AUDITED FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTAL INFORMATION
OTHER FINANCIAL INFORMATION
AND SUPPLEMENTAL REPORT

WAKEFIELD-MARENISCO SCHOOL DISTRICT
GOGEBIC COUNTY, MICHIGAN
WAKEFIELD, MICHIGAN

June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

President and Members, Board of Education
Wakefield-Marenisco School District
Wakefield, 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 Wakefield-Marenisco School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Wakefield-Marenisco School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 Wakefield-Marenisco School District as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note L to the financial statements, Wakefield-Marenisco School District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information on pages 7 through 13 and 57 through 61, respectively, 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wakefield-Marenisco School District's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 24, 2018 on our consideration of the Wakefield-Marenisco School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wakefield-Marenisco School District's internal control over financial reporting and compliance.

Makela, Pollack & Ahonen, PLLC

Certified Public Accountants

Ironwood, Michigan
October 24, 2018

Management's Discussion and Analysis

This section of the Wakefield-Marenisco School District's (School District) annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2018. It is to be read in conjunction with the School District's financial statements, which immediately follow and is intended to provide the financial results for the fiscal year ended June 30, 2018.

District-wide Financial Statements

The District-wide financial statements appear first in the financial report. These financial statements include the statement of net position and the statement of activities. They report information about the School District as a whole. The statements are prepared using the accrual basis of accounting which is the accounting method used by most private sector businesses. The statement of net position includes all of the School District's assets, deferred outflows/inflows and liabilities. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental activities of the School District that include all services performed by the School District including but not limited to instruction, support services, capital projects, debt retirement, food services and athletics. These activities are funded mostly by State aid as determined by pupil counts, federal and state grants and local property taxes.

The statement of net position shows the School District's assets, deferred outflows/inflows and liabilities. The corresponding balance between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources equals the net position of the School District. A deficit occurs when there are more liabilities and deferred inflows than there are assets and deferred outflows to pay those liabilities and deferred inflows. This statement measures the financial strength of the School District; the greater the net position figure, the healthier the School District generally is. This shows if the School District will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net position on a revenue less expense basis. It generally shows the operating results for a given year of the School District. Any excess of revenues over expenses results in a surplus for the year that in turn increases the net position available to fund future needs of the School District. Any deficiency of revenues over expenses results in a deficit for the year that in turn reduces the net position of the School District.

During the year ended June 30, 2018, the School District Implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This is in addition to GASB Statements No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, which the School District implemented during the year ended June 30, 2015. These statements are significant to the District-wide financial statements and require participants in a multi-employer cost sharing plan to record a proportionate share of the net pension and other post-employment liabilities in the statement of net position, record a proportionate share of the pension and health insurance expense as defined by GASB in the statement of activities and report additional note disclosures and required supplemental information. These changes do not result in any changes to the fund financial statements.

Fund Financial Statements

The School District's fund financial statements show detail of funds that are determined to be significant, called major funds. The funds that are separately stated as major funds are the General Fund, which is the operating fund of the School District, Debt Service Fund which is used to account for debt repayment of the 2015 School Bus Bonds and two Capital Projects Funds which are used to account for a bond issue and subsequent purchases of school buses from the 2015 School Bus Bonds and construction activities from the 7 year sinking fund millage approved by the School District voters in May 2015. All other funds of the School District are considered nonmajor and are reported as one column. All of the School District's services are reported in governmental fund types. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund balances, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The School District has one nonmajor governmental fund. The Food Services Fund, which accounts for the breakfast and hot lunch programs, is a Special Revenue Fund.

Fiduciary funds are funds that account for certain activities in which the School District acts as a trustee or in an agent capacity. The School District reports a private-purpose trust and an agency fund, which accounts for various student and other activity groups who raise funds for specific purposes to be spent on whatever purpose the group wants. The trust fund accounts for donations and earnings used to pay for scholarships. These activities are not included in the District-wide financial statements as they represent resources that are not available for School District operations.

Governmental funds are accounted for by using an accounting method called modified accrual accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The governmental fund financial statements show detail of operations for a given year according to this method of accounting. The individual fund statements help determine what financial resources are available on a short-term basis to fund operations.

Since the District-wide financial statements and the fund financial statements use different methods of accounting to report the School District's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

District-wide Financial Statements – Condensed Financial Information

Statement of Net Position

The following table shows the June 30, 2018 and 2017, condensed statements of net position with a detailed analysis of the statements below.

	Governmental Activities June 30, 2018	Governmental Activities June 30, 2017
ASSETS		
Cash, cash equivalents and investments	$ 588,179	$ 674,022
Accounts receivable	412,764	286,729
Other current assets	6,627	15,927
Capital assets, net of accumulated depreciation	1,920,390	1,872,849
Total Assets	$ 2,927,960	$ 2,849,527
DEFERRED OUTFLOW OF RESOURCES		
Related to pensions and other postemployment benefits	$ 1,272,770	$ 765,953
LIABILITIES		
Accounts payable	$ 46,292	$ 10,180
Accrued salaries and benefits	270,011	301,720
Long-term liabilities	347,788	432,366
Net pension liability	4,872,081	4,619,813
Net other postemployment benefit liability	1,660,967	
Total Liabilities	$ 7,197,139	$ 5,364,079
DEFERRED INFLOWS OF RESOURCES		
Related to pensions and other postemployment benefits	$ 315,947	$ 13,801
State aid funding for pensions	194,959	142,176
	$ 510,906	$ 155,977
NET POSITION		
Investment in capital assets, net of related debt	$ 1,613,390	$ 1,493,849
Restricted for:		
Debt service	26,679	19,039
Capital projects	258,664	302,186
Food services	1,267	364
Unrestricted	(5,407,315)	(3,720,014)
Total Net Position	$ (3,507,315)	$ (1,904,576)

The 2017 figures have not been updated for the implementation of GASB Statement No. 75.

District-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Position (Continued)

The School District's net position is a deficit of $3,507,315 as of June 30, 2018. This is a deficit decrease of $73,070 from the June 30, 2017 restated net position balance of $3,580,385. Capital assets, net of related debt, are $1,613,390 and $1,493,849 as of June 30, 2018 and 2017, respectively. This figure is derived by taking the original costs of the School District's assets, subtracting accumulated depreciation to date, and comparing this figure to the amount of long-term debt used to finance the acquisition of those assets. Most of the debt related to the capital assets will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is accumulated in the debt service fund, capital projects fund and food services fund to be used for future debt retirement, capital projects and food services, respectively.

The unrestricted net position is a deficit of $5,407,315 and $5,395,823 as of June 30, 2018 and June 30, 2017, as restated, respectively. This is the net accumulated results of past years' operations. The unrestricted net position shows that the School District, with the implementation of GASB Statement No.'s 68, 71 and 75, does not have enough assets to fund its liabilities.

Statement of Activities

The results of operations for the School District as a whole are reported in the statement of activities. This statement shows the changes in net position for the fiscal years ended June 30, 2018 and 2017.

District-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Activities (Continued)

	Governmental Activities Year ended June 30, 2018	2017
Revenue:		
Program Revenue:		
Charges for services	$ 57,966	$ 54,096
Operating grants and contributions	881,665	644,719
General Revenue:		
Property taxes	1,306,389	1,278,599
State aid	1,092,944	1,313,714
Other	55,561	61,659
Total Revenue	$ 3,394,525	$ 3,352,787
Functions/Program Expenses:		
Instruction	$ 2,034,378	$ 1,961,306
Supporting services	867,941	853,413
Food services	132,081	140,126
Athletics	105,876	95,672
Interest	14,513	17,145
Depreciation (unallocated)	113,325	94,089
Sinking fund repairs	15,056	18,201
Intergovernmental payments	38,285	36,437
Total Expenses	$ 3,321,455	$ 3,216,389
Change in Net Position	$ 73,070	$ 136,398

The 2017 figures have not been updated for the implementation of GASB Statement No. 75.

The School District had an overall increase in net position of $73,070 for the year ended June 30, 2018. The School District had, until the implementation of GASB Statements No's. 68, 71 and 75, maintained a positive net position because of good financial planning and budgeting.

The School District's total revenues were $3,394,525 for the year ended June 30, 2018. Of this amount, the state aid accounts for 32% of total revenues. Property taxes revenues not restricted for other purposes totaled $1,133,033 for the year ended June 30, 2018, or 33% of total revenue spent on general education and operating needs.

District-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Activities (Continued)

The School District's total cost to fund all governmental activities was $3,321,455 for the year ended June 30, 2018. This was an increase of $105,066 from the year ended June 30, 2017. Approximately 28%, or $939,631 of these costs, were financed by those who benefited from the service or funded by grants from other governmental agencies compared to 22%, or $698,815 for the year ended June 30, 2017. Salaries, wages and benefits for the employees of the School District total $2,727,119 or 82% of total expenses. The amount spent for the June 30, 2017 year ended was $2,653,586, or 83% of total expenses.

Fund Financial Statements

The governmental funds fund equity was $691,267 at June 30, 2018. The Board of Education committed $23,000 and $7,750 of the General Fund balance at June 30, 2018 for debt service and compensated absences, respectively. The School District had an excess of revenues over expenditures for all governmental funds of $26,489 for the year. The General Fund had an increase in fund balance of $61,549 for the year, the 2015 School Bus Bond Debt Service Fund fund balance increased by $7,640 for the year, the Capital Projects Fund: Bus Bond fund balance decreased by $97,770 for the year; Capital Projects Fund: Sinking Fund fund balance increased by $54,248 and the nonmajor fund balance increased by $822 for the year.

General Fund Budgetary Items

During the year, the School District revised its budget to attempt to match changes in the school funding environment and current needs of students and faculty. State law requires that budgets be amended during the year so actual expenditures do not exceed appropriations. The initial budget for the year ended June 30, 2018, was adopted by the Board of Education on June 19, 2017, with the final amendments made on June 18, 2018. A schedule showing the School District's original budget compared to the final budget and final actual expenditures is included as required supplementary information in the financial section of the audit report.

Capital Assets

At June 30, 2018, the School District had $1,920,390 invested in capital assets. This included a net increase during the past fiscal year of $47,541, consisting of additions of $160,866 and depreciation of $113,325.

Debt

The School District had $347,788 of long-term debt (excluding pension and postemployment benefit related liabilities) at June 30, 2018, including $73,000 due in the next fiscal year. This includes bonds issued for the 2010 School Improvement Bonds, 2015 School Bus Bond and compensated absences. The state allows districts to issue general obligation debt up to 15% of the assessed value of all taxable property within the School District's boundaries. The School District is under this limit by a considerable amount.

Future Considerations

The outlook for the Wakefield-Marenisco School District continues to be favorable. Enrollment over the past several years has continued to be steady or show slight growth. Despite the probability of Ojibway Correctional Facility closing, enrollment has been unaffected at this moment. There is the potential to lose some students if their families are forced to move away. State funding has increased slightly, and there continues to be a push to more adequately fund K-12 public schools. The Great Start Readiness Program (GSRP) license has been renewed for three years. GSRP enrollment has increased significantly since last year. The program is currently nearing capacity. Contracts for teachers, support staff and Superintendent are in place until June 30, 2021.

Current building projects include door replacement, finishing exterior electrical work and replacing the sidewalk leading to the football field and running track. Plans have also begun for converting the current first grade classroom into the main school office and the head teacher's office. The bus fleet is currently in good repair, with three new buses. A fourth bus will be ordered within one year.

The projected General Fund fund balance remains above the 5% mark set by the Michigan Department of Treasury as the level for "financial distress." The budget continues to be monitored closely by the Business Manager and Superintendent. All financial reports will continue to be provided to and discussed with the Board of Education on a monthly basis.

Contacting the School District

If you have any questions about this report or need additional information, contact the Superintendent's office at the Wakefield-Marenisco School District, 715 Putnam St., Wakefield, Michigan 49968. Or you may call (906) 224-7211.

B A S I C

F I N A N C I A L

S T A T E M E N T S

STATEMENT OF NET POSITION

WAKEFIELD-MARENISCO SCHOOL DISTRICT

June 30, 2018

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	540,344
Investments		47,835
Delinquent taxes receivable		1,234
Accounts receivable:		
State of Michigan		284,315
Other		127,215
Inventories		2,710
Prepaid expenses		3,917
Capital assets not being depreciated		12,335
Capital assets, net of accumulated depreciation		1,908,055
TOTAL ASSETS	$	2,927,960
DEFERRED OUTFLOW OF RESOURCES		
Related to pensions	$	1,173,526
Related to other postemployment benefits		99,244
	$	1,272,770
LIABILITIES		
Accounts payable	$	46,292
Accrued salaries, benefits and related withholdings		270,011
Long-term debt:		
Due in one year		73,000
Due in more than one year		274,788
Net pension liability		4,872,081
Net other postemployment benefit liability		1,660,967
TOTAL LIABILITIES	$	7,197,139
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	$	259,795
Related to other postemployment benefits		56,152
State aid funding for pensions		194,959
	$	510,906
NET POSITION		
Investment in capital assets, net of related debt	$	1,613,390
Restricted for:		
Debt service		26,679
Capital projects		258,664
Food service		1,267
Unrestricted		(5,407,315)
TOTAL NET POSITION	$	(3,507,315)

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES

WAKEFIELD-MARENISCO SCHOOL DISTRICT

Year ended June 30, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Governmental Activities Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL FUNCTIONS				
Current:				
Instruction	$ 2,034,378		$ 692,810	$ (1,341,568)
Supporting services	867,941		69,036	(798,905)
Food services	132,081	$ 33,929	104,774	6,622
Athletics	105,876	24,037		(81,839)
Interest on long-term debt	14,513			(14,513)
Depreciation (unallocated)	113,325			(113,325)
Sinking fund repairs	15,056			(15,056)
Intergovernmental payments	38,285		15,045	(23,240)
TOTAL GOVERNMENTAL FUNCTIONS	$ 3,321,455	$ 57,966	$ 881,665	$ (2,381,824)
GENERAL REVENUES				
Property taxes:				
General purposes				$ 1,133,033
Debt service				63,403
Capital projects				109,953
State aid - general purposes				1,092,944
Investment earnings				13,247
Other				42,314
TOTAL GENERAL REVENUES				$ 2,454,894
CHANGE IN NET POSITION FOR THE YEAR				$ 73,070
Net position at July 1, 2017, as previously stated				$ (1,904,576)
Adoption of GASB Statement No. 75 - Recognition of:				
Net Other Post Employment Benefit Liability				(1,751,952)
Deferred Outflows				129,049
Deferred Inflows				(52,906)
Net position at July 1, 2017, as restated				$ (3,580,385)
NET POSITION AT JUNE 30, 2018				$ (3,507,315)

The accompanying notes are an integral part of the financial statements.

COMBINED BALANCE SHEET -

WAKEFIELD-MARENISCO

June 30,

	General	Debt Service Fund 2015 School Bus Bond
ASSETS		
Cash and cash equivalents	$ 259,288	$ 22,474
Investments	47,835	
Delinquent taxes receivable	843	139
Accounts receivable:		
State of Michigan	284,315	
Other	122,052	4,066
Inventories	2,452	
Prepaid expenses	3,917	
	$ 720,702	$ 26,679
LIABILITIES AND FUND EQUITY		
Accounts payable	$ 46,292	
Accrued salaries, benefits and related withholdings	270,011	
TOTAL LIABILITIES	$ 316,303	$ 0
Fund Equity:		
Fund balances:		
Nonspendable for inventories and prepaid expenses	$ 6,369	
Restricted for:		
Debt Service		$ 26,679
Capital Projects		
Food Service		
Assigned for:		
Subsequent year expenditures	9,197	
Debt Service	23,000	
Compensated absences	7,750	
Unassigned	358,083	
TOTAL FUND EQUITY	$ 404,399	$ 26,679
	$ 720,702	$ 26,679

The accompanying notes are an integral part of the financial statements.

GOVERNMENTAL FUNDS

SCHOOL DISTRICT

2018

Capital Projects 2015 School Bus Bond	Capital Projects Sinking Fund	Nonmajor Governmental Fund Special Revenue Fund	Total Governmental Funds
$ 119,476	$ 138,936	$ 170	$ 540,344
			47,835
	252		1,234
			284,315
		1,097	127,215
		258	2,710
			3,917
$ 119,476	$ 139,188	$ 1,525	$ 1,007,570
			$ 46,292
			270,011
$ 0	$ 0	$ 0	$ 316,303
		$ 258	$ 6,627
			26,679
$ 119,476	$ 123,156		242,632
		1,267	1,267
	16,032		25,229
			23,000
			7,750
			358,083
$ 119,476	$ 139,188	$ 1,525	$ 691,267
$ 119,476	$ 139,188	$ 1,525	$ 1,007,570

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

WAKEFIELD-MARENISCO SCHOOL DISTRICT

June 30, 2018

Total fund equity of governmental funds		$ 691,267
Amounts reported for governmental activities in the statement of net position are different because:		
Additions:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
The cost of the capital assets are	$ 3,819,919	
Accumulated depreciation is	(1,899,529)	1,920,390
Deferred outflow of resources:		
Related to pensions	$ 1,173,526	
Related to other postemployment benefits	99,244	1,272,770
Reductions:		
Deferred inflow of resources:		
Related to pensions	$ (259,795)	
Related to other postemployment benefits	(56,152)	
Related to state aid funding for pension	(194,959)	(510,906)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(347,788)
Net pension liability		(4,872,081)
Net other postemployment liability		(1,660,967)
Total net position of governmental activities		$ (3,507,315)

The accompanying notes are an integral part of the financial statements.

	General	Debt Service Fund 2015 School Bus Bond
REVENUES		
Local sources:		
Property taxes	$ 1,133,033	$ 63,403
Food services		
Athletics	24,037	
Earnings on investments	5,926	4,777
Other	48,639	
State sources	1,579,081	
Federal sources	279,616	
Other sources	15,045	
TOTAL REVENUES	$ 3,085,377	$ 68,180
EXPENDITURES		
Current:		
Instruction	$ 1,987,079	
Supporting services	883,986	
Food services		
Athletics	105,876	
Sinking fund repairs		
Debt service:		
Principal	22,000	$ 50,000
Interest	3,973	10,540
Capital outlay	19,514	
TOTAL EXPENDITURES	$ 3,022,428	$ 60,540
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 62,949	$ 7,640
OTHER FINANCING SOURCE (USE) - operating transfer in (out)	(1,400)	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCE (USE)	$ 61,549	$ 7,640
Fund balances at July 1, 2017	342,850	19,039
FUND BALANCES AT JUNE 30, 2018	$ 404,399	$ 26,679

The accompanying notes are an integral part of the financial statements.

AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

SCHOOL DISTRICT

June 30, 2018

Capital Projects: 2015 School Bus Bond	Capital Projects: Sinking Fund	Nonmajor Governmental Fund: Special Revenue Fund	Total Governmental Funds
	$ 109,953		$ 1,306,389
		$ 33,929	33,929
			24,037
$ 1,205	1,339		13,247
	389		49,028
		5,881	1,584,962
		88,272	367,888
			15,045
$ 1,205	$ 111,681	$ 128,082	$ 3,394,525
			$ 1,987,079
			883,986
		$ 128,660	128,660
			105,876
	$ 15,056		15,056
			72,000
			14,513
$ 98,975	42,377		160,866
$ 98,975	$ 57,433	$ 128,660	$ 3,368,036
$ (97,770)	$ 54,248	$ (578)	$ 26,489
		1,400	
$ (97,770)	$ 54,248	$ 822	$ 26,489
217,246	84,940	703	664,778
$ 119,476	$ 139,188	$ 1,525	$ 691,267

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE STATEMENT OF ACTIVITIES

WAKEFIELD-MARENISCO SCHOOL DISTRICT

Year ended June 30, 2018

Total net change in fund balances - governmental funds		$ 26,489
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or construct capital assets are reported as expenditures in the governmental funds. For governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay exceeds depreciation in the period.		
Depreciation expense	$ (113,325)	
Capital outlay	160,866	47,541
Repayment of bond and loan principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not effect the statement of activities.		72,000
In the statement of activities, operating expenses for compensated absences and early retirement incentives are measured by amounts earned during the year while the governmental funds report expenditures as amounts are paid. This year the amount paid for compensated absences was more than the amount earned by $5,078. Early retirement incentives paid were more than the amount earned by $7,500		12,578
In the statement of activities, operating expenses for pension and other postemployment related items are measured by amounts earned during the year while the governmental funds report expenditures as amounts are paid. This year the amount earned for pension and other postemployment related items was more than the amount paid.		(85,661)
In the statement of activities, revenue related to Section 147c pension contributions are measured by amounts earned during the year while the governmental funds report revenue that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period:		
State aid funding for pensions	$ (52,783)	
State aid funding for other postemployment benefits	52,906	123
Change in net position of governmental activities		$ 73,070

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

WAKEFIELD-MARENISCO SCHOOL DISTRICT

June 30, 2018

	Fiduciary Fund Types Private-Purpose Trust	Agency	Total
ASSETS			
Cash and cash equivalents	$ 5,657	$ 59,664	$ 65,321
Investments	279,482		279,482
	$ 285,139	$ 59,664	$ 344,803
LIABILITIES			
Due student and other school groups		$ 59,664	$ 59,664
NET POSITION			
Restricted for scholarships and endowments	$ 285,139		$ 285,139

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PRIVATE PURPOSE TRUST FUND

Year ended June 30, 2018

REVENUES	
Local sources -	
Earnings on investments	$ 7,046
EXPENDITURES -	
Scholarships	5,400
EXCESS OF REVENUES OVER EXPENDITURES	$ 1,646
Net position at July 1, 2017	283,493
NET POSITION AT JUNE 30, 2018	$ 285,139

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Wakefield-Marenisco School District (School District) have been prepared as prescribed by the Michigan Department of Education. These policies are in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the School District entity for financial reporting purposes. The criteria established for determining the various governmental organizations to be included in the School District's financial statements include oversight responsibility, scope of public service and special financing relationships. Based upon the application of these criteria, the financial statements of the School District contain all the funds controlled by the School District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the School District nor is the School District a component unit of another entity.

Basis of Presentation

District-wide Financial Statements

The District-wide financial statements (Statement of Net Position and Statement of Activities) report information on all of the activities of the School District except for the fiduciary activities. All of the School District activities are considered to be governmental activities. Interfund activity, including operating transfers between activities and amounts due to and from governmental activities, has been eliminated in the District-wide statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental as well as fiduciary funds are provided. The various fund types are grouped in the financial statements as major funds or nonmajor funds. The School District reports the General Fund, Debt Service Fund and Capital Projects Fund as major governmental funds.

General Fund – is the general operating fund of the School District. This fund is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – 2015 School Bus Bonds – is used to account for the collection of property taxes and payment of principal and interest on the school bus bonds payable.

Capital Projects Fund – is used to account for the collection of property taxes and expenditures from a sinking fund approved by vote of the School District residents in November 2014 and to account for borrowing proceeds to be spent on the 2015 Bus Bond issue.

The Special Revenue Fund – is used by the School District to account for food service activities and is considered to be nonmajor.

Fiduciary Funds

Private-Purpose Trust Fund – is used to account for assets held by the School District in a trustee capacity as administrator of scholarship and endowment funds under direct control of the School District.

Agency Fund – is used to account for assets held by the School District in its capacity as a receiving and paying agent for the several student body activity groups.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

District-wide Financial Statements

The District-wide financial statements report all financial and capital assets, deferred outflows, short and long-term liabilities, deferred inflows, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the School District's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the School District provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state aid and other revenues that are not program revenues are reported as general revenues.

Fund-based Financial Statements

The governmental funds and fiduciary funds are accounted for by using the modified accrual basis of accounting as required by the Michigan Department of Education. Under the modified accrual basis of accounting, revenue is recognized when the revenue is subject to accrual, eligibility requirements are met and the revenues are available to finance expenditures of the fiscal period. Revenue is considered available when the revenue has been collected in the current period or soon enough after the end of the period to be used to pay current period liabilities. The School District considers revenues to be available if collected within 60 days of the end of the period. Expenditures are recorded when the related liability is incurred. Exceptions to this general rule include compensated absences and principal and interest on long-term debt, both of which are recognized when due. Property taxes are recognized in the fiscal year for which the taxes have been levied. Restricted revenues are considered to be applied first.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. School taxes are levied on the ensuing July 1, with summer collections due by August 15 and winter collections due by February 15 annually from the respective governmental units. Current property taxes are collected for the School District by the City of Wakefield and Townships of Marenisco, Wakefield and Bessemer. Delinquent real property taxes of the School District are purchased annually by the County of Gogebic.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Foundation Revenue

The State of Michigan follows a foundation grant approach, which provides for a specific annual amount of revenue per student 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 regarding average pupil membership supplied by the districts. The funds received in July and August 2018 are State appropriations for the year ended June 30, 2018, and, as such, are recorded as accounts receivable.

State Categorical Revenue

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred inflows of resources. The School District does not report any deferred inflows of resources at June 30, 2018 related to grant revenue.

Federal Revenue

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

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposit accounts at local financial institutions and short-term investments with a maturity of three months or less when acquired.

Investments

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due other funds” on the balance sheet of the fund-based financial statements.

Inventories and Prepaid Items

Inventories are stated at cost and consist principally of supplies and food. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets and Depreciation

Capital assets include land and improvements, buildings, furniture and fixtures, equipment, school buses and vehicles and are reported in the School District-wide financial statements. Capital assets are defined by the School District as assets with an acquisition cost of generally more than $1,000 with an estimated useful life in excess of one year. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded in the District-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for that function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function. The School District does not have infrastructure-type assets.

The capital assets are depreciated using the straight-line method with a half-year of depreciation taken in the year of acquisition over the following useful lives (land excluded as not depreciable):

Land improvements	20 years
Buildings	20-50 years
Machinery and equipment	5-20 years
School buses and vehicles	5-10 years

Impairment of Long-lived Assets

Management reviews long-lived assets held and used by the School District for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Defined Benefit Plan

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position and balance sheet 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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualifies for reporting in this category. Deferred outflows are recognized for pension and other postemployment benefit related items which are expensed in the plan years in which they apply.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three items that qualify for reporting in this category. The School District reports unavailable revenue from state grants as an inflow of resources in the period that the amounts become available. The School District has future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculations, including state aid funding for pensions. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

Compensated Absences

The liability for accumulated sick pay amounts is recorded in the District-wide Statement of Net Position. The current portion of accumulated sick and vacation pay is recorded as a liability in the fund-based financial statements and the District-wide statements.

Unemployment Insurance

The School District reimburses the Michigan Employment Security Commission for the actual amount disbursed on behalf of the School District.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in Capital Assets, Net of Related Debt

This is the portion of Net Position of the School District that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for notes, bonds and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position

Net Position is restricted when there are constraints placed on their use by external parties or by statute.

Unrestricted Net Position (Deficit)

Net Position (deficit) not meeting either criteria above is considered unrestricted.

Fund Balance Policies

Fund balance measures the net financial resources available to finance expenditures of future periods. Fund balance is the difference between assets and liabilities reported in a governmental fund. The School District's Unassigned General Fund Balance will be maintained to provide the School District with sufficient working capital and a margin of safety to address local emergencies without unnecessary borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the School District's Board of Education (Board). It is recognized that it will not always be possible to avoid borrowing to provide cash flow.

Fund Balances of the District may be committed for a specific source by formal action of the Board. Amendments or modifications to the Committed Fund Balance must also be approved by formal action of the Board. Committed Fund Balance does not lapse at year end.

The Board delegates authority to assign fund balance for a specific purpose to the Superintendent. Assigned Fund Balance does not lapse at year end.

Restricted fund balances are those amounts that can only be spent for the specific purposes stipulated by external resource providers.

Nonspendable Fund Balances include amounts that are not in a spendable form. The School District reports inventories and prepaid expenses as Nonspendable Fund Balances.

For purposes of fund balance classification, expenditures are to be spent from Restricted Fund Balance first (when appropriate), followed in order by Committed Fund Balance, Assigned Fund Balance and lastly, Unassigned Fund Balance.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through the date of the audit report, the date the financial statements were available to be issued.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

1. Prior to July 1, the School District Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

2. A public hearing is held to obtain taxpayer comments.

3. Prior to July 1, the budget is legally enacted at a regular meeting by Board of Education approval.

4. Any revisions to the budgeted amounts must be approved by the Board of Education.

5. Budgets for the General and Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles. Formal budgets are not required to be adopted for the Debt Retirement and Capital Projects Funds but are adopted and used as a management tool. Budgets lapse at the end of each year.

6. Budgeted amounts presented in the financial statements are as originally adopted, or as amended, by the Board of Education prior to June 30, 2018.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Public Act 621 of 1978 Disclosures

Public Act 621 of 1978 requires local units of government to prepare and to monitor their fiscal year budgets in accordance therewith. The Act provides that a school district must amend its budget if it becomes apparent that the school district's actual revenues will deviate from those budgeted, or if the school district's expenditures will exceed the amounts appropriated. During the year ended June 30, 2018, the School District monitored and amended its budget and was in substantial compliance with the Act.

Public Act 275 of 1980 Disclosure

The School District did not have any funds with a governmental fund-balance deficit at June 30, 2018.

NOTE C – CASH AND CASH EQUIVALENTS

All deposits were made in local financial institutions and brokerage firms whose deposits are covered by federal depository insurance. All deposits were made in accordance with State of Michigan statutes and under authorization of the Board of Education.

At June 30, 2018, cash on deposit and certificate of deposit investments in financial institutions and brokerage firms totaled $905,730 of which $655,730 either exceeded or was not subject to federal depository insurance. The District places its deposits with what it believes to be high quality financial institutions.

NOTE D – INVESTMENTS

Investments of the General Fund of $47,835 consist of deposits in an uninsured mutual fund with the Michigan School District Liquid Asset Fund account. The Fund is invested in accordance with Sections 622, 1221 and 1223 of the Michigan School Code. These deposits are short-term, highly liquid investments that are readily convertible to known amounts of cash and mature in short periods of time so that their values are effectively immune from changes in interest rates.

Investments of the Private-purpose Trust Fund of $279,482 at June 30, 2018, consisted of certificates of deposit totaling $113,270 and bond and mutual fund investments totaling $166,212 held in the School District's name for its private-purpose trust fund. The investments are not subject to categorization by risk category. The certificates of deposit are included in the federal depository insurance holdings above. The bond and mutual fund investments are not insured.

NOTE E – LONG-TERM LIABILITIES

A summary of long-term liability balances and activity (excluding pension related liabilities) for the year ended June 30, 2018, is as follows:

	Balance at July 1, 2017	Additions	Deductions	Balance at June 30, 2018	Current Portion
2010 School Improvement Bonds	$ 69,000		$ 22,000	$ 47,000	$ 23,000
2015 School Bus Bonds	310,000		50,000	260,000	50,000
Compensated absences	45,866		5,078	40,788	
Early Retirement Incentives	7,500		7,500		
	$ 432,366	$ 0	$ 84,578	$ 347,788	$ 73,000

Payments on the 2015 School Bus Bonds are made by the Debt Service Fund. Compensated absences and early retirement incentive payments, and payments on the 2010 School Improvement Bonds are made by the General Fund.

The aggregate amounts of long-term debt principal and interest maturities (excluding compensated absences) for the five years, until maturity, ending June 30, 2023 are:

	Principal	Interest	Total
2019	$ 73,000	$ 11,603	$ 84,603
2020	74,000	8,580	82,580
2021	50,000	5,440	55,440
2022	55,000	3,740	58,740
2023	55,000	1,870	56,870
	$ 307,000	$ 31,233	$ 338,233

NOTE E – LONG-TERM LIABILITIES (CONTINUED)

Details of the School District's long-term liabilities at June 30, 2018, consist of the following:

Compensated Absences

Compensated absences consist of amounts due employees for unused accumulated sick leave upon termination of their employment. Members of the teachers' union can accumulate up to 180 days of sick leave and will be paid $40 per day for unused sick leave. Members of the local WMESP union can accumulate up to 190 days of sick leave and will be paid $35 per day for unused sick leave. The superintendent, business manager and administrative assistant will be paid $50, $50 and $40, respectively, for accumulated sick days up to a maximum of 130 to 180 days, as separately negotiated, upon termination of employment.

2010 School Improvement Bonds

In July 2010 the School District passed resolutions to issue $190,724 of School Improvement Bonds for the purpose of financing energy conservation improvements to the school. The bond proceeds and the expenditures were accounted for in the Capital Projects Fund – 2010 School Improvement Bonds. All transactions were in accordance with the provisions of the *Bulletin For School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan* issued by the Michigan Department of Treasury, specifically Section 1351a of Act 451, Public Acts of Michigan 1976.

The bonds are general obligation, limited tax, federally taxable – Qualified Zone Academy Bonds (QZAB) – direct payment bonds bearing interest rates of 3.75% to 6%. The QZABs are issued pursuant to Section 54E of the Internal Revenue Code (Code) and the School District has irrevocably elected under Code Section 6431(f) to receive a refundable credit payment directly from the United States Treasury to be deposited in the General Fund to be used solely for payment of interest on the bonds. The bonds are not subject to redemption prior to maturity. The bonds are subject to extraordinary optional redemption as well as extraordinary mandatory redemption from unexpended bond proceeds in the event all proceeds of the bonds are not expended within the time period permitted by law. The limited tax, full faith, credit and resources of the School District are pledged for the payment of the principal and interest on the bonds. A summary of annual principal and interest requirements to maturity with interest due November 1 and principal and interest due May 1 follows:

Year ending June 30,	Rate	Principal	Interest	Total
2019	5.75 %	$ 23,000	$ 2,763	$ 25,763
2020	6.00	24,000	1,440	25,440
		$ 47,000	$ 4,203	$ 51,203

NOTE E – LONG-TERM LIABILITIES (CONTINUED)

2015 School Bus Bonds

On June 25, 2015, the Wakefield-Marenisco School District issued 2015 School Bus Bonds in the amount of $395,000 for the purpose of purchasing school buses. The bonds were issued in accordance with Michigan Public Act 451 of 1976, as amended and Michigan Public Act 34 of 2001, as amended. The bond proceeds and the expenditures are accounted for in the Capital Projects Fund - 2015 School Bus Bond. All transactions were in accordance with the provisions of the *Bulletin For School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan* issued by the Michigan Department of Treasury, Specifically Section 1351a of Act 451, Public Acts of Michigan 1976.

The bonds are general obligation, unlimited tax obligation bonds bearing an interest rate of 3.4%. The bonds are not subject to redemption prior to maturity. The bonds maturing during the year are subject to mandatory redemption, in part, by lot, at par and accrued interest on May 1 of the year in which the bonds are scheduled to mature. A summary of annual principal and interest requirements to maturity with interest due November 1 and principal and interest due May 1 follows:

Year ending June 30,	Principal	Interest	Total
2019	$ 50,000	$ 8,840	$ 58,840
2020	50,000	7,140	57,140
2021	50,000	5,440	55,440
2022	55,000	3,740	58,740
2023	55,000	1,870	56,870
	$ 260,000	$ 27,030	$ 287,030

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS

Plan Description

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

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management and Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian of the System. The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided - Overall

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

Plan Name	Plan Type	Plan Status
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Benefits Provided - Pension

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

Prior to Pension Reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% to 4%. On January 1, 1987, the 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% to 7%.

Pension Reform 2010

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

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund. The amount is determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 – Members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 – Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 – Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 – Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution (DC) plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a Section 457 deferred compensation account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their Section 457 deferred compensation account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Pension Reform 2012 (Continued)

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

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

Final Average Compensation - Average of the 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*.

Pension Reform 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided – Other Postemployment Benefit (OPEB)

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning with fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree 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.

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Retiree Healthcare Reform 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 Section 457 deferred compensation 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.

Regular Retirement (no reduction factor for age)

Eligibility – A Basic plan member may retire at 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 their 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 – The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Regular Retirement (no reduction factor for age) (Continued)

Employer Contributions

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

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

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2016 valuation will be amortized over a 22-year period for fiscal year 2017.

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

	Pension	Other postemployment benefit
October 1, 2016 - September 30, 2017	15.27% - 19.03%	5.69% - 5.91%
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

The School District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately $477,664, with $472,773 specifically for the Defined Benefit Plan.

The School District's OPEB contributions for the year ended June 30, 2018 were equal to the required contribution total. OPEB benefits were approximately $116,191 specifically for the Defined Benefit Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Pension Liabilities

At June 30, 2018, the School District reported a liability of $4,872,081 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2016 and rolled forward using generally accepted actuarial procedures. The School 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, 2017 and 2016, the School District's proportion was 0.01880 and 0.01852 percent, respectively.

MPSERS (Plan) Non-university employers:		September 30, 2017		September 30, 2016
Total pension liability	$	72,407,218,688	$	67,917,445,078
Plan fiduciary net position	$	46,492,967,573	$	42,968,263,308
Net pension liability	$	25,914,251,115	$	24,949,181,763
Proportionate share		.01880%		.01852%
Net Pension liability for the School District	$	4,872,081	$	4,619,813

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

For the year ended June 30, 2018, the School District recognized pension expense of approximately $282,705. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate. These amounts have been recorded as a deferred outflow of resources as of June 30, 2018.

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

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

At June 30, 2018, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Change in assumptions	$ 533,775	
Net difference between projected and actual earnings on pension plan investment earnings		$ (232,918)
Differences between expected and actual experience	42,342	(23,906)
Changes in proportion and differences between employer contributions and proportionate share of contributions	143,567	(2,971)
Reporting unit's contributions subsequent to the measurement date	453,842	
	$ 1,173,526	$ (259,795)

$453,842 reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

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

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 June 30,	
2018	$ 152,692
2019	220,410
2020	89,299
2021	(2,512)
	$ 459,889

OPEB Liabilities

At June 30, 2018, the School District reported a liability of $1,660,967 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2016 and rolled forward using generally accepted actuarial procedures. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the School District's proportion was .018756 percent.

MPSERS (Plan) Non-university employers:	September 30, 2017
Total OPEB liability	$ 13,920,945,991
Plan fiduciary net position	$ 5,065,474,948
Net OPEB liability	$ 8,855,471,043
Proportionate share	.018756%
Net OPEB liability for the School District	$ 1,660,967

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

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

For the year ended June 30, 2018, the School District recognized OPEB expense of approximately $116,191.

At June 30, 2018, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Net difference between projected and actual earnings on OPEB plan investment earnings		$ (38,468)
Differences between expected and actual experience		(17,684)
Changes in proportion and differences between employer contributions and proportionate share of contributions	$ 94	
Reporting unit's contributions subsequent to the measurement date	99,150	
	$ 99,244	$ (56,152)

$99,150 reported as deferred outflows of resources related to OPEB resulting from School District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

Year ended September 30,		
2018	$	(13,548)
2019		(13,548)
2020		(13,548)
2021		(13,548)
2022		(1,866)
	$	(56,058)

Actuarial Assumptions

Investment rate of return for Pension – 7.5% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus Plan).

Investment rate of return for OPEB – 7.5% a year, compounded annually net of investment and administrative expenses.

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

Inflation – 3.0%

Mortality assumptions - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2025 using projection scale BB (for men, 80% of the table rates were used and for women, 70% of the table rates were used).

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2016. 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.

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 7.5% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.5%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Cost of Living Pension Adjustments – 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit – 7.5% for year one and graded to 3.5% to year twelve.

Additional assumptions for other postemployment benefit only – Applies to individuals hired before September 4, 2012:

Opt Out Assumption – 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage – 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death

Coverage Election at Retirement – 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Actuarial Assumptions (Continued)

The target asset allocation at September 30, 2017 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Location	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.00%	5.60%
Alternate Investment Pools	18.00%	8.70%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	-0.10%
Real Estate and Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.00%
Short Term Investment Pools	2.00%	-0.90%
	100.00%	

*Long term rate of return does not include 2.3% inflation.

Pension Discount rate **-** The discount rate used to measure the total pension liability was 7.5% (7.0% for Pension Plus Plan). This discount rate was based on the long-term rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that plan members contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current 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.

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

NOTE F – RETIREMENT PLAN AND POST RETIREMENT BENEFITS (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Reporting Unit’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent (7% for Pension Plus Plan), as well as what the Reporting Unit’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease (6.5%-6.0%)	Discount Rate (7.5%-7.0%)	1% Increase (8.5%-8.0%)
Reporting Unit's proportionate share of net pension liability	$ 6,346,701	$ 4,872,081	$ 3,630,545

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Reporting Unit’s proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the Reporting Unit’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Post Employment Benefit		
	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Reporting Unit's proportionate share of net OPEB liability	$ 1,945,472	$ 1,660,967	$ 1,419,511

NOTE F – RETIREMENT PLAN AND POST RETIREMENT BENEFITS (CONTINUED)

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Post Employment Benefit		
	1% Decrease (6.5% decreasing to 2.5%)	Healthcare Cost Trend Rate (7.5% decreasing to 3.5%)	1% Increase (8.5% decreasing to 4.5%)
Reporting Unit's proportionate share of net OPEB liability	$ 1,406,616	$ 1,660,967	$ 1,949,765

Pension and OPEB Plan Fiduciary Net Position

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

Payable to the Pension and OPEB Plan

At June 30, 2018, the School District is current on all required pension plan payments. Amounts accrued at June 30, 2018 for accounting purposes were $59,878 and included in the financial statements liability titled accrued salaries, benefits, and related withholdings. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

Other Information

On December 20, 2017, the Michigan Supreme Court affirmed that Public Act 75 of 2010 is unconstitutional as it substantially impaired the employee's employment contracts by involuntarily reducing the employee's wages by 3%. As a result, the funds collected pursuant to Public Act 75 before the effective date of Public Act 300 of 2012, must be refunded to the employees in accordance with the Michigan Court of Clams judgment on the aforementioned court case. Effective September 30, 2017, the 3% contribution collected under Public Act 75, which amounted to approximately $554,000,000 (including interest), was posted as a liability on the plan's CAFR report.

NOTE G – CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018, were as follows:

	Balance at July 1, 2017	Reclassification	Additions	Disposals	Balance at June 30, 2018
Land	$ 12,335				$ 12,335
Land improvements	506,063		$ 16,863		522,926
Buildings	2,619,340				2,619,340
Machinery and equipment	227,723		25,514		253,237
Vehicles	456,868		118,489	$ 163,276	412,081
	$ 3,822,329		$ 160,866	$ 163,276	$ 3,819,919
Accumulated Depreciation:					
Land improvements	$ 247,294	$ 3,047	$ 19,112		$ 269,453
Buildings	1,211,017		51,789		1,262,806
Machinery and equipment	194,430	(12,974)	6,367		187,823
Vehicles	296,739	9,927	36,057	$ 163,276	179,447
	$ 1,949,480	$ 0	$ 113,325	$ 163,276	$ 1,899,529
	$ 1,872,849	$ 0	$ 47,541	$ 0	$ 1,920,390

All depreciation expense was not allocable to specific functions. The land is a non-depreciable asset.

NOTE H – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables as of June 30, 2018.

NOTE I – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District participates in two distinct pools of educational insurance within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The School 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 a special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of $500,000 for each occurrence with the overall maximum coverage being unlimited. The School District has not been informed of any special assessments being required.

The School District's comprehensive general liability coverage is $1,000,000 combined single limit of liability per occurrence with no deductible amount. The workers' disability compensation coverage is based on statutory limits. The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

All risk management activities are accounted for in the General Fund and Special Revenue Fund of the School District. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the School District as of June 30, 2018, will not materially affect the financial condition of the School District. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years for the School District.

NOTE J – RESTRICTED NET POSITION

At June 30, 2018, the School District had net position of $26,679 restricted for debt service, $119,476 for school bus purchases, $139,188 for capital projects sinking fund and $1,267 for food service.

NOTE K – SINKING FUND

On May 5, 2015, the voters of the School District authorized the Board of Education to levy up to one mill on taxable valuation for a period of 8 years, 2015 to 2022, inclusive, to create a sinking fund for the purchase of real estate sites for, and the construction or repair of school buildings and all other purposes authorized by law. The tax collection proceeds and the expenditures are accounted for in the Capital Projects Fund. The School District has complied with the applicable provisions of Section 1212(1) of the revised School Code and the applicable section of the revised *Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan*.

NOTE L – NEW ACCOUNTING STANDARD

During the year ended June 30, 2018, the School District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

GASB Statement No. 75 requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

The restatement of beginning of the year net position as a result of implementation of GASB Statement No. 75 is shown in the Statement of Activities.

NOTE M – UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the School District's 2020 fiscal year. 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.

NOTE M – UPCOMING ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the School District's 2021 fiscal year. The objective of this Statement is to increase the usefulness of government financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about government leasing activities.

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

WAKEFIELD-MARENISCO SCHOOL DISTRICT

Year ended June 30, 2018

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Local sources	$ 1,176,244	$ 1,207,995	$ 1,211,635
State sources	1,465,220	1,579,669	1,579,081
Federal sources	247,977	276,232	279,616
Other sources	13,500	24,267	15,045
TOTAL REVENUES	$ 2,902,941	$ 3,088,163	$ 3,085,377
EXPENDITURES			
Current:			
Education:			
Instruction:			
Basic programs	$ 1,434,674	$ 1,458,705	$ 1,453,921
Added needs	519,556	534,864	533,158
	$ 1,954,230	$ 1,993,569	$ 1,987,079
Supporting services:			
Instructional	$ 3,500	$ 2,000	$ 1,369
General administration	157,024	159,590	155,977
School administration	105,101	104,623	99,421
Business	570,936	564,133	564,447
Other	25,496	27,078	24,487
Transfers to other school districts	34,544	38,327	38,285
	$ 896,601	$ 895,751	$ 883,986
Athletics	96,603	106,503	105,876
Debt Service	25,973	25,973	25,973
Capital Outlay		18,339	19,514
TOTAL EXPENDITURES	$ 2,973,407	$ 3,040,135	$ 3,022,428
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (70,466)	$ 48,028	$ 62,949
OTHER FINANCING SOURCES (USE) :			
Proceeds from sales of vehicles		$ 1,350	
Operating transfer in (out)		4,580	$ (1,400)
TOTAL OTHER FINANCING SOURCES (USE)		$ 5,930	$ (1,400)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USE	$ (70,466)	$ 53,958	$ 61,549
Fund balance at July 1, 2017	342,850	342,850	342,850
FUND BALANCE AT JUNE 30, 2018	$ 272,384	$ 396,808	$ 404,399

SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY AND RELATED NOTES MICHIGAN PUBLIC SCHOOLS EMPLOYEES RETIREMENT PLAN

WAKEFIELD-MARENISCO SCHOOL DISTRICT

June 30, 2018

	Year ended September 30,			
	2017	2016	2015	2014
Reporting unit's proportion of net pension liability (%)	0.01880%	0.01852%	0.01844%	0.01748%
Reporting unit's proportionate share of net pension liability	$ 4,872,081	$ 4,619,813	$ 4,514,685	$ 3,850,455
Reporting unit's covered-employee payroll	$ 1,589,737	$ 1,566,664	$ 1,615,218	$ 1,537,047
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	306.47%	294.88%	279.51%	250.51%
Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.20%

Notes:

1. This schedule is presented to illustrate the School District's pension liability in the Michigan Public School Employees Retirement Plan for the last 10 fiscal years (amounts were determined as of September 30 of each fiscal year). However, until a full 10 year trend is compiled, the School District presents information for those years for which information is available.

2. Changes of benefit terms: There were no changes of benefit terms in 2017.

3. Changes of assumptions: There were no changes of benefit assumptions in 2017.

SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS AND RELATED NOTES
MICHIGAN PUBLIC SCHOOLS EMPLOYEES RETIREMENT PLAN

WAKEFIELD-MARENISCO SCHOOL DISTRICT

June 30, 2018

	Year ended June 30,			
	2018	2017	2016	2015
Statutorily required contributions	$ 477,664	$ 439,650	$ 434,540	$ 339,075
Contributions in relation to statutorily required contributions	477,664	439,650	434,540	339,075
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0
Reporting unit's covered-employee payroll	$ 1,691,971	$ 1,594,188	$ 1,615,218	$ 1,619,020
Contributions as a percentage of covered-employee payroll	28.23%	27.58%	26.90%	20.94%

Notes:

1. This schedule is presented to illustrate the School District's pension contributions to the Michigan Public School Employees Retirement Plan for the last 10 fiscal years (amounts were determined as of June 30 of each fiscal year). However, until a full 10 year trend is compiled, the School District presents information for those years for which information is available.

2. Changes of benefit terms: There were no changes of benefit terms in 2017.

3. Changes of assumptions: There were no changes of benefit assumptions in 2017.

SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE
OF NET OPEB LIABILITY AND RELATED NOTES
MICHIGAN PUBLIC SCHOOLS EMPLOYEES RETIREMENT PLAN

WAKEFIELD-MARENISCO SCHOOL DISTRICT

June 30, 2018

	Year ended September 30, 2017
Reporting unit's proportion of net OPEB liability (%)	0.01876%
Reporting unit's proportionate share of net OPEB liability	$ 1,660,967
Reporting unit's covered-employee payroll	$ 1,589,737
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	104.48%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%

Notes:

1. This schedule is presented to illustrate the School District's net OPEB liability in the Michigan Public School Employees Retirement Plan for the last 10 fiscal years (amounts were determined as of September 30 of each fiscal year). However, until a full 10 year trend is compiled, the School District presents information for those years for which information is available.

2. Changes of benefit terms: There were no changes of benefit terms in 2017.

3. Changes of assumptions: There were no changes of benefit assumptions in 2017.

SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
AND RELATED NOTES
MICHIGAN PUBLIC SCHOOLS EMPLOYEES RETIREMENT SYSTEM

WAKEFIELD-MARENISCO SCHOOL DISTRICT

June 30, 2018

	Year ended June 30, 2018
Statutorily required contributions	$ 116,191
Contributions in relation to statutorily required contributions	116,191
Contribution deficiency (excess)	$ 0
Reporting unit's covered-employee payroll	$ 1,691,971
Contributions as a percentage of covered-employee payroll	6.87%

Notes:

1. This schedule is presented to illustrate the School District's OPEB contributions to the Michigan Public School Employees Retirement Plan for the last 10 fiscal years (amounts were determined as of June 30 of each fiscal year). However, until a full 10 year trend is compiled, the School District presents information for those years for which information is available.

2. Changes of benefit terms: There were no changes of benefit terms in 2017.

3. Changes of assumptions: There were no changes of benefit assumptions in 2017.

O T H E R

F I N A N C I A L

I N F O R M A T I O N

DETAIL OF REVENUES - BUDGET AND ACTUAL - GENERAL FUND

WAKEFIELD-MARENISCO SCHOOL DISTRICT

Year ended June 30, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
Local sources:			
General property taxes		$ 1,133,033	
Athletics		24,037	
Penalties and interest on delinquent taxes		4,581	
Earnings on investments		5,926	
County special education tax		6,714	
Other		37,344	
	$ 1,207,995	$ 1,211,635	$ 3,640
State Sources:			
State aid foundation		$ 1,069,638	
Renaissance zone		9,987	
Isolated districts		13,319	
MPSERs Cost Offset 147(a)		32,508	
MPSERs Cost Offset 147(c)		233,015	
Headlee Obligation for Data Collection		7,373	
At risk		111,889	
Great Start Readiness Program		27,729	
Dual Enrollment		240	
Early Literacy Targeted Inst 35a(6)		3,360	
Computer Adaptive Tests 104d		855	
Special education		69,168	
	1,579,669	$ 1,579,081	(588)
Federal Sources:			
Title I		$ 91,027	
Title IIA		12,561	
Impact aid		43,726	
Rural Education Achievement		11,773	
Schools and roads grant		120,529	
	276,232	$ 279,616	3,384
Other Sources	24,267	15,045	(9,222)
TOTAL REVENUES	$ 3,088,163	$ 3,085,377	$ (2,786)

DETAIL OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND

WAKEFIELD-MARENISCO SCHOOL DISTRICT

Year ended June 30, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
INSTRUCTION			
Basic programs:			
Elementary		$ 795,754	
Secondary		595,408	
Early childhood education		62,759	
TOTAL BASIC PROGRAMS	$ 1,458,705	$ 1,453,921	$ 4,784
Added needs:			
Special education		$ 202,680	
Compensatory education		246,573	
Guidance services		83,905	
TOTAL ADDED NEEDS	534,864	$ 533,158	1,706
TOTAL INSTRUCTION	$ 1,993,569	$ 1,987,079	$ 6,490
SUPPORTING SERVICES			
Instructional	$ 2,000	$ 1,369	$ 631
General administration:			
Board of education		$ 19,158	
Executive administration		136,819	
	159,590	$ 155,977	3,613
School administration	104,623	99,421	5,202
Business:			
Fiscal		$ 104,324	
Operation and maintenance of plant		268,512	
Pupil transportation		191,611	
	564,133	$ 564,447	(314)
Other	27,078	24,487	2,591
Transfers to other school districts	38,327	38,285	42
TOTAL SUPPORTING SERVICES	$ 895,751	$ 883,986	$ 11,765
ATHLETICS	106,503	105,876	627
DEBT SERVICE	25,973	25,973	
CAPITAL OUTLAY	18,339	19,514	(1,175)
TOTAL EXPENDITURES	$ 3,040,135	$ 3,022,428	$ 17,707
OTHER FINANCING USE - Transfer	1,400	1,400	
TOTAL EXPENDITURES AND OTHER FINANCING USE	$ 3,041,535	$ 3,023,828	$ 17,707

STATEMENT OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES - AGENCY FUND

WAKEFIELD-MARENISCO SCHOOL DISTRICT

Year ended June 30, 2018

	Balance at July 1, 2017	Additions	Deductions	Balance at June 30, 2018
Assets:				
Cash	$ 55,913	$ 114,142	$ 110,391	$ 59,664
Liabilities - due student and other school groups	$ 55,913	$ 114,142	$ 110,391	$ 59,664

DETAIL OF DELINQUENT TAXES RECEIVABLE

WAKEFIELD-MARENISCO SCHOOL DISTRICT

Year ended June 30, 2018

Year Levied		Balance at July 1, 2017	Levy	Collected	Adjustments	Balance at June 30, 2018
General Operations:						
2017			$ 1,133,033	$ 1,132,190		$ 843
2016		$ 2,586			$ (2,586)	
	TOTAL	$ 2,586	$ 1,133,033	$ 1,132,190	$ (2,586)	$ 843
Capital projects:						
2017			$ 109,953	$ 109,701		$ 252
2016		$ 425			$ (425)	
	TOTAL	$ 425	$ 109,953	$ 109,701	$ (425)	$ 252
Debt service:						
2017			$ 63,403	$ 63,264		$ 139
2016		$ 255			$ (255)	
	TOTAL	$ 255	$ 63,403	$ 63,264	$ (255)	$ 139

S U P P L E M E N T A L

R E P O R T

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

President and Members, Board of Education
Wakefield-Marenisco School District
Wakefield, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wakefield-Marenisco School District (the School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 24, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Makela, Pollack & Ahonen, PLLC

Certified Public Accountants

Ironwood, Michigan
October 24, 2018