. Use of Estimates

The process of preparing basic 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 expenditures. 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.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. Restricted Assets

Certain resources of the 2016 School Building and Site Fund, which are set aside for capital projects, are classified as restricted cash and investments on the balance sheet because their use is limited by applicable bond covenants.

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2017 the foundation allowance was based on pupil membership counts taken in February of 2016 and October of 2016. For fiscal year ended June 30, 2017, the per pupil foundation allowance was \$7,511 for White Cloud Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2016 to August 2017. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

2. Federal Revenue

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

3. Program Revenues

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

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4. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are billed as of December 1. The due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

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

<u>Fund</u>	<u>Mills</u>
General Fund - Non-Principal Residence Exemption (PRE)	18.0000
General Fund - Commercial Personal Property	6.0000
Debt Service Funds - PRE, Non-PRE, Commercial Personal Property	9.5000

5. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay, vacation time and other benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note 1.F.2, on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2017.

NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2017, \$698,570 of the District's bank balance of \$1,532,927 was exposed to custodial credit risk because it was uninsured and uncollateralized. The risk is spread amongst the District's funds. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

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.

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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 (NRSOs).

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.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District’s investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

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

	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF+ External Investment Pool - Max Class	\$ 5,689,710	0.0027	AAAm	98.33%
MILAF+ External Investment Pool - Cash Mgmt	96,755	0.0027	AAAm	1.67%
	\$ 5,786,465			100.00%
Portfolio Weighted Average Maturity		0.0027		

1 Day Maturity Equals 0.0027, One Year Equals 1.000

The District invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund Plus (MILAF+). MILAF+ is a local government investment pool of “qualified” investments for Michigan school districts. MILAF+ is not regulated nor is it registered with the SEC. MILAF+ reports as of June 30, 2017, the fair value of the District’s investments is the same as the value of the pooled shares. MILAF, as defined by GASB, is recorded at amortized cost which approximates fair value. The MILAF+ portfolio offers three share classes which are: Cash Management Class, MAX Class, and GovMIC Class. The only class that has limitations or restrictions on withdrawals is MAX Class, which requires notification of redemptions prior to 14 days to avoid penalties. The MILAF+ portfolio is not subject to fair value disclosures.

Fair Market Value Disclosure - 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:

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

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

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. There are two types of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows.

The District does not have any investments subject to the fair value measurement.

The carrying amount of deposits and investments is as follows:

	<u>Total</u>
Deposits – including Fiduciary Funds of \$68,481	\$ 1,293,895
Investments	<u>5,786,465</u>
	<u>\$ 7,080,360</u>

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

	<u>Total</u>
Cash - Fiduciary Funds	\$ 68,481
Cash - District-Wide	1,205,897
Restricted Cash	19,517
Investments	904,278
Restricted Investments	<u>4,882,187</u>
	<u>\$ 7,080,360</u>

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B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor are as follows:

	General	Nonmajor and Other Funds	Total
Receivables			
Accounts	\$ 29,883	\$ 0	\$ 29,883
Due from Other Governmental Units	1,762,171	0	1,762,171
Total Receivables	\$ 1,792,054	\$ 0	\$ 1,792,054

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs.

No allowance for doubtful accounts has been recorded.

C. Capital Assets

Capital assets activity for the year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Assets Not Being Depreciated				
Land	\$ 177,656	\$ 0	\$ 0	\$ 177,656
Construction in Progress	0	2,358,263	0	2,358,263
Subtotal	177,656	2,358,263	0	2,535,919
Other Capital Assets:				
Land Improvements	754,923	354,695	0	1,109,618
Buildings and Additions	20,445,343	68,947	0	20,514,290
Furniture and Equipment	3,277,347	99,993	415,968	2,961,372
Textbooks and Library Books	55,285	0	0	55,285
Other Vehicles	221,450	16,707	0	238,157
Buses	636,958	0	0	636,958
Subtotal	25,391,306	540,342	415,968	25,515,680

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	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Less Accumulated Depreciation for:				
Land Improvements	516,476	27,589	0	544,065
Buildings and Additions	6,218,439	348,080	0	6,566,519
Furniture and Equipment	2,474,978	153,551	415,968	2,212,561
Textbooks and Library Books	55,282	3	0	55,285
Other Vehicles	166,474	13,804	0	180,278
Buses	547,265	45,477	0	592,742
Accumulated Depreciation	9,978,914	588,504	415,968	10,151,450
Net Other Capital Assets	15,412,392	(48,162)	0	15,364,230
Net Capital Assets	\$ 15,590,048	\$ 2,310,101	\$ 0	\$ 17,900,149

Depreciation for the fiscal year ended June 30, 2017, amounted to \$588,504. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Defined Benefit Plan and Post-Retirement Benefits

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

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

The System’s separately issued financial statements are available at www.michigan.gov/mpsers-cafr.

Benefit Provisions- Pension

Introduction

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

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

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

Prior to pension reform of 2010 there were two plans commonly referred to as Basic and Member Investment Plan (MIP). Basic plan member's contributions range from 0% to 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% to 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 (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

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).

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Regular Retirement

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 as described below:

Option 1: Credited service after the transition date times 1.5% times final average compensation.

Option 2: Credited service after the transition date (until total service reaches 30 years) times 1.5% times final average compensation, plus credited service after the transition date and over 30 years times 1.25% times final average compensation.

Option 3: Credited service after the transition date times 1.25% times final average compensation.

Option 4: None (Member will receive benefit through a defined contribution plan). As a Defined Contribution 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 the Defined Contribution Plan that provides a 50% employer match up to 3% of salary on employee contributions.

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

Members Contributions

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

Employers Contributions

Reporting units 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

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individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20 year period for the 2016 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2016.

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0-4.0%	18.95%
Member Investment Plan	3.0-7.0%	18.95%
Pension Plans	3.0-6.4%	17.73%
Defined Contribution	0.0%	14.56%

The District's pension contributions for the year ended June 30, 2017 were equal to the required contribution total. Pension contributions were approximately \$1,296,202. These amounts include contributions funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (72.88% for pension and 27.12% for OPEB).

E. 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 \$13,365,953 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 .05357271% and .05011410%.

MPSERS (Plan) Net Pension Liability – As of September 30, 2016 and September 30, 2015

	<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	<u>\$ 24,949,181,770</u>	<u>\$ 24,425,026,755</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.27%	63.17%
Net Pension Liability as a Percentage of Covered-Employee Payroll	295.81%	292.61%

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

For the year ended June 30, 2017, the District recognized total pension expense of \$872,708. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 166,575	\$ 31,678
Section 147c revenue related to District Pension contributions subsequent to measurement date	0	423,036
Changes of assumptions	208,966	0
Net difference between projected and actual earnings on pension plan investments	222,142	0
Changes in proportion and differences between District contributions and proportionate share of contributions	644,714	301,628
District contributions subsequent to the measurement date	1,175,406	0
Total	\$ 2,417,803	\$ 756,342

\$1,175,406 reported as deferred outflows of resources and \$423,036 reported as deferred inflows or resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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	\$ 175,536
2018	158,066
2019	419,267
2020	156,222
	\$ 909,091

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F. Actuarial Valuations and Assumptions of the Pension Plan

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.50%
Investment Rate of Return	
-MIP and Basic Plans (Non-Hybrid):	8.00%
-Pension Plus Plan (Hybrid):	7.00%
Projected Salary Increases:	3.5-12.3 % including wage inflation at 3.5%
Cost of Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members

Mortality:	RP-2000 Male and Female Combine Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.
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Notes:

- 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 total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.6273.
- Recognition period for assets in years is 5.0000.

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- Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report.

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016, 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%
Alternative Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.90%
Real Estate & 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 does not include 2.1% inflation.

Discount Rate

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

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

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 8.0 percent (7.0% for the Pension Plus plan), as well as what the District's proportionate

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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:

1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%
\$ 17,211,983	\$ 13,365,953	\$ 10,123,380

G. 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.

H. Payables to the Pension Plan

As of June 30, 2017, the District is current on all required pension plan payments. As of June 30, 2017, the District reported payables in the amount of \$243,114 to the pension plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

I. Benefit Provisions – Other Post-Employment

Introduction

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

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

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Retiree Healthcare Reform of 2012

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

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

Employer Contributions

The employer contribution rate ranged from 5.52% - 6.45% of covered payroll for the period October 1, 2013 to March 9, 2015; from 2.20% - 2.71% of covered payroll for the period from March 10, 2015 to September 30, 2015; from 6.40% - 6.83% of covered payroll for the period from October 1, 2015 through September 30, 2016; and 5.69% - 5.91% of covered payroll for the period from October 1, 2016 through September 30, 2017 dependent upon the employee's date of hire and plan election.

The District's contributions to MPERS for post-employment healthcare contributions for the years ended June 30, 2017, 2016 and 2015 were approximately \$440,000, \$405,000 and \$105,000.

J. Risk Management

White Cloud Public Schools is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees.

The District participates in a distinct pool of education institutions within the State of Michigan for various risks of loss, including general liability, property and casualty, employee health and accident insurance, and workers' disability compensation. The pool is considered a public entity risk pools. The District pays annual premiums to each pool 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 District has not been informed of any special assessments being required.

K. Lease Information

Operating Leases. The District is committed under various noncancelable leases for office equipment and school buses. The leases are operating leases with no contingent lease payments. The equipment may be

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

purchased at the end of the lease for fair market value. For the year ended June 30, 2017, rental expenditures were \$252,364. Future minimum lease payments are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>AMOUNT</u>
2018	\$ 79,604
2019	76,535
2020	38,268

L. Short-Term Debt

On September 14, 2016, the District issued a State Aid Note in the amount of \$1,000,000. The note matures on August 23, 2017, with interest at 1.09%. The District pledged its State Aid revenue for payment of this liability at maturity. The purpose of the note was to provide for cash flow needs at the beginning of the school year. Interest expense for the year was \$13,523. The District has approved a note payable for the fiscal year ending June 30, 2018.

The following is a summary of the Short-Term Debt transactions for the District for the year ended June 30, 2017:

Short-Term Debt at July 1, 2016	\$ 1,131,008
New Debt Issued	1,000,000
Debt Retired and Paid	<u>(1,131,008)</u>
Short-Term Debt at June 30, 2017	<u><u>\$ 1,000,000</u></u>

M. Long-Term Liabilities

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.

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

	<u>SCHOOL</u>		<u>ACCUMULATED</u>		
	<u>BOND</u>		<u>UNPAID</u>		
	<u>LOAN</u>		<u>COMPENSATED</u>		
	<u>FUND</u>		<u>ABSENCES AND</u>	<u>NET</u>	
	<u>LOAN</u>	<u>BONDS</u>	<u>RETIREMENT</u>	<u>PENSION</u>	<u>TOTAL</u>
	<u>LOAN</u>	<u>BONDS</u>	<u>CONTRACTS</u>	<u>LIABILITY</u>	<u>TOTAL</u>
Debt Payable at Beginning of Year	\$ 4,409,436	\$ 10,035,000	\$ 924,815	\$ 12,240,382	\$ 27,609,633
Increase in Debt	300,409	6,310,000	167,979	2,328,574	9,106,962
Debt Retired	0	(1,315,000)	(105,597)	(1,203,003)	(2,623,600)
Debt Payable at End of Year	4,709,845	15,030,000	987,197	13,365,953	34,092,995
Less Current Portion	0	1,535,000	109,841	Unknown	1,644,841
Net Long-Term Debt	<u>\$ 4,709,845</u>	<u>\$ 13,495,000</u>	<u>\$ 877,356</u>	<u>\$ 13,365,953</u>	<u>\$ 32,448,154</u>

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At June 30, 2017, the District's general long-term debt consisted of the following issues:

School Bond Loan Fund Loan beginning April 26, 2002. This is a loan from the State of Michigan pursuant to P.A. 108 of 1961. The District's debt retirement millage is limited to 9.50 mills. As long as the tax revenue from this millage is insufficient to make current debt service payments on the District's bonds, additional loans can be obtained in amounts sufficient to make bond and interest payments. No payments are due on the School Bond Loan Fund loan or accrued interest until such time as tax revenues exceed bond debt service requirements. Interest rates on these loans are variable, the rate at June 30, 2017, was 3.13323%, and the accrued interest was \$2,272,069 which is not included in the total.	\$ 4,709,845
\$7,620,000 2015 Refunding Bonds due in annual installments of \$435,000 to \$500,000 through May 1, 2031; Interest at 4.000%.	6,935,000
\$3,505,000 2013 Refunding Bonds due in annual installments of \$630,000 to \$700,000 through May 1, 2020; Interest at 1.500%.	1,995,000
\$6,310,000 2016 School Building and Site Bonds due in annual installments of \$400,000 to \$450,000 through May 1, 2031; Interest at 4.000%	6,100,000
Accumulated Unpaid Compensated Absences and Retirement Contracts	987,197
Net Pension Liability payable monthly as determined by the pension plan.	13,365,953
	\$ 34,092,995

The annual requirements to amortize all general long-term debt outstanding except compensated absences, net pension liability, and the School Bond Loan Fund loan as of June 30, 2017, are as follows:

YEAR ENDING JUNE 30,	RETIREMENT PAYABLE		BONDS PAYABLE		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2018	\$ 109,841	\$ 0	\$ 1,535,000	\$ 551,325	\$ 2,196,166
2019	70,304	0	1,565,000	507,425	2,142,729
2020	55,861	0	1,530,000	461,450	2,047,311
2021	48,682	0	925,000	416,000	1,389,682
2022	33,596	0	925,000	379,000	1,337,596
2023-2027	0	0	4,750,000	1,330,000	6,080,000
2028-2032	0	0	3,800,000	380,000	4,180,000
	\$ 318,284	\$ 0	\$15,030,000	\$ 4,025,200	\$ 19,373,484

The annual requirements to amortize the accumulated unpaid compensated absences, net pension liability, and the School Bond Loan Fund loan are not included above because it is unknown when they will actually be paid.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Compensated absences and retirement contracts will be paid by the fund in which the employee worked, including the general fund and other governmental funds. Accrued interest on School Bond Loan Fund of \$2,272,069 is treated as a long-term liability because it is not known when it will actually be paid.

N. Interfund Receivables and Payables

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2017, were:

	INTERFUND RECEIVABLES	INTERFUND PAYABLE
General Fund	\$ 9,855	\$ 0
Food Service Fund	0	9,355
2015 Debt Fund	0	500
	\$ 9,855	\$ 9,855

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 the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2017, are expected to be repaid within one year.

O. Interfund Transfers

Interfund transfers are as shown in the individual fund financial statements at June 30, 2017, were:

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 30,000	\$ 0
School Service Fund - Food Service Fund	0	30,000
	\$ 30,000	\$ 30,000

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

P. Other Information

1. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

WHITE CLOUD PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Commitments - The District received total proceeds of \$7,196,476 in principal general obligation bonds plus a premium on August 2, 2016 for various school building site improvements. The District has completed projects related to these bond proceeds worth approximately \$354,695 and has another \$2,358,263 of construction in progress as of the end of the fiscal year. Also, the District has outstanding contracts of \$2,316,506 with various contractors. In addition, the District has approved for purchase before year-end \$1,452,170 in various technology items, band instruments, and classroom furniture.

2. *Subsequent Events*

The District has approved borrowing short-term debt for cash flow purposes in the amount of up to \$1,200,000.

In August 2017, the District entered into an operating lease with a company to lease 13 school buses at a cost of \$147,667 per year for three years. At the end of the lease term, the District will have the option to return the buses or purchase them at fair market value.

No adjustment was made to the financial statements for the year ended June 30, 2017, related to these subsequent events.

3. *Single Audit*

Current federal guidelines require entities with federal expenditures exceeding \$750,000 to have a “single audit” of federally funded programs. This audit is being performed and the reports based thereon will be issued under a separate cover.

Q. Capital Projects Fund

The 2016 Capital Project Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.

R. Statement No. 77 – Tax Abatement Disclosures

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

The District received reduced property tax revenue as a result of Industrial Facilities Tax (IFT) exemptions granted by governmental entities within the District. The City of White Cloud and Everett Township are the only governmental entities within the District with IFT abatements. Industrial facility exemptions are intended to promote construction of new industrial facilities, acquisition of personal property or to rehabilitate historical facilities.

For the fiscal year ended June 30, 2017, (tax year 2016) the District’s property tax revenues were reduced by approximately \$9,473 under this program.

WHITE CLOUD PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The District is considered to be an “in-formula” district. The taxes abated for the General Fund operating millage are considered by the State of Michigan when determining the District’s section 22 funding of the State School Aid Act. The District received approximately \$4,996 from the State of Michigan’s determination.

The District received reduced property tax revenue as a result of “New PPT” PA 328 of 1998 exemptions granted by governmental entities within the District. The City of White Cloud is the only governmental entity within the District with New PPT abatements. New PPT abatements are intended to promote bringing new business or more business to the State of Michigan.

For the fiscal year ended June 30, 2017, (tax year 2016) the District’s property tax revenues were reduced by approximately \$2,066 under this program.

NOTE 4 – UPCOMING ACCOUNTING PRONOUNCEMENTS

The District is currently evaluating the impact these standards will have on the financial statements when adopted.

Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued by the GASB in June 2015 and will be effective for the District’s 2018 fiscal year-end. The Statement requires governments that participate in defined postemployment benefit plans to report in their statement of net position a net postemployment benefit liability. The net postemployment benefit liability is the difference between the total postemployment benefit 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 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net postemployment benefit liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the postemployment benefit liabilities and expense.

GASB Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District’s 2020 fiscal 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.

WHITE CLOUD PUBLIC SCHOOLS

WHITE CLOUD, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2017

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 1,631,436	\$ 1,587,643	\$ 1,579,115
State Sources	6,923,664	7,033,863	7,031,750
Federal Sources	639,289	705,131	649,540
Other Transactions	111,479	116,481	114,799
Total Revenues	<u>9,305,868</u>	<u>9,443,118</u>	<u>9,375,204</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	4,369,799	4,389,395	4,412,405
Added Needs	1,818,878	1,829,936	1,831,196
Supporting Services			
Pupil	464,609	485,456	489,850
Instructional Staff	15,000	28,907	28,906
General Administration	214,301	193,142	208,251
School Administration	626,848	609,402	618,005
Business	175,952	187,431	172,891
Operation and Maintenance of Plant	723,258	810,199	805,874
Pupil Transportation Services	613,443	708,784	710,529
Support Service Technology	206,343	213,856	155,801
Athletic Activities	192,967	203,599	205,225
Community Services			
Community Activities	4,500	1,984	1,984
Other Community Services	7,500	7,500	0
Other Transactions	170,000	0	3,700
Total Expenditures	<u>9,603,398</u>	<u>9,669,591</u>	<u>9,644,617</u>
Excess (Deficiency) of Revenues Over Expenditures	(297,530)	(226,473)	(269,413)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)	30,000	20,000	30,000
Net Change in Fund Balance	(267,530)	(206,473)	(239,413)
<u>FUND BALANCE</u> - Beginning of Year	<u>462,384</u>	<u>1,247,624</u>	<u>1,238,677</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 194,854</u>	<u>\$ 1,041,151</u>	<u>\$ 999,264</u>

WHITE CLOUD PUBLIC SCHOOLS
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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)
JUNE 30, 2017

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)								0.0535727%	0.0501141%	0.05203%
District's proportionate share of net pension liability								\$ 13,365,953	\$ 12,240,382	\$ 11,461,180
District's covered-employee payroll								4,637,657	4,147,750	4,412,038
District's proportionate share of net pension liability as a percentage of its covered-employee payroll								288.20%	295.11%	259.77%
Plan fiduciary net position as a percentage of total pension liability								63.27%	63.17%	66.20%

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS

MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2017

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions								\$ 1,296,202	\$ 1,183,046	\$ 980,571
Contributions in relation to statutorily required contributions *								1,296,202	1,183,046	980,571
Contribution deficiency (excess)								\$ 0	\$ 0	\$ 0
Covered-Employee Payroll								\$ 4,628,926	\$ 4,340,947	\$ 4,196,793
Contributions as a percentage of covered-employee payroll								28.00%	27.25%	23.36%

* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2017

A. Changes of Benefit Terms:

There were no changes of benefit terms for the plan year ended September 30, 2016.

B. Changes of Assumptions:

There were no changes of benefit assumptions for the plan year ended September 30, 2016.

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WHITE CLOUD PUBLIC SCHOOLS
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COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2017

	<u>SPECIAL REVENUE FUND</u>	<u>DEBT RETIREMENT FUNDS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash	\$ 243,321	\$ 327,408	\$ 570,729
Inventory	5,305	0	5,305
TOTAL ASSETS	<u>\$ 248,626</u>	<u>\$ 327,408</u>	<u>\$ 576,034</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Due to Other Funds	\$ 9,355	\$ 500	\$ 9,855
Deferred Revenue	2,686	0	2,686
Total Liabilities	<u>12,041</u>	<u>500</u>	<u>12,541</u>
<u>FUND BALANCES</u>			
Nonspendable			
Inventory	5,305	0	5,305
Restricted for:			
Debt Service	0	326,908	326,908
Food Service	231,280	0	231,280
Total Fund Balances	<u>236,585</u>	<u>326,908</u>	<u>563,493</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 248,626</u>	<u>\$ 327,408</u>	<u>\$ 576,034</u>

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2017

	SPECIAL REVENUE FUND	DEBT RETIREMENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$ 80,387	\$ 1,652,472	\$ 1,732,859
State Sources	37,858	0	37,858
Federal Sources	462,478	0	462,478
	<hr/>		
Total Revenues	580,723	1,652,472	2,233,195
<hr/>			
<u>EXPENDITURES</u>			
Food Service	590,679	0	590,679
Debt Service			
Principal	0	1,315,000	1,315,000
Interest and Fiscal Charges	0	520,903	520,903
	<hr/>		
Total Expenditures	590,679	1,835,903	2,426,582
<hr/>			
Excess (Deficiency) of Revenues Over Expenditures	(9,956)	(183,431)	(193,387)
<hr/>			
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from School Loan Revolving Fund	0	300,409	300,409
Transfers In (Out)	(30,000)	0	(30,000)
	<hr/>		
Total Other Financing Sources (Uses)	(30,000)	300,409	270,409
<hr/>			
Net Change in Fund Balance	(39,956)	116,978	77,022
<hr/>			
<u>FUND BALANCE</u> - Beginning of Year	276,541	209,930	486,471
<hr/>			
<u>FUND BALANCE</u> - End of Year	\$ 236,585	\$ 326,908	\$ 563,493
<hr/>			

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

DEBT RETIREMENT FUNDS
COMBINED BALANCE SHEET

JUNE 30, 2017

	2013 REFUNDING DEBT RETIREMENT FUND	2015 REFUNDING DEBT RETIREMENT FUND	2016 DEBT RETIREMENT FUND	TOTALS
<u>ASSETS</u>				
Cash	\$ 89,404	\$ 210,369	\$ 27,635	\$ 327,408
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Due to Other Funds	\$ 0	\$ 500	\$ 0	\$ 500
<u>FUND BALANCE</u>				
Restricted for Debt Retirement	89,404	209,869	27,635	326,908
TOTAL LIABILITIES AND FUND BALANCE	\$ 89,404	\$ 210,369	\$ 27,635	\$ 327,408

WHITE CLOUD PUBLIC SCHOOLS

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DEBT RETIREMENT FUNDS

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2017

	2013 REFUNDING DEBT RETIREMENT FUND	2015 REFUNDING DEBT RETIREMENT FUND	2016 DEBT RETIREMENT FUND	TOTALS
<u>REVENUES</u>				
Local Sources	\$ 713,172	\$ 721,869	\$ 217,431	\$ 1,652,472
<u>EXPENDITURES</u>				
Debt Service				
Redemption of Principal	740,000	365,000	210,000	1,315,000
Interest	39,175	292,000	188,599	519,774
Other Transactions	100	1,000	29	1,129
Total Expenditures	779,275	658,000	398,628	1,835,903
Excess (Deficiency) of Revenues Over Expenditures	(66,103)	63,869	(181,197)	(183,431)
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from School Loan Revolving Fund	16,579	74,998	208,832	300,409
Net Change in Fund Balance	(49,524)	138,867	27,635	116,978
<u>FUND BALANCE</u> - Beginning of Year	138,928	71,002	0	209,930
<u>FUND BALANCE</u> - End of Year	\$ 89,404	\$ 209,869	\$ 27,635	\$ 326,908

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND BALANCE
YEAR ENDED JUNE 30, 2017

	<u>BALANCE</u> 6/30/2016	<u>RECEIPTS</u> (INCLUDING TRANSFERS)	<u>DISBURSEMENTS</u>	<u>BALANCE</u> 6/30/2017
High School and Middle School	\$ 27,352	\$ 58,536	\$ 60,916	\$ 24,972
Elementary	16,845	49,985	46,867	19,963
Athletics	26,869	21,982	25,305	23,546
Grand Total	<u>\$ 71,066</u>	<u>\$ 130,503</u>	<u>\$ 133,088</u>	<u>\$ 68,481</u>
Represented by				
Assets				
Cash	<u>\$ 71,066</u>			<u>\$ 68,481</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 71,066</u>			<u>\$ 68,481</u>

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WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

2015 REFUNDING BONDS
JUNE 30, 2017

<u>TITLE OF ISSUE</u>	2015 Refunding Bonds		
<u>PURPOSE</u>	To refund a portion of two prior bond issues of the School District and the costs of issuing the bonds.		
<u>DATE OF ISSUE</u>	March 19, 2015		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>			\$ 7,620,000
<u>AMOUNT REDEEMED</u>			
Current Year		\$ 365,000	
Prior Years		320,000	685,000
<u>BALANCE OUTSTANDING - June 30, 2017</u>			<u>\$ 6,935,000</u>

<u>DUE DATES</u>	<u>INTEREST</u> <u>RATES</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
November 1 2017			\$ 138,700	\$ 138,700
May 1 2018	4.000%	\$ 435,000	138,700	573,700
November 1 2018			130,000	130,000
May 1 2019	4.000%	500,000	130,000	630,000
November 1 2019			120,000	120,000
May 1 2020	4.000%	500,000	120,000	620,000
November 1 2020			110,000	110,000
May 1 2021	4.000%	500,000	110,000	610,000
November 1 2021			100,000	100,000
May 1 2022	4.000%	500,000	100,000	600,000
November 1 2022			90,000	90,000
May 1 2023	4.000%	500,000	90,000	590,000
November 1 2023			80,000	80,000
May 1 2024	4.000%	500,000	80,000	580,000
November 1 2024			70,000	70,000
May 1 2025	4.000%	500,000	70,000	570,000
November 1 2025			60,000	60,000
May 1 2026	4.000%	500,000	60,000	560,000
November 1 2026			50,000	50,000

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

2015 REFUNDING BONDS
JUNE 30, 2017

<u>DUE DATES</u>		<u>INTEREST</u> RATES	<u>REQUIREMENTS</u>		
			<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
May 1	2027	4.000%	500,000	50,000	550,000
November 1	2027			40,000	40,000
May 1	2028	4.000%	500,000	40,000	540,000
November 1	2028			30,000	30,000
May 1	2029	4.000%	500,000	30,000	530,000
November 1	2029			20,000	20,000
May 1	2030	4.000%	500,000	20,000	520,000
November 1	2030			10,000	10,000
May 1	2031	4.000%	500,000	10,000	510,000
			<u>\$ 6,935,000</u>	<u>\$ 2,097,400</u>	<u>\$ 9,032,400</u>

DENOMINATION

\$5,000 each, or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTION PRIOR TO MATURITY

Bonds, or portions of bonds maturing on or after May 1, 2026, are subject to redemption at the option of the issuer in multiples of \$5,000 in such order as the issuer may determine, by lot within any maturity, on any interest payment date occurring on or after May 1, 2025, at par and accrued interest to the date fixed for redemption.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

2016 BUILDING AND SITE BONDS, SERIES I
JUNE 30, 2017

<u>TITLE OF ISSUE</u>	2016 Building and Site Bonds, Series I		
<u>PURPOSE</u>	Remodeling, installing security measures for, equipping and re-equipping and furnishing and refurbishing school buildings; acquiring and installing instructional technology and instructional technology equipment for school buildings; and developing and improving parking areas, an athletic track and facility and sites		
<u>DATE OF ISSUE</u>	August 2, 2016		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>		\$	6,310,000
<u>AMOUNT REDEEMED</u>			
Current Year	\$	210,000	
Prior Years		0	210,000
			210,000
<u>BALANCE OUTSTANDING - June 30, 2017</u>		\$	6,100,000

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
November 1 2017			\$ 122,000	\$ 122,000
May 1 2018	4.000%	\$ 400,000	122,000	522,000
November 1 2018			114,000	114,000
May 1 2019	4.000%	400,000	114,000	514,000
November 1 2019			106,000	106,000
May 1 2020	4.000%	400,000	106,000	506,000
November 1 2020			98,000	98,000
May 1 2021	4.000%	425,000	98,000	523,000
November 1 2021			89,500	89,500
May 1 2022	4.000%	425,000	89,500	514,500
November 1 2022			81,000	81,000
May 1 2023	4.000%	450,000	81,000	531,000
November 1 2023			72,000	72,000
May 1 2024	4.000%	450,000	72,000	522,000
November 1 2024			63,000	63,000
May 1 2025	4.000%	450,000	63,000	513,000
November 1 2025			54,000	54,000
May 1 2026	4.000%	450,000	54,000	504,000
November 1 2026			45,000	45,000

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

2016 BUILDING AND SITE BONDS, SERIES I
JUNE 30, 2017

<u>DUE DATES</u>		INTEREST	REQUIREMENTS		
		RATES	PRINCIPAL	INTEREST	TOTAL
May 1	2027	4.000%	450,000	45,000	495,000
November 1	2027			36,000	36,000
May 1	2028	4.000%	450,000	36,000	486,000
November 1	2028			27,000	27,000
May 1	2029	4.000%	450,000	27,000	477,000
November 1	2029			18,000	18,000
May 1	2030	4.000%	450,000	18,000	468,000
November 1	2030			9,000	9,000
May 1	2031	4.000%	450,000	9,000	459,000
			<u>\$ 6,100,000</u>	<u>\$ 1,869,000</u>	<u>\$ 7,969,000</u>

DENOMINATION

\$5,000 each, or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTION PRIOR TO MATURITY

Bonds or portions of bonds in multiples of \$5,000 maturing on or after May 1, 2027, are subject to redemption at the option of the School District in such order as the School District may determine by lot within any maturity, on any interest payment date occurring on or after May 1, 2026, at par and accrued interest to the date fixed for

