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# Hartland Consolidated Schools

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**Financial Report  
with Supplemental Information  
June 30, 2018**

|   |                                   |
|---|-----------------------------------|
| <b>Independent Auditor's Report</b>   | 1-2                               |
| <b>Management's Discussion and Analysis</b>   | 3-8                               |
| <b>Basic Financial Statements</b>   |                                   |
| Government-wide Financial Statements:   |                                   |
| Statement of Net Position   | 9                                 |
| Statement of Activities   | 10                                |
| Fund Financial Statements:  |                                   |
| Governmental Funds:   |                                   |
| Balance Sheet   | 11                                |
| Reconciliation of the Balance Sheet to the Statement of Net Position  | 12                                |
| Statement of Revenue, Expenditures, and Changes in Fund Balances  | 13                                |
| Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities | 14                                |
| Fiduciary Funds:  |                                   |
| Statement of Fiduciary Net Position   | 15                                |
| Statement of Changes in Fiduciary Net Position  | 16                                |
| Notes to Financial Statements   | 17-34                             |
| <b>Required Supplemental Information</b>  | 35                                |
| Budgetary Comparison Schedule - General Fund*   | 36                                |
| Schedule of Proportionate Share of the Net Pension Liability  | 37                                |
| Schedule of Pension Contributions   | 38                                |
| Schedule of Proportionate Share of the Net OPEB Liability   | 39                                |
| Schedule of OPEB Contributions  | 40                                |
| Notes to Required Supplemental Information  | 41                                |
| <b>Other Supplemental Information</b>   | 42                                |
| Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Combined General Fund                    | 43                                |
| Nonmajor Governmental Funds:  |                                   |
| Combining Balance Sheet   | 44-45                             |
| Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  | 46-47                             |
| Schedule of Bonded Indebtedness   | 48                                |
| <b>Federal Awards Supplemental Information</b>  | Issued Under<br>Separate<br>Cover |

## Independent Auditor's Report

To the Board of Education  
Hartland Consolidated Schools

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hartland Consolidated Schools (the "School District") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise Hartland Consolidated Schools' basic financial statements, as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 Hartland Consolidated Schools as of June 30, 2018 and the respective changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

#### ***Emphasis of Matter***

As described in Note 2 to the financial statements, as of July 1, 2017, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The School District's unrestricted net position has been restated as of July 1, 2017 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

To the Board of Education  
Hartland Consolidated Schools

**Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension system and other post employment benefit plan schedules of funding progress and employer contributions, and the major fund budgetary comparison schedule, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Hartland Consolidated Schools' basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2018 on our consideration of Hartland Consolidated Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Hartland Consolidated Schools' internal control over financial reporting and compliance.



October 22, 2018

This section of Hartland Consolidated Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2018. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Hartland Consolidated Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund, the 2010 Debt Service Fund, and the 2015 Refunding, Series B Debt Service Fund, with all other funds presented in one column as nonmajor funds. The remaining statements, the statement of fiduciary net position and statement of changes in fiduciary net position, present financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. This report is composed of the following elements:

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

#### **Basic Financial Statements**

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

#### **Required Supplemental Information**

Budgetary Information for the General Fund

Schedule of Proportionate Share of the Net Pension and Net OPEB Liabilities

Schedule of Pension and OPEB Contributions

#### **Other Supplemental Information**

### ***Reporting the School District as a Whole - Government-wide Financial Statements***

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the School District's net position, the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position, as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

## Hartland Consolidated Schools

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### Management's Discussion and Analysis (Continued)

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The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

#### ***Reporting the School District's Most Significant Funds - Fund Financial Statements***

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Services Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects).

#### **Governmental Funds**

Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

#### ***The School District as Trustee - Reporting the School District's Fiduciary Responsibilities***

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## Hartland Consolidated Schools

### Management's Discussion and Analysis (Continued)

#### The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2018 and 2017:

|                                       | Governmental Activities |                  |
|---------------------------------------|-------------------------|------------------|
|                                       | 2018                    | 2017             |
|                                       | (in millions)           |                  |
| <b>Assets</b>                         |                         |                  |
| Current and other assets              | \$ 20.2                 | \$ 18.3          |
| Capital assets                        | 118.1                   | 122.7            |
| Total assets                          | 138.3                   | 141.0            |
| <b>Deferred Outflows of Resources</b> | 19.2                    | 11.4             |
| <b>Liabilities</b>                    |                         |                  |
| Current liabilities                   | 10.1                    | 10.4             |
| Noncurrent liabilities                | 148.4                   | 152.9            |
| Net pension liability                 | 79.9                    | 76.4             |
| Net OPEB obligation                   | 27.3                    | -                |
| Total liabilities                     | 265.7                   | 239.7            |
| <b>Deferred Inflows of Resources</b>  | 8.4                     | 2.6              |
| <b>Net Position</b>                   |                         |                  |
| Net investment in capital assets      | (29.4)                  | (29.8)           |
| Restricted                            | 3.3                     | 2.4              |
| Unrestricted                          | (90.5)                  | (62.5)           |
| Total net position                    | <u>\$ (116.6)</u>       | <u>\$ (89.9)</u> |

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(116.6) million at June 30, 2018. Net investment in capital assets totaling \$(29.4) million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position \$(90.5) million was unrestricted.

As required by the Governmental Accounting Standards Board (GASB), the School District adopted GASB Statement No. 75. This standard required the inclusion of the School District's proportionate share of the Michigan Public School Employees' Retiree Health Care Plan within the School District's financial statements, effective July 1, 2017. The effect of the adoption was to decrease July 1, 2017 beginning net position by \$27.6 million and to include the net OPEB obligation and related deferred inflows and outflows of resources in the June 30, 2018 financial statements. All governments participating in the plan were required to adopt this new standard.

## Hartland Consolidated Schools

### Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2018 and 2017:

|  | Governmental Activities  |                         |
|--|--------------------------|-------------------------|
|  | 2018                     | 2017                    |
|  | (in millions)            |                         |
| <b>Revenue</b>                                   |                          |                         |
| Program revenue:                                 |                          |                         |
| Charges for services                             | \$ 4.7                   | \$ 4.7                  |
| Operating grants                                 | 11.2                     | 9.7                     |
| General revenue:                                 |                          |                         |
| Taxes  | 14.7                     | 14.2                    |
| State aid not restricted to specific purposes    | 37.7                     | 37.1                    |
| Other  | 0.2                      | (0.1)                   |
| Total revenue                                    | 68.5                     | 65.6                    |
| <b>Expenses</b>                                  |                          |                         |
| Instruction                                      | 34.1                     | 32.2                    |
| Support services                                 | 16.5                     | 16.2                    |
| Athletics  | 1.0                      | 0.9                     |
| Food services                                    | 1.7                      | 1.6                     |
| Community services                               | 3.3                      | 3.2                     |
| Debt service                                     | 5.2                      | 6.2                     |
| Depreciation expense (unallocated)               | 5.8                      | 5.8                     |
| Total expenses                                   | 67.6                     | 66.1                    |
| <b>Change in Net Position</b>                    | 0.9                      | (0.5)                   |
| <b>Net Position - Beginning of year</b>          | (89.9)                   | (89.4)                  |
| <b>Cumulative Effect of Change in Accounting</b> | (27.6)                   | -                       |
| <b>Net Position - Beginning of year</b>          | (117.5)                  | (89.4)                  |
| <b>Net Position - End of year</b>                | <u><u>\$ (116.6)</u></u> | <u><u>\$ (89.9)</u></u> |

As reported in the statement of activities, the cost of all of our governmental activities this year was \$67.6 million. Certain activities were partially funded from those who benefited from the programs (\$4.7 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$11.2 million). We paid for the remaining "public benefit" portion of our governmental activities with \$14.7 million in taxes, \$37.7 million in state foundation allowance, and with our other revenue (i.e., interest and general entitlements). In 2017, 147c(1) MPSERS UAAL rate stabilization payments were included as general revenue within the School District's statement of activities. In 2018, these payments were reclassified and included as operating grants and contributions.

As discussed in the paragraph above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

#### **The School District's Funds**

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

# Hartland Consolidated Schools

## Management's Discussion and Analysis (Continued)

As the School District completed this year, the governmental funds reported a combined fund balance of \$10.9 million, which is an increase of \$2.2 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance increased \$1.2 million to \$5.5 million. The change is mainly due to an increase in the foundation allowance as well as additional student FTEs and other state categorical funding.

Fund balance of our special revenue funds decreased from \$0.3 million last year to \$0.2 million this year due to the School District electing to use some of this fund balance to invest in capital needs.

Combined, the fund balance of our debt service funds increased \$0.9 million. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service fund balances are reserved, since they can only be used to pay debt service obligations. The increase in fund balance is due to the 2010 Debt Service Fund, which operates quite differently than conventional tax-exempt bonds. The School District is required to levy taxes and invest the proceeds until the bond is paid in full at maturity, which will in effect continue to increase the School District's fund balance until the maturity date.

Combined, the fund balance of our capital project funds increased \$0.1 million. The School District collected \$0.6 million in voter-approved sinking fund millage. This millage is available to fund specific capital projects allowed by state law and approved by the voters. A majority of this millage collected in the current year will be spent in subsequent years. In addition, the School District continues to spend down the remaining proceeds of the 2010 bond issue.

### **General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2018. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were significant revisions made to the 2017-2018 General Fund original budget. Budgeted revenue was increased \$1.2 million due to additional FTEs and state categorical revenue, federal grant revenue, and county special education revenue than were originally estimated. Budgeted expenditures were relatively consistent between original and final amounts.

There were no significant variances between the final budget and actual amounts.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

As of June 30, 2018, the School District had \$118.1 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$4.6 million, or 3.8 percent, from last year.

|  | 2018                         | 2017                         |
|--|------------------------------|------------------------------|
| Land   | \$ 2,419,502                 | \$ 2,419,502                 |
| Buildings and improvements                             | 176,944,451                  | 176,794,910                  |
| Furniture and equipment                                | 21,728,262                   | 21,045,408                   |
| Buses and other vehicles                               | 5,951,225                    | 5,776,151                    |
| Total capital assets                                   | 207,043,440                  | 206,035,971                  |
| Less accumulated depreciation                          | 88,961,260                   | 83,287,005                   |
| Total capital assets - Net of accumulated depreciation | <b><u>\$ 118,082,180</u></b> | <b><u>\$ 122,748,966</u></b> |

This year's additions of \$1.2 million included vehicles, computer equipment, and capital improvements to school district facilities. Depreciation expense was \$5.8 million.

# Hartland Consolidated Schools

## Management's Discussion and Analysis (Continued)

### **Debt**

At the end of this year, the School District had \$117.8 million in bonds outstanding versus \$134.5 million in the previous year, a change of 12.4 percent. Those bonds consisted of the following:

|                          | <u>2018</u>    | <u>2017</u>    |
|--------------------------|----------------|----------------|
| General obligation bonds | \$ 117,795,000 | \$ 134,540,000 |

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt" (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District has no outstanding unqualified general obligation debt.

Other obligations include accrued vacation pay, sick leave, and capital leases. We present more detailed information about our long-term liabilities in the notes to the financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration consider many factors when setting the School District's 2018-2019 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2018-2019 budget was adopted in June 2018 based on an estimate of students who will enroll in September 2018. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations.

For the 2018-2019 fiscal year, revenue is projected to increase 2.57 percent, despite a budgeted decrease in enrollment of 48 students. This is mostly due to an increase in the foundation allowance of \$240 per pupil.

Expenditures are budgeted to increase in the 2018-2019 fiscal year by 3.7 percent. Employee salaries and fringe benefits were adjusted to account for various contractual agreements that take effect July 1, 2018. Additional resources were also incorporated for capital needs and technology upgrades given the lack of bond dollars available for such purposes.

Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget, if actual district resources are not sufficient to fund original appropriations.

On a positive note, employee bargaining agreements that take effect July 1, 2018 are favorable for managing the General Fund budget for the next three years, and the General Fund fund balance is projected to remain at a level that will enable the School District to continue to maintain quality educational programs and remain a "school of choice" in our region.

### **Contacting the School District's Management**

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office.

# Hartland Consolidated Schools

## Statement of Net Position

June 30, 2018

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>Assets</b>   |                                    |
| Cash and investments (Note 4)   | \$ 6,377,441                       |
| Receivables   | 8,226,726                          |
| Inventory   | 128,042                            |
| Prepaid costs   | 225,723                            |
| Restricted assets (Note 10)   | 5,308,186                          |
| Capital assets - Net (Note 7)   | <u>118,082,180</u>                 |
| Total assets  | 138,348,298                        |
| <b>Deferred Outflows of Resources</b>   |                                    |
| Deferred pension costs (Note 12)  | 17,675,860                         |
| Deferred OPEB costs (Note 12)   | <u>1,507,281</u>                   |
| Total deferred outflows of resources  | 19,183,141                         |
| <b>Liabilities</b>  |                                    |
| Accounts payable  | 476,696                            |
| Due to other governmental units   | 1,329,622                          |
| Accrued liabilities and other   | 4,696,802                          |
| State aid anticipation note (Note 13)   | 3,560,861                          |
| Unearned revenue (Note 6)   | 55,875                             |
| Noncurrent liabilities:   |                                    |
| Due within one year   | 17,867,968                         |
| Due in more than one year   | 130,603,852                        |
| Net pension liability (Note 12)   | 79,869,067                         |
| Net OPEB obligation (Note 12)   | <u>27,283,294</u>                  |
| Total liabilities   | 265,744,037                        |
| <b>Deferred Inflows of Resources</b>  |                                    |
| Revenue in support of pension contributions made subsequent to the measurement date (Note 12) | 3,172,093                          |
| Deferred pension cost reductions (Note 12)  | 4,268,271                          |
| Deferred OPEB cost reductions (Note 12)   | <u>922,748</u>                     |
| Total deferred inflows of resources   | <u>8,363,112</u>                   |
| <b>Net Position</b>   |                                    |
| Net investment in capital assets  | (29,438,713)                       |
| Restricted  | 3,335,103                          |
| Unrestricted  | <u>(90,472,100)</u>                |
| Total net position  | <u><u>\$ (116,575,710)</u></u>     |

# Hartland Consolidated Schools

## Statement of Activities

Year Ended June 30, 2018

| Functions/Programs  | Program Revenue      |                      |                                    | Governmental                                     |
|---|----------------------|----------------------|------------------------------------|--|
|   | Expenses             | Charges for Services | Operating Grants and Contributions | Activities                                       |
|   |                      |                      |                                    | Net (Expense) Revenue and Change in Net Position |
| Primary government - Governmental activities:                   |                      |                      |                                    |  |
| Instruction   | \$ 34,077,925        | \$ 67,076            | \$ 6,680,474                       | \$ (27,330,375)                                  |
| Support services  | 16,539,395           | 95,837               | 3,243,003                          | (13,200,555)                                     |
| Athletics   | 934,594              | 496,056              | -                                  | (438,538)  |
| Food services   | 1,678,694            | 1,097,312            | 611,302                            | 29,920   |
| Community services  | 3,285,415            | 2,982,447            | -                                  | (302,968)  |
| Interest  | 5,133,483            | -                    | 658,755                            | (4,474,728)                                      |
| Other   | 51,497               | -                    | -                                  | (51,497)   |
| Depreciation expense (unallocated)                              | 5,825,323            | -                    | -                                  | (5,825,323)                                      |
| <b>Total primary government</b>                                 | <b>\$ 67,526,326</b> | <b>\$ 4,738,728</b>  | <b>\$ 11,193,534</b>               | <b>(51,594,064)</b>                              |
| General revenue:  |                      |                      |                                    |  |
| Taxes:  |                      |                      |                                    |  |
| Property taxes, levied for general purposes                     |                      |                      |                                    | 4,985,454  |
| Property taxes, levied for debt service                         |                      |                      |                                    | 9,721,373  |
| State aid not restricted to specific purposes                   |                      |                      |                                    | 37,684,566                                       |
| Interest and investment earnings                                |                      |                      |                                    | 34,692   |
| Penalties, interest, and other taxes                            |                      |                      |                                    | 9,560  |
| Loss on sale of capital assets                                  |                      |                      |                                    | (1,399)  |
| Other   |                      |                      |                                    | 123,978  |
| <b>Total general revenue</b>                                    |                      |                      |                                    | <b>52,558,224</b>                                |
| <b>Change in Net Position</b>                                   |                      |                      |                                    | <b>964,160</b>                                   |
| <b>Net Position - Beginning of year, as previously reported</b> |                      |                      |                                    | <b>(89,947,096)</b>                              |
| <b>Cumulative Effect of Change in Accounting</b>                |                      |                      |                                    | <b>(27,592,774)</b>                              |
| <b>Net Position - Beginning of year, as restated</b>            |                      |                      |                                    | <b>(117,539,870)</b>                             |
| <b>Net Position - End of year</b>                               |                      |                      |                                    | <b><u><u>\$(116,575,710)</u></u></b>             |

# Hartland Consolidated Schools

## Governmental Funds Balance Sheet

June 30, 2018

|  | Combined<br>General Fund | 2010 Debt<br>Service Fund | 2015<br>Refunding,<br>Series B<br>Debt Service<br>Fund | Nonmajor<br>Funds   | Total<br>Governmental<br>Funds |
|--|--------------------------|---------------------------|--|---------------------|--------------------------------|
| <b>Assets</b>  |                          |                           |  |                     |                                |
| Cash and investments (Note 4)  | \$ 6,141,007             | \$ -                      | \$ -   | \$ 236,434          | \$ 6,377,441                   |
| Receivables (Note 5)   | 8,181,461                | 6                         | 28   | 32,458              | 8,213,953                      |
| Due from other funds (Note 8)  | 12,773                   | -                         | -  | 7,335               | 20,108                         |
| Inventory  | 117,529                  | -                         | -  | 10,513              | 128,042                        |
| Prepaid costs  | 225,723                  | -                         | -  | -                   | 225,723                        |
| Restricted assets (Note 10)  | -                        | 3,810,949                 | 161,965  | 1,335,272           | 5,308,186                      |
| <b>Total assets</b>  | <b>\$ 14,678,493</b>     | <b>\$ 3,810,955</b>       | <b>\$ 161,993</b>                                      | <b>\$ 1,622,012</b> | <b>\$ 20,273,453</b>           |
| <b>Liabilities</b>   |                          |                           |  |                     |                                |
| Accounts payable   | \$ 339,460               | \$ -                      | \$ -   | \$ 137,236          | \$ 476,696                     |
| Due to other governmental units  | 1,326,498                | 338                       | 1,354  | 1,432               | 1,329,622                      |
| Due to other funds (Note 8)  | 7,335                    | -                         | -  | -                   | 7,335                          |
| Accrued liabilities and other  | 3,898,162                | -                         | -  | 15,525              | 3,913,687                      |
| State aid anticipation<br>note (Note 13)   | 3,560,861                | -                         | -  | -                   | 3,560,861                      |
| Unearned revenue (Note 6)  | 20,390                   | -                         | -  | 35,485              | 55,875                         |
| <b>Total liabilities</b>   | <b>9,152,706</b>         | <b>338</b>                | <b>1,354</b>   | <b>189,678</b>      | <b>9,344,076</b>               |
| <b>Deferred Inflows of Resources -</b>   |                          |                           |  |                     |                                |
| Unavailable revenue (Note 6)   | 9,462                    | -                         | -  | -                   | 9,462                          |
| <b>Fund Balances</b>   |                          |                           |  |                     |                                |
| Nonspendable:  |                          |                           |  |                     |                                |
| Inventory  | 117,529                  | -                         | -  | 10,513              | 128,042                        |
| Prepays  | 225,723                  | -                         | -  | -                   | 225,723                        |
| Restricted:  |                          |                           |  |                     |                                |
| Debt service   | -                        | 3,810,617                 | 160,639  | 146,961             | 4,118,217                      |
| Capital projects   | -                        | -                         | -  | 1,051,139           | 1,051,139                      |
| Food service   | -                        | -                         | -  | 223,721             | 223,721                        |
| Unassigned   | 5,173,073                | -                         | -  | -                   | 5,173,073                      |
| <b>Total fund balances</b>   | <b>5,516,325</b>         | <b>3,810,617</b>          | <b>160,639</b>   | <b>1,432,334</b>    | <b>10,919,915</b>              |
| <b>Total liabilities,<br/>deferred inflows of<br/>resources, and<br/>fund balances</b> | <b>\$ 14,678,493</b>     | <b>\$ 3,810,955</b>       | <b>\$ 161,993</b>                                      | <b>\$ 1,622,012</b> | <b>\$ 20,273,453</b>           |

# Hartland Consolidated Schools

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

June 30, 2018

|   |                                |
|---|--------------------------------|
| <b>Fund Balances Reported in Governmental Funds</b>   | \$ 10,919,915                  |
| Amounts reported for governmental activities in the statement of net position are different because:  |                                |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds:   |                                |
| Cost of capital assets  | 207,043,440                    |
| Accumulated depreciation  | <u>(88,961,260)</u>            |
| Net capital assets used in governmental activities  | 118,082,180                    |
| Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds                    | 9,462                          |
| Bonds payable and bus notes payable are not due and payable in the current period and are not reported in the funds   | (148,434,806)                  |
| Accrued interest is not due and payable in the current period and is not reported in the funds  | (783,115)                      |
| Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:            |                                |
| Employee compensated absences   | (37,014)                       |
| Net pension liability and related deferred inflows and outflows   | (66,461,478)                   |
| Net OPEB liability and related deferred inflows and outflows  | (26,698,761)                   |
| Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds | <u>(3,172,093)</u>             |
| <b>Net Position of Governmental Activities</b>  | <b><u>\$ (116,575,710)</u></b> |

## Hartland Consolidated Schools

### Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances

**Year Ended June 30, 2018**

|  | Combined<br>General<br>Fund | 2010 Debt<br>Service Fund | 2015<br>Refunding,<br>Series B Debt<br>Service Fund | Nonmajor<br>Funds   | Total<br>Governmental<br>Funds |
|--|-----------------------------|---------------------------|---|---------------------|--------------------------------|
| <b>Revenue</b>                                     |                             |                           |   |                     |                                |
| Local sources                                      | \$ 8,100,460                | \$ 1,113,997              | \$ 4,481,455  | \$ 5,917,873        | \$ 19,613,785                  |
| State sources                                      | 44,245,426                  | 8,268                     | 33,253  | 94,864              | 44,381,811                     |
| Federal sources                                    | 510,073                     | 658,755                   | -   | 547,919             | 1,716,747                      |
| Interdistrict and other                            | 2,699,623                   | -                         | -   | -                   | 2,699,623                      |
| Total revenue                                      | 55,555,582                  | 1,781,020                 | 4,514,708   | 6,560,656           | 68,411,966                     |
| <b>Expenditures</b>                                |                             |                           |   |                     |                                |
| Current:   |                             |                           |   |                     |                                |
| Instruction  | 33,229,822                  | -                         | -   | -                   | 33,229,822                     |
| Support services                                   | 16,290,579                  | -                         | -   | 134                 | 16,290,713                     |
| Athletics  | 923,832                     | -                         | -   | -                   | 923,832                        |
| Food services                                      | -                           | -                         | -   | 1,656,687           | 1,656,687                      |
| Community services                                 | 3,215,035                   | -                         | -   | -                   | 3,215,035                      |
| Debt service:                                      |                             |                           |   |                     |                                |
| Principal  | 373,915                     | -                         | 10,700,000  | 6,045,000           | 17,118,915                     |
| Interest   | 26,551                      | 809,970                   | 899,675   | 3,295,925           | 5,032,121                      |
| Other  | -                           | 43,356                    | 1,963   | 6,178               | 51,497                         |
| Capital outlay                                     | 675,700                     | -                         | -   | 525,851             | 1,201,551                      |
| Total expenditures                                 | 54,735,434                  | 853,326                   | 11,601,638  | 11,529,775          | 78,720,173                     |
| <b>Excess of Revenue Over (Under) Expenditures</b> | 820,148                     | 927,694                   | (7,086,930)   | (4,969,119)         | (10,308,207)                   |
| <b>Other Financing Sources (Uses)</b>              |                             |                           |   |                     |                                |
| Face value of debt issued                          | 282,636                     | -                         | -   | -                   | 282,636                        |
| Proceeds from sale of capital assets               | 26,577                      | -                         | -   | -                   | 26,577                         |
| School Bond Loan Revolving Fund proceeds           | -                           | -                         | 7,049,997   | 5,126,599           | 12,176,596                     |
| Transfers in (Note 8)                              | 29,221                      | -                         | -   | -                   | 29,221                         |
| Transfers out (Note 8)                             | -                           | -                         | -   | (29,221)            | (29,221)                       |
| Total other financing sources                      | 338,434                     | -                         | 7,049,997   | 5,097,378           | 12,485,809                     |
| <b>Net Change in Fund Balances</b>                 | 1,158,582                   | 927,694                   | (36,933)  | 128,259             | 2,177,602                      |
| <b>Fund Balances - Beginning of year</b>           | 4,357,743                   | 2,882,923                 | 197,572   | 1,304,075           | 8,742,313                      |
| <b>Fund Balances - End of year</b>                 | <b>\$ 5,516,325</b>         | <b>\$ 3,810,617</b>       | <b>\$ 160,639</b>                                   | <b>\$ 1,432,334</b> | <b>\$ 10,919,915</b>           |

# Hartland Consolidated Schools

## Governmental Funds

### Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

**Year Ended June 30, 2018**

|   |                     |
|---|---------------------|
| <b>Net Change in Fund Balance Reported in Governmental Funds</b>  | <b>\$ 2,177,602</b> |
| Amounts reported for governmental activities in the statement of activities are different because:  |                     |
| Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:  |                     |
| Capitalized capital outlay  | 1,186,513           |
| Depreciation expense  | (5,825,323)         |
| Net book value of assets disposed of  | (27,976)            |
| Total   | (4,666,786)         |
| Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available  | 3,674               |
| Revenue in support of pension contributions made subsequent to the measurement date   | (804,703)           |
| Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position   | (12,459,232)        |
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds | 16,964,051          |
| Interest expense is recognized in the government-wide statements as it accrues  | 53,502              |
| Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds  | (303,948)           |
| <b>Change in Net Position of Governmental Activities</b>  | <b>\$ 964,160</b>   |

## Hartland Consolidated Schools

### Fiduciary Funds Statement of Fiduciary Net Position

June 30, 2018

|                       | Private Purpose<br>Trust - 5/3 Bank | Private Purpose<br>Trust -<br>Ameritrust | Private Purpose<br>Trust - Swann<br>Scholarship | Student<br>Activities<br>Agency Fund |
|-----------------------|-------------------------------------|--|---|--------------------------------------|
| <b>Assets</b>         |                                     |  |   |                                      |
| Cash and investments  | \$ 25,474                           | \$ 46,468                                | \$ 42,017                                       | \$ 1,061,156                         |
| Receivables           | 17,020                              | -  | -   | -                                    |
| Due from other funds  | -                                   | -  | -   | 16,349                               |
| Total assets          | 42,494                              | 46,468                                   | 42,017  | <u><u>\$ 1,077,505</u></u>           |
| <b>Liabilities</b>    |                                     |  |   |                                      |
| Accounts payable      | -                                   | -  | -   | \$ 17,853                            |
| Due to student groups | -                                   | -  | -   | 1,059,652                            |
| Due to other funds    | 16,810                              | 7,312                                    | 5,000   | -                                    |
| Total liabilities     | 16,810                              | 7,312                                    | 5,000   | <u><u>\$ 1,077,505</u></u>           |
| <b>Net Position</b>   | <u><u>\$ 25,684</u></u>             | <u><u>\$ 39,156</u></u>                  | <u><u>\$ 37,017</u></u>                         |                                      |

## Hartland Consolidated Schools

### Fiduciary Funds Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2018

|   | Private Purpose<br>Trust - 5/3 Bank | Private Purpose<br>Trust -<br>Ameritrust | Private Purpose<br>Trust - Swann<br>Scholarship |
|---|-------------------------------------|--|---|
| <b>Additions</b> - Interest and contributions     | \$ 17,180                           | \$ 27,053                                | \$ 269  |
| <b>Deductions</b> - Scholarships/Projects awarded | 16,810                              | 17,330                                   | 5,000   |
| <b>Change in Net Position</b>                     | 370                                 | 9,723                                    | (4,731)   |
| <b>Net Position</b> - Beginning of year           | 25,314                              | 29,433                                   | 41,748  |
| <b>Net Position</b> - End of year                 | <u>\$ 25,684</u>                    | <u>\$ 39,156</u>                         | <u>\$ 37,017</u>                                |

June 30, 2018

### Note 1 - Nature of Business

Hartland Consolidated Schools (the "School District") is a school district in the state of Michigan that provides educational services to students.

### Note 2 - Significant Accounting Policies

#### ***Accounting and Reporting Principles***

The School District follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the School District:

#### ***Reporting Entity***

The School District is governed by an elected seven-member board. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

#### ***Report Presentation***

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from the government-wide statements.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### ***Basis of Accounting***

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

June 30, 2018

### Note 2 - Significant Accounting Policies (Continued)

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### ***Fund Accounting***

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into broad fund types:

#### **Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, and capital project funds. The School District reports the following funds as "major" governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The 2010 Debt Service Fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on the 2010 School Building and Site Bonds, Series B.
- The 2015 Refunding, Series B Debt Service Fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures related to the 2015 Refunding Bonds, Series B.

Additionally, the School District reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.
- Capital projects funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, technology upgrades, and for remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

#### **Fiduciary Funds**

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include the following:

- The Private Purpose Trust funds are used to account for resources legally held in trust, including contributions received by the School District to be awarded in the form of scholarships.
- The Student Activities Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes. The fund is segregated and held in trust for the students.

Note 2 - Significant Accounting Policies (Continued)

Interfund Activity

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

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**Specific Balances and Transactions**

Cash and Investments

Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Investment income is recorded in the fund for which the investment account was established.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

The unspent bond proceeds and related interest of the capital projects funds require amounts to be set aside for construction. In addition, the unspent property taxes levied in the debt service funds and the Sinking Fund are required to be set aside for future bond principal and interest and approved sinking fund projects, respectively. These amounts have been classified as restricted assets.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

|                                  | <u>Depreciable Life -<br/>Years</u> |
|----------------------------------|-------------------------------------|
| Buildings and building additions | 20 to 50 years                      |
| Buses and other vehicles         | 5 to 10 years                       |
| Furniture and equipment          | 5 to 10 years                       |

**Note 2 - Significant Accounting Policies (Continued)**

**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The debt service funds are generally used to liquidate governmental long-term debt.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. The School District reports deferred outflows of resources related to deferred pension and OPEB costs.

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 represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The School District reports deferred inflows of resources related to revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB plan cost reductions.

**Net Position**

Net position of the School District is classified in three components. Net investment in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

**Net Position Flow Assumption**

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

**Fund Balance Flow Assumptions**

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

**Note 2 - Significant Accounting Policies (Continued)**

**Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

**Property Tax Revenue**

Properties are assessed as of December 31, and the related property taxes become a lien on July 1 of the following year. Tax collections are forwarded to the School District as collected by the assessing municipalities through March 1, at which time they are considered delinquent and added to county tax rolls. Any delinquent taxes collected by the county are remitted to the School District by June 30. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

**Pension and Other Postemployment Benefit (OPEB) Plans**

For purposes of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

**Compensated Absences (Vacation Leave)**

It is the School District's policy to permit employees to accumulate earned but unused vacation pay benefits. The liability reported in the government-wide statements consists of earned but unused accumulated vacation benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included.

**Note 2 - Significant Accounting Policies (Continued)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Adoption of New Accounting Pronouncements**

As of June 30, 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Michigan Public School Employees' Retirement System (MPERS). The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

In accordance with the statement, the School District has reported a net OPEB liability of \$28,777,830, deferred outflows of financial resources for OPEB contributions of \$2,066,005 made subsequent to the measurement date, and deferred inflows of financial resources for revenue received from state aid in support of OPEB contributions of \$880,949 that was received subsequent to the measurement date, as the effects of these changes in accounting principles on the School District's net position as of July 1, 2017.

**Upcoming Accounting Pronouncements**

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2021.

**Note 3 - Stewardship, Compliance, and Accountability**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds, except that the budget for the athletics program (a subfund of the General Fund) was adopted separately from the General Fund. In accordance with GASB Statement No. 54, the statement of revenue, expenditures, and changes in fund balances reports the combined activity of the General Fund and the athletics program. The budgetary comparison schedule - General Fund is presented consistent with the budgets adopted and, accordingly, excludes athletics.

**Note 3 - Stewardship, Compliance, and Accountability (Continued)**

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

Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

***Excess of Expenditures Over Appropriations in Budgeted Funds***

The School District did not have significant expenditure budget variances.

***Capital Projects Fund Compliance***

The Sinking Fund Capital Projects Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the State of Michigan School Code and the State of Michigan Department of Treasury Letter No. 01-95.

**Note 4 - Deposits and Investments**

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

The School District has designated two banks for the deposit of its funds.

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

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District had \$7,797,297 of bank deposits (checking and money market accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

***Custodial Credit Risk of Investments***

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy.

**Note 4 - Deposits and Investments (Continued)**

***Interest Rate Risk***

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools; and limiting the average maturity in accordance with the School District's cash requirements.

***Credit Risk***

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

At year end, the maturities of investments and the credit quality ratings of debt securities are as follows:

| Investment           | Fair Value   | Maturities | Rating | Rating Organization |
|----------------------|--------------|------------|--------|---------------------|
| U.S. Treasury STRIPS | \$ 3,597,443 | 2/15/2027  | Aaa    | Moody's             |

***Concentration of Credit Risk***

The School District places no limit on the amount the School District may invest in any one issuer. Any investment over 5 percent of total investments is a concentration. The School District's investment in U.S. Treasury STRIPS, listed above, is considered a concentration.

***Fair Value Measurements***

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The School District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

**Note 4 - Deposits and Investments (Continued)**

The School District has \$3,597,443 in U.S. Treasury STRIPS that are measured using Level 1 inputs.

**Note 5 - Receivables**

|                               | Combined<br>General Fund | 2010 Debt<br>Service Fund | 2015<br>Refunding,<br>Series B Debt<br>Service Fund | Nonmajor<br>Funds | Total               |
|-------------------------------|--------------------------|---------------------------|---|-------------------|---------------------|
| Receivables:                  |                          |                           |   |                   |                     |
| Property taxes<br>receivable  | \$ -                     | \$ 6                      | \$ 28   | \$ 29             | \$ 63               |
| Other receivables             | 182,884                  | -                         | -   | 502               | 183,386             |
| Due from other<br>governments | 7,998,577                | -                         | -   | 31,927            | 8,030,504           |
| Net receivables               | <u>\$ 8,181,461</u>      | <u>\$ 6</u>               | <u>\$ 28</u>  | <u>\$ 32,458</u>  | <u>\$ 8,213,953</u> |

**Note 6 - Unavailable/Unearned Revenue**

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2018, the School District had \$9,462 of unavailable revenue and \$55,875 of unearned revenue, primarily related to grant payments received prior to meeting all eligibility requirements and deposits placed in student lunch accounts that were not used.

**Note 7 - Capital Assets**

Capital asset activity of the School District's governmental activities was as follows:

**Governmental Activities**

|  | Balance<br>July 1, 2017 | Additions             | Disposals and<br>Adjustments | Balance<br>June 30, 2018 |
|--|-------------------------|-----------------------|------------------------------|--------------------------|
| Capital assets not being<br>depreciated - Land | \$ 2,419,502            | \$ -                  | \$ -                         | \$ 2,419,502             |
| Capital assets being depreciated:              |                         |                       |                              |                          |
| Buildings and improvements                     | 176,794,910             | 149,541               | -                            | 176,944,451              |
| Furniture and equipment                        | 21,045,408              | 682,854               | -                            | 21,728,262               |
| Buses and other vehicles                       | 5,776,151               | 354,118               | (179,044)                    | 5,951,225                |
| Subtotal                                       | 203,616,469             | 1,186,513             | (179,044)                    | 204,623,938              |
| Accumulated depreciation:                      |                         |                       |                              |                          |
| Buildings and improvements                     | 64,997,988              | 4,518,018             | -                            | 69,516,006               |
| Furniture and equipment                        | 15,593,511              | 660,939               | -                            | 16,254,450               |
| Buses and other vehicles                       | 2,695,506               | 646,366               | (151,068)                    | 3,190,804                |
| Subtotal                                       | 83,287,005              | 5,825,323             | (151,068)                    | 88,961,260               |
| Net capital assets being<br>depreciated        | 120,329,464             | (4,638,810)           | (27,976)                     | 115,662,678              |
| Net governmental activities<br>capital assets  | <u>\$ 122,748,966</u>   | <u>\$ (4,638,810)</u> | <u>\$ (27,976)</u>           | <u>\$ 118,082,180</u>    |

June 30, 2018

**Note 7 - Capital Assets (Continued)**

Depreciation expense was not charged to activities, as the School District considers its assets to benefit multiple activities, and allocation is not practical.

**Note 8 - Interfund Receivables, Payables, and Transfers**

The interfund payables result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Transfers from the nonmajor funds to the General Fund represent indirect costs incurred by the General Fund on behalf of the Food Services Fund.

**Note 9 - Long-term Debt**

The School District issues general obligation bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Qualified bonds are fully guaranteed by the State of Michigan. Notes and installment purchase agreements are also general obligations of the School District. Other long-term obligations include compensated absences.

Long-term debt activity for the year ended June 30, 2018 can be summarized as follows:

|  | Beginning Balance     | Additions            | Reductions             | Ending Balance        | Due Within One Year  |
|--|-----------------------|----------------------|------------------------|-----------------------|----------------------|
| Bonds payable:                               |                       |                      |                        |                       |                      |
| General obligations                          | \$ 134,540,000        | \$ -                 | \$ (16,745,000)        | \$ 117,795,000        | \$ 17,125,000        |
| Unamortized bond premiums                    | 5,132,800             | -                    | (315,590)              | 4,817,210             | 315,590              |
| Total bonds payable                          | 139,672,800           | -                    | (17,060,590)           | 122,612,210           | 17,440,590           |
| School loan revolving fund                   | 11,744,153            | 12,647,050           | -                      | 24,391,203            | -                    |
| Bus loans payable                            | 1,522,672             | 282,636              | (373,915)              | 1,431,393             | 427,378              |
| Compensated absences                         | 39,311                | -                    | (2,297)                | 37,014                | -                    |
| Total governmental activities long-term debt | <u>\$ 152,978,936</u> | <u>\$ 12,929,686</u> | <u>\$ (17,436,802)</u> | <u>\$ 148,471,820</u> | <u>\$ 17,867,968</u> |

**General Obligation Bonds and Contracts**

General obligations outstanding at June 30, 2018 are as follows:

| Purpose                             | Remaining Annual Installments | Interest Rate(s) (Percent) | Maturing May 1 | Outstanding           |
|-------------------------------------|-------------------------------|----------------------------|----------------|-----------------------|
| \$12,180,000 - 2010 serial bonds    | \$12,180,000                  | 6.65                       | 2027*          | \$ 12,180,000         |
| \$36,960,000 - 2011 refunding bonds | \$3,730,000 - \$3,810,000     | 3.50                       | 2021           | 11,315,000            |
| \$30,035,000 - 2011 refunding bonds | \$3,550,000 - \$3,975,000     | 4.00 - 5.25                | 2029**         | 29,835,000            |
| \$6,770,000 - 2015 refunding bonds  | \$1,000,000 - \$1,100,000     | 2.00                       | 2022           | 4,225,000             |
|                                     | \$11,075,000 -                |                            |                |                       |
| \$55,770,000 - 2015 refunding bonds | \$12,100,000                  | 1.83 - 2.48                | 2021           | 34,750,000            |
| \$26,615,000 - 2016 refunding bonds | \$870,000 - \$2,185,000       | 4.00 - 5.00                | 2035           | 25,490,000            |
| Total                               |                               |                            |                | <u>\$ 117,795,000</u> |

\*Balloon payment due upon maturity

\*\*Annual installments begin in 2022

**Note 9 - Long-term Debt (Continued)**

Notes consist of the following:

| Date           | Original Amount     | Interest Rate | Due Date  | Principal - Remaining to Maturity | Interest - Remaining to Maturity |
|----------------|---------------------|---------------|-----------|-----------------------------------|----------------------------------|
| June 6, 2014   | \$ 540,493          | 1.67%         | 5/1/2020  | \$ 185,915                        | \$ 3,897                         |
| April 9, 2015  | 810,436             | 1.78%         | 5/1/2021  | 416,435                           | 13,068                           |
| March 8, 2016  | 839,546             | 1.99%         | 11/1/2021 | 546,407                           | 21,962                           |
| March 13, 2018 | 282,636             | 3.37%         | 11/1/2023 | 282,636                           | 30,746                           |
| Total          | <u>\$ 2,473,111</u> |               |           | <u>\$ 1,431,393</u>               | <u>\$ 69,673</u>                 |

**Debt Service Requirements to Maturity**

The School District issued Build America Bonds in 2010. Build America Bonds, a program under the American Recovery and Reinvestment Act of 2009, provides funding for state and local governments at lower borrowing costs. The program is designed to provide a federal subsidy for a larger portion of the borrowing costs of state and local governments than traditional tax-exempt bonds. The federal interest subsidy is indicated in the table below.

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

| Years Ending<br>June 30 | Governmental Activities |                      |                       |                       |
|-------------------------|-------------------------|----------------------|-----------------------|-----------------------|
|                         | Principal               | Interest             | Interest Subsidy      | Total                 |
| 2019                    | \$ 17,552,378           | \$ 4,686,255         | \$ (706,440)          | \$ 21,532,193         |
| 2020                    | 17,992,281              | 4,272,734            | (706,440)             | 21,558,575            |
| 2021                    | 18,390,818              | 3,805,303            | (706,440)             | 21,489,681            |
| 2022                    | 6,778,249               | 3,289,120            | (706,440)             | 9,360,929             |
| 2023                    | 5,684,650               | 3,024,024            | (706,440)             | 8,002,234             |
| 2024-2028               | 40,433,018              | 10,504,052           | (2,825,760)           | 48,111,310            |
| 2029-2033               | 10,565,000              | 1,485,325            | -                     | 12,050,325            |
| 2034-2035               | 1,830,000               | 137,500              | -                     | 1,967,500             |
| Total                   | <u>\$ 119,226,394</u>   | <u>\$ 31,204,313</u> | <u>\$ (6,357,960)</u> | <u>\$ 144,072,747</u> |

**School Loan Revolving Fund**

The School Loan Revolving Fund payable represents notes payable to the state of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board in accordance with Section 9 of Act No. 92 of the Public Acts of 2005, as amended. Interest rates ranged from 3.10 percent to 3.16 percent from July 1, 2017 to June 30, 2018. Repayment is required when the millage rate necessary to cover the annual bonded debt service falls below seven mills. The School District is required to levy seven mills and repay to the State any excess of the amount levied over the bonded debt service requirements. At June 30, 2018, the principal and accrued interest balance of the School Loan Revolving Fund was \$23,823,380 and \$567,823, respectively.

**Note 10 - Restricted Assets**

At June 30, 2018, restricted assets are composed of the following:

| Description                                   | Governmental<br>Activities |
|---|----------------------------|
| Unspent bond proceeds                         | \$ 603,319                 |
| Debt service funds                            | 4,121,106                  |
| Unspent property taxes of the Sinking<br>Fund | <u>583,761</u>             |
| Total   | <u><u>\$ 5,308,186</u></u> |

**Note 11 - Risk Management**

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

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

**Note 12 - Michigan Public School Employees' Retirement System**

***Plan Description***

The School District participates in Michigan Public School Employees' Retirement System (MPSERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain School District employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The system is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools> or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

***Benefits Provided***

Benefit provisions of the defined benefit (DB) pension plan and 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 for the defined benefit pension plan and the postemployment healthcare plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

**Note 12 - Michigan Public School Employees' Retirement System (Continued)**

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years in which investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

**Contributions**

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3 percent 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 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stop paying the 3 percent contribution to the retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

The School District's contributions are determined based on employee elections. There are multiple different pension and healthcare benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The range of rates is as follows:

|                                    | Pension         | OPEB          |
|------------------------------------|-----------------|---------------|
| October 1, 2017 - January 31, 2018 | 13.54% - 17.89% | 7.42% - 7.67% |
| October 1, 2016 - June 30, 2017    | 13.54% - 19.74% | 7.42% - 7.67% |

**June 30, 2018****Note 12 - Michigan Public School Employees' Retirement System (Continued)**

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The School District's required and actual contributions to the plan for the year ended year ended June 30, 2018 were \$8,521,505, which include the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual contributions include an allocation of \$3,172,093 in revenue received from the State of Michigan, and remitted to the System, to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended year ended June 30, 2018. For the year ended June 30, 2018, the contributions also include a one-time payment to the School District received under Section 147(c) of the State Aid Act, which the School District then remitted as a contribution to the plan.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2018 were \$1,894,365, which include the School District's contributions required for those members with a defined contribution benefit.

***Net Pension Liability***

At June 30, 2018, the School District reported a liability of \$79,869,067 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 for fiscal year 2018 was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. 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 0.31 percent.

***Net OPEB Liability***

At June 30, 2018, the School District reported a liability of \$27,283,294 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 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 as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. 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 and 2016, the School District's proportion was 0.21 percent.

**Note 12 - Michigan Public School Employees' Retirement System (Continued)**

***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 \$8,920,267, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred Inflows<br>of Resources |
|--|--------------------------------------|----------------------------------|
| Difference between expected and actual experience  | \$ 694,117                           | \$ (391,901)                     |
| Changes in assumptions   | 8,750,290                            | -                                |
| Net difference between projected and actual earnings on pension plan investments   | -                                    | (3,818,267)                      |
| Changes in proportion and differences between the School District's contributions and proportionate share of contributions | 1,565,910                            | (58,103)                         |
| The School District's contributions to the plan subsequent to the measurement date   | 6,665,543                            | -                                |
| Total  | \$ 17,675,860                        | \$ (4,268,271)                   |

The \$3,172,093 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ending | Amount       |
|--------------|--------------|
| 2019         | \$ 2,096,797 |
| 2020         | 3,331,115    |
| 2021         | 1,429,475    |
| 2022         | (115,340)    |
| Total        | \$ 6,742,047 |

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

***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 \$1,824,830.

June 30, 2018

**Note 12 - Michigan Public School Employees' Retirement System (Continued)**

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

|  | Increase (Decrease)            |                               |
|--|--------------------------------|-------------------------------|
|  | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience  | \$ -                           | \$ (290,487)                  |
| Net difference between projected and actual earnings on OPEB plan investments                                    | -                              | (631,887)                     |
| Changes in proportionate share or difference between amount contributed and proportionate share of contributions | -                              | (374)                         |
| Employer contributions to the plan subsequent to the measurement date  | 1,507,281                      | -                             |
| Total  | \$ 1,507,281                   | \$ (922,748)                  |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future expense):

| Years Ending | Amount       |
|--------------|--------------|
| 2019         | \$ (222,977) |
| 2020         | (222,977)    |
| 2021         | (222,977)    |
| 2022         | (222,977)    |
| 2023         | (30,840)     |
| Total        | \$ (922,748) |

**Actuarial Assumptions**

The total pension liability as of September 30, 2017 is based on the results of an actuarial valuation as of September 30, 2016 and rolled forward. The total pension and OPEB liability was determined using the following actuarial assumptions:

|                                     |                |  |
|-------------------------------------|----------------|--|
| Actuarial cost method               |                | Entry age normal cost actuarial cost method  |
| Investment rate of return - Pension | 7.00% - 7.50%  | Net of investment expenses based on the groups   |
| Investment rate of return - OPEB    | 7.50%          | Including wage inflation of 3.50 percent   |
| Salary increases                    | 3.50% - 12.30% | 0  |
| Healthcare cost trend rate          | 7.50%          | Year 1 graded to 3.5 percent year 12   |
| Mortality basis                     |                | RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB |
| Cost of living pension adjustments  | 3.00%          | Annual noncompounded for MIP members   |

Assumption changes as a result of an experience study for the periods from 2007 to 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00-7.50 percent, depending on the plan option. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

**Note 12 - Michigan Public School Employees' Retirement System (Continued)**

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

| Asset Class                                   | Target Allocation | Long-term<br>Expected Real<br>Rate of Return |
|---|-------------------|--|
| Domestic equity pools                         | 28.00 %           | 5.60 %                                       |
| Private equity pools                          | 18.00             | 8.70   |
| International equity pools                    | 16.00             | 7.20   |
| Fixed-income pools                            | 10.50             | (0.10)                                       |
| Real estate and infrastructure pools          | 10.00             | 4.20   |
| Real return, opportunistic, and absolute pool | 15.50             | 5.00   |
| Short-term investment pools                   | 2.00              | (0.90)                                       |
| Total   | 100.00 %          |  |

MPSERS approved a decrease in the discount rate for the September 30, 2017 annual actuarial valuation for the pension plan and the OPEB plan to 7.05 percent and 7.15 percent, respectively. As a result, the actuarial computed employer contributions, the net pension liability, and net OPEB liability will increase for the measurement period ended September 30, 2018.

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

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

|  | 1 Percent<br>Decrease<br>(6.00 - 6.50%) | Current Discount<br>Rate<br>(7.00-7.50%) | 1 Percent<br>Increase<br>(8.00 - 8.50%) |
|--|---|--|---|
| Net pension liability of the School District | \$ 104,042,829                          | \$ 79,869,067                            | \$ 59,516,299                           |

***Pension Plan Fiduciary Net Position***

The following presents the net OPEB liability of the School District, calculated using the current discount rate. It also reflects what the School District's 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:

|   | 1 Percent<br>Decrease<br>(6.50%) | Current Discount<br>Rate<br>(7.50%) | 1 Percent<br>Increase<br>(8.50%) |
|---|----------------------------------|-------------------------------------|----------------------------------|
| Net OPEB liability of the School District | \$ 31,956,622                    | \$ 27,283,294                       | \$ 23,317,101                    |

**Note 12 - Michigan Public School Employees' Retirement System (Continued)**

***Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate***

The following presents the net OPEB liability of the School District, calculated using the current healthcare cost trend rate. It also reflects what the School District's net OPEB 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:

|   | 1 Percent<br>Decrease<br>(6.50%) | Current Discount<br>Rate<br>(7.50%) | 1 Percent<br>Increase<br>(8.50%) |
|---|----------------------------------|-------------------------------------|----------------------------------|
| Net OPEB liability of the School District | \$ 23,105,282                    | \$ 27,283,294                       | \$ 32,027,134                    |

***Pension Plan and OPEB Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

***Payable to the Pension Plan and OPEB Plan***

At June 30, 2018, the School District reported a payable of \$1,088,456 and \$220,670 for the outstanding amount of contributions to the pension and OPEB plans, respectively, required for the year ended June 30, 2018.

**Note 13 - State Aid Anticipation Note**

In August 2017, the School District borrowed \$3,500,000 in a state aid anticipation note. The note bears interest at 2.0 percent and is due in August 2018. At June 30, 2018, the School District has accrued interest of \$60,861 on this note. The note, plus the accrued interest, was paid subsequent to June 30, 2018.

**Note 14 - Subsequent Events**

Subsequent to June 30, 2018, the School District borrowed \$2,000,000 at 2.36 percent annual interest on a state aid anticipation note. The note, plus interest, is due on August 20, 2019.

**Note 15 - Tax Abatements**

For the fiscal year ended June 30, 2018, the School District had no significant tax abatements.

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## Required Supplemental Information

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# Hartland Consolidated Schools

## Required Supplemental Information Budgetary Comparison Schedule - General Fund\*

Year Ended June 30, 2018

|  | Original Budget     | Final Budget        | Actual              | Over (Under)<br>Final Budget |
|--|---------------------|---------------------|---------------------|------------------------------|
| <b>Revenue</b>                                     |                     |                     |                     |                              |
| Local sources                                      | \$ 7,681,567        | \$ 7,819,604        | \$ 7,842,711        | \$ 23,107                    |
| State sources                                      | 43,491,032          | 44,243,666          | 44,245,426          | 1,760                        |
| Federal sources                                    | 431,821             | 522,133             | 510,073             | (12,060)                     |
| Interdistrict and other                            | 2,403,090           | 2,678,757           | 2,699,623           | 20,866                       |
| Total revenue                                      | 54,007,510          | 55,264,160          | 55,297,833          | 33,673                       |
| <b>Expenditures</b>                                |                     |                     |                     |                              |
| Current:   |                     |                     |                     |                              |
| Instruction:                                       |                     |                     |                     |                              |
| Basic programs                                     | 26,940,634          | 26,737,818          | 26,674,561          | (63,257)                     |
| Added needs  | 6,174,830           | 6,599,850           | 6,558,546           | (41,304)                     |
| Support services:                                  |                     |                     |                     |                              |
| Pupil  | 1,623,714           | 1,376,881           | 1,368,063           | (8,818)                      |
| Instructional staff                                | 1,299,664           | 1,540,262           | 1,508,411           | (31,851)                     |
| General administration                             | 1,325,959           | 1,313,841           | 1,305,467           | (8,374)                      |
| School administration                              | 3,296,217           | 3,253,262           | 3,245,599           | (7,663)                      |
| Business   | 656,257             | 657,820             | 622,236             | (35,584)                     |
| Operations and maintenance                         | 5,410,354           | 5,209,726           | 5,173,588           | (36,138)                     |
| Pupil transportation services                      | 2,812,557           | 2,714,233           | 2,679,930           | (34,303)                     |
| Central  | 605,973             | 606,490             | 590,355             | (16,135)                     |
| Other  | 176,853             | 175,198             | 174,173             | (1,025)                      |
| Community services                                 | 3,208,288           | 3,274,272           | 3,219,609           | (54,663)                     |
| Debt service                                       | 400,466             | 400,466             | 400,466             | -                            |
| Capital outlay                                     | 215,000             | 215,000             | 214,121             | (879)                        |
| Total expenditures                                 | 54,146,766          | 54,075,119          | 53,735,125          | (339,994)                    |
| <b>Excess of Revenue (Under) Over Expenditures</b> | (139,256)           | 1,189,041           | 1,562,708           | 373,667                      |
| <b>Other Financing Sources (Uses)</b>              |                     |                     |                     |                              |
| Face value of debt issued                          | 300,000             | 282,636             | 282,636             | -                            |
| Proceeds from sale of capital assets               | 54,215              | 26,402              | 26,577              | 175                          |
| Transfers in                                       | 34,022              | 34,022              | 29,221              | (4,801)                      |
| Transfers out                                      | (749,756)           | (749,385)           | (749,385)           | -                            |
| Total other financing uses                         | (361,519)           | (406,325)           | (410,951)           | (4,626)                      |
| <b>Net Change in Fund Balance</b>                  | (500,775)           | 782,716             | 1,151,757           | 369,041                      |
| <b>Fund Balance - Beginning of year</b>            | 3,697,508           | 4,165,937           | 4,165,937           | -                            |
| <b>Fund Balance - End of year</b>                  | <b>\$ 3,196,733</b> | <b>\$ 4,948,653</b> | <b>\$ 5,317,694</b> | <b>\$ 369,041</b>            |

\* Does not include Athletics Subfund

## Hartland Consolidated Schools

### Required Supplemental Information Schedule of Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System

#### Last Four Plan Years Plan Year Ended September 30

|  | 2017          | 2016          | 2015          | 2014          |
|--|---------------|---------------|---------------|---------------|
| School District's proportion of the net pension liability  | 0.30821 %     | 0.30621 %     | 0.30230 %     | 0.29457 %     |
| School District's proportionate share of the net pension liability   | \$ 79,869,067 | \$ 76,396,790 | \$ 73,836,008 | \$ 64,882,400 |
| School District's covered employee payroll   | \$ 25,791,629 | \$ 25,961,095 | \$ 25,208,712 | \$ 24,770,772 |
| School District's proportionate share of the net pension liability as a percentage of its covered employee payroll | 309.67 %      | 294.27 %      | 292.90 %      | 261.93 %      |
| Plan fiduciary net position as a percentage of total pension liability   | 63.96 %       | 63.01 %       | 62.92 %       | 66.20 %       |

## Hartland Consolidated Schools

### Required Supplemental Information Schedule of Pension Contributions Michigan Public School Employees' Retirement System

|  | <b>Last Four Fiscal Years</b> |                    |                    |                    |
|--|-------------------------------|--------------------|--------------------|--------------------|
|  | <b>Year Ended June 30</b>     |                    |                    |                    |
|  | <u>2018</u>                   | <u>2017</u>        | <u>2016</u>        | <u>2015</u>        |
| Statutorily required contribution                                  | \$ 7,905,937                  | \$ 7,424,055       | \$ 7,182,838       | \$ 5,401,001       |
| Contributions in relation to the statutorily required contribution | <u>7,905,937</u>              | <u>7,424,055</u>   | <u>7,182,838</u>   | <u>5,401,001</u>   |
| <b>Contribution Deficiency</b>                                     | <b><u>\$ -</u></b>            | <b><u>\$ -</u></b> | <b><u>\$ -</u></b> | <b><u>\$ -</u></b> |
| <b>School District's Covered Employee Payroll</b>                  | \$ 26,227,843                 | \$ 26,765,504      | \$ 25,875,781      | \$ 24,676,189      |
| <b>Contributions as a Percentage of Covered Employee Payroll</b>   | 30.14 %                       | 27.74 %            | 27.76 %            | 21.89 %            |

**Hartland Consolidated Schools**

Required Supplemental Information  
Schedule of Proportionate Share of the Net OPEB Liability  
Michigan Public School Employee's Retirement System

**Last One Plan Year  
Plan Year Ended September 30**

|   | <u>2017</u>   |
|---|---------------|
| School District's proportion of the net OPEB liability  | 0.30810 %     |
| School District's proportionate share of the net OPEB liability   | \$ 27,283,294 |
| School District's covered employee payroll  | \$ 25,791,629 |
| School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll | 105.78 %      |
| Plan fiduciary net position as a percentage of total OPEB liability   | 36.53 %       |

## Hartland Consolidated Schools

### Required Supplemental Information Schedule of OPEB Contributions Michigan Public School Employees' Retirement System

**Last One Fiscal Year  
Year Ended June 30**

|  | <u>2018</u>          |
|--|----------------------|
| Statutorily required contribution                                  | \$ 1,894,365         |
| Contributions in relation to the statutorily required contribution | <u>1,894,365</u>     |
| <b>Contribution Deficiency</b>                                     | <b>\$ -</b>          |
| <b>School District's Covered Employee Payroll</b>                  | <b>\$ 26,227,843</b> |
| <b>Contributions as a Percentage of Covered Employee Payroll</b>   | <b>7.22 %</b>        |

### ***Pension Information***

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

### **Benefit Changes**

There were no changes of benefit terms for the plan year ended September 30, 2017.

### **Changes in Assumptions**

On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent to 7.00 - 7.50 percent based on the group.

### **Covered Payroll**

The employers' covered payroll to be reported in the required supplemental information is defined by GASB Statement No. 82, *Pension Issues - An Amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based, and by GASB Statement No. 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

### ***OPEB Information***

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

### **Benefit Changes**

There were no changes of benefit terms for the plan year ended September 30, 2017.

### **Changes in Assumptions**

There was no change of benefit assumptions for the plan year ended September 30, 2017.

### **Covered Payroll**

The employers' covered payroll to be reported in the required supplemental information is defined by GASB Statement No. 82, *Pension Issues - An Amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based, and by GASB Statement No. 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

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## Other Supplemental Information

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## Hartland Consolidated Schools

### Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Combined General Fund

**Year Ended June 30, 2018**

|  | General Fund        | Athletics         | Eliminating<br>Entries | Total               |
|--|---------------------|-------------------|------------------------|---------------------|
| <b>Revenue</b>                           |                     |                   |                        |                     |
| Local sources                            | \$ 7,842,711        | \$ 257,749        | \$ -                   | \$ 8,100,460        |
| State sources                            | 44,245,426          | -                 | -                      | 44,245,426          |
| Federal sources                          | 510,073             | -                 | -                      | 510,073             |
| Interdistrict and other                  | 2,699,623           | -                 | -                      | 2,699,623           |
| Total revenue                            | 55,297,833          | 257,749           | -                      | 55,555,582          |
| <b>Expenditures</b>                      |                     |                   |                        |                     |
| Current:                                 |                     |                   |                        |                     |
| Instruction:                             |                     |                   |                        |                     |
| Basic programs                           | 26,671,276          | -                 | -                      | 26,671,276          |
| Added needs                              | 6,558,546           | -                 | -                      | 6,558,546           |
| Support services:                        |                     |                   |                        |                     |
| Pupil                                    | 1,368,063           | -                 | -                      | 1,368,063           |
| Instructional staff                      | 1,508,411           | -                 | -                      | 1,508,411           |
| General administration                   | 1,305,467           | -                 | -                      | 1,305,467           |
| School administration                    | 3,245,599           | -                 | -                      | 3,245,599           |
| Business                                 | 622,236             | -                 | -                      | 622,236             |
| Operations and maintenance               | 5,102,294           | -                 | -                      | 5,102,294           |
| Pupil transportation services            | 2,397,106           | -                 | -                      | 2,397,106           |
| Central                                  | 590,355             | -                 | -                      | 590,355             |
| Other                                    | 151,048             | -                 | -                      | 151,048             |
| Athletics                                | -                   | 923,832           | -                      | 923,832             |
| Community services                       | 3,215,035           | -                 | -                      | 3,215,035           |
| Debt service                             | 400,466             | -                 | -                      | 400,466             |
| Capital outlay                           | 599,223             | 76,477            | -                      | 675,700             |
| Total expenditures                       | 53,735,125          | 1,000,309         | -                      | 54,735,434          |
| <b>Excess of Revenue Over (Under)</b>    |                     |                   |                        |                     |
| <b>Expenditures</b>                      | 1,562,708           | (742,560)         | -                      | 820,148             |
| <b>Other Financing Sources (Uses)</b>    |                     |                   |                        |                     |
| Face value of debt issued                | 282,636             | -                 | -                      | 282,636             |
| Proceeds from sale of capital assets     | 26,577              | -                 | -                      | 26,577              |
| Transfers in                             | 29,221              | 749,385           | (749,385)              | 29,221              |
| Transfers out                            | (749,385)           | -                 | 749,385                | -                   |
| Total other financing (uses) sources     | (410,951)           | 749,385           | -                      | 338,434             |
| <b>Net Change in Fund Balances</b>       | 1,151,757           | 6,825             | -                      | 1,158,582           |
| <b>Fund Balances - Beginning of year</b> | 4,165,937           | 191,806           | -                      | 4,357,743           |
| <b>Fund Balances - End of year</b>       | <b>\$ 5,317,694</b> | <b>\$ 198,631</b> | <b>\$ -</b>            | <b>\$ 5,516,325</b> |

# Hartland Consolidated Schools

|  | Special<br>Revenue<br>Funds | Debt Service Funds |                                |                                |                   | Total Debt<br>Service<br>Funds |
|--|-----------------------------|--------------------|--------------------------------|--------------------------------|-------------------|--------------------------------|
|  | Food<br>Services            | 2011<br>Refunding  | 2011<br>Refunding,<br>Series B | 2015<br>Refunding,<br>Series A | 2016<br>Refunding |                                |
| <b>Assets</b>                                  |                             |                    |                                |                                |                   |                                |
| Cash and investments                           | \$ 236,434                  | \$ -               | \$ -                           | \$ -                           | \$ -              | \$ -                           |
| Receivables                                    | 32,429                      | 12                 | 4                              | 1                              | 8                 | 25                             |
| Due from other funds                           | 7,335                       | -                  | -                              | -                              | -                 | -                              |
| Inventory                                      | 10,513                      | -                  | -                              | -                              | -                 | -                              |
| Restricted assets                              | -                           | 68,834             | 21,668                         | 9,403                          | 48,287            | 148,192                        |
| <b>Total assets</b>                            | <b>\$ 286,711</b>           | <b>\$ 68,846</b>   | <b>\$ 21,672</b>               | <b>\$ 9,404</b>                | <b>\$ 48,295</b>  | <b>\$ 148,217</b>              |
| <b>Liabilities</b>                             |                             |                    |                                |                                |                   |                                |
| Accounts payable                               | \$ 1,425                    | \$ -               | \$ -                           | \$ -                           | \$ -              | \$ -                           |
| Due to other governmental units                | 42                          | 585                | 183                            | 74                             | 414               | 1,256                          |
| Accrued liabilities and other                  | 15,525                      | -                  | -                              | -                              | -                 | -                              |
| Unearned revenue                               | 35,485                      | -                  | -                              | -                              | -                 | -                              |
| <b>Total liabilities</b>                       | <b>52,477</b>               | <b>585</b>         | <b>183</b>                     | <b>74</b>                      | <b>414</b>        | <b>1,256</b>                   |
| <b>Fund Balances</b>                           |                             |                    |                                |                                |                   |                                |
| Nonspendable                                   | 10,513                      | -                  | -                              | -                              | -                 | -                              |
| Restricted:                                    |                             |                    |                                |                                |                   |                                |
| Debt service                                   | -                           | 68,261             | 21,489                         | 9,330                          | 47,881            | 146,961                        |
| Capital projects                               | -                           | -                  | -                              | -                              | -                 | -                              |
| Food service                                   | 223,721                     | -                  | -                              | -                              | -                 | -                              |
| <b>Total fund balances</b>                     | <b>234,234</b>              | <b>68,261</b>      | <b>21,489</b>                  | <b>9,330</b>                   | <b>47,881</b>     | <b>146,961</b>                 |
| <b>Total liabilities and fund<br/>balances</b> | <b>\$ 286,711</b>           | <b>\$ 68,846</b>   | <b>\$ 21,672</b>               | <b>\$ 9,404</b>                | <b>\$ 48,295</b>  | <b>\$ 148,217</b>              |

Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2018

| Capital Project Funds                |                          |                                   |  |
|--------------------------------------|--------------------------|-----------------------------------|--|
| 2010 Capital<br>Projects<br>Combined | Sinking Fund             | Total Capital<br>Project<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
| \$ -                                 | \$ -                     | \$ -                              | \$ 236,434                                 |
| -                                    | 4                        | 4                                 | 32,458                                     |
| -                                    | -                        | -                                 | 7,335                                      |
| -                                    | -                        | -                                 | 10,513                                     |
| 603,319                              | 583,761                  | 1,187,080                         | 1,335,272                                  |
| <b><u>\$ 603,319</u></b>             | <b><u>\$ 583,765</u></b> | <b><u>\$ 1,187,084</u></b>        | <b><u>\$ 1,622,012</u></b>                 |
| \$ 111,419                           | \$ 24,392                | \$ 135,811                        | \$ 137,236                                 |
| -                                    | 134                      | 134                               | 1,432                                      |
| -                                    | -                        | -                                 | 15,525                                     |
| -                                    | -                        | -                                 | 35,485                                     |
| 111,419                              | 24,526                   | 135,945                           | 189,678                                    |
| -                                    | -                        | -                                 | 10,513                                     |
| -                                    | -                        | -                                 | 146,961                                    |
| 491,900                              | 559,239                  | 1,051,139                         | 1,051,139                                  |
| -                                    | -                        | -                                 | 223,721                                    |
| 491,900                              | 559,239                  | 1,051,139                         | 1,432,334                                  |
| <b><u>\$ 603,319</u></b>             | <b><u>\$ 583,765</u></b> | <b><u>\$ 1,187,084</u></b>        | <b><u>\$ 1,622,012</u></b>                 |

# Hartland Consolidated Schools

|  | Special Revenue Funds | Debt Service Funds |                          |                          |                  | Total Debt Service Funds |
|--|-----------------------|--------------------|--------------------------|--------------------------|------------------|--------------------------|
|  | Food Services         | 2011 Refunding     | 2011 Refunding, Series B | 2015 Refunding, Series A | 2016 Refunding   |                          |
| <b>Revenue</b>                                     |                       |                    |                          |                          |                  |                          |
| Local sources                                      | \$ 1,097,312          | \$ 1,994,627       | \$ 605,184               | \$ 242,432               | \$ 1,367,671     | \$ 4,209,914             |
| State sources                                      | 64,037                | 14,380             | 4,494                    | 1,797                    | 10,156           | 30,827                   |
| Federal sources                                    | 547,919               | -                  | -                        | -                        | -                | -                        |
| Total revenue                                      | 1,709,268             | 2,009,007          | 609,678                  | 244,229                  | 1,377,827        | 4,240,741                |
| <b>Expenditures</b>                                |                       |                    |                          |                          |                  |                          |
| Current:   |                       |                    |                          |                          |                  |                          |
| Support services - Business                        | -                     | -                  | -                        | -                        | -                | -                        |
| Food services                                      | 1,656,687             | -                  | -                        | -                        | -                | -                        |
| Debt service:                                      |                       |                    |                          |                          |                  |                          |
| Principal  | -                     | 3,845,000          | -                        | 1,075,000                | 1,125,000        | 6,045,000                |
| Interest   | -                     | 530,600            | 1,372,775                | 106,000                  | 1,286,550        | 3,295,925                |
| Other  | -                     | 883                | 448                      | 579                      | 4,268            | 6,178                    |
| Capital outlay                                     | 59,936                | -                  | -                        | -                        | -                | -                        |
| Total expenditures                                 | 1,716,623             | 4,376,483          | 1,373,223                | 1,181,579                | 2,415,818        | 9,347,103                |
| <b>Excess of Revenue Over (Under) Expenditures</b> | (7,355)               | (2,367,476)        | (763,545)                | (937,350)                | (1,037,991)      | (5,106,362)              |
| <b>Other Financing Sources (Uses)</b>              |                       |                    |                          |                          |                  |                          |
| School Bond Loan Revolving Fund proceeds           | -                     | 2,375,610          | 772,156                  | 923,123                  | 1,055,710        | 5,126,599                |
| Transfers out                                      | (29,221)              | -                  | -                        | -                        | -                | -                        |
| Total other financing (uses) sources               | (29,221)              | 2,375,610          | 772,156                  | 923,123                  | 1,055,710        | 5,126,599                |
| <b>Net Change in Fund Balances</b>                 | (36,576)              | 8,134              | 8,611                    | (14,227)                 | 17,719           | 20,237                   |
| <b>Fund Balances - Beginning of year</b>           | 270,810               | 60,127             | 12,878                   | 23,557                   | 30,162           | 126,724                  |
| <b>Fund Balances - End of year</b>                 | <b>\$ 234,234</b>     | <b>\$ 68,261</b>   | <b>\$ 21,489</b>         | <b>\$ 9,330</b>          | <b>\$ 47,881</b> | <b>\$ 146,961</b>        |

Other Supplemental Information  
Combining Statement of Revenue, Expenditures, and Changes in Fund  
Balances  
Nonmajor Governmental Funds

Year Ended June 30, 2018

| Capital Project Funds                |                   |                                   |  |
|--------------------------------------|-------------------|-----------------------------------|--|
| 2010 Capital<br>Projects<br>Combined | Sinking Fund      | Total Capital<br>Project<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
| \$ 5,157                             | \$ 605,490        | \$ 610,647                        | \$ 5,917,873                               |
| -                                    | -                 | -                                 | 94,864                                     |
| -                                    | -                 | -                                 | 547,919                                    |
| 5,157                                | 605,490           | 610,647                           | 6,560,656                                  |
| -                                    | 134               | 134                               | 134  |
| -                                    | -                 | -                                 | 1,656,687                                  |
| -                                    | -                 | -                                 | 6,045,000                                  |
| -                                    | -                 | -                                 | 3,295,925                                  |
| -                                    | -                 | -                                 | 6,178                                      |
| 419,798                              | 46,117            | 465,915                           | 525,851                                    |
| 419,798                              | 46,251            | 466,049                           | 11,529,775                                 |
| (414,641)                            | 559,239           | 144,598                           | (4,969,119)                                |
| -                                    | -                 | -                                 | 5,126,599                                  |
| -                                    | -                 | -                                 | (29,221)                                   |
| -                                    | -                 | -                                 | 5,097,378                                  |
| (414,641)                            | 559,239           | 144,598                           | 128,259                                    |
| 906,541                              | -                 | 906,541                           | 1,304,075                                  |
| <b>\$ 491,900</b>                    | <b>\$ 559,239</b> | <b>\$ 1,051,139</b>               | <b>\$ 1,432,334</b>                        |

# Hartland Consolidated Schools

## Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2018

| Years Ending June 30            | 2010 School Building and Site Bonds, Series B | 2011 Refunding Bonds | 2011 Refunding Bonds, Series B | 2015 Refunding Bonds, Series A | 2015 Refunding Bonds, Series B (SBLF) | 2016 Refunding Bonds |
|---------------------------------|---|----------------------|--------------------------------|--------------------------------|---------------------------------------|----------------------|
|                                 | Principal                                     | Principal            | Principal                      | Principal                      | Principal                             | Principal            |
| 2019                            | \$ -  | \$ 3,810,000         | \$ -                           | \$ 1,100,000                   | \$ 11,075,000                         | \$ 1,140,000         |
| 2020                            | -   | 3,775,000            | -                              | 1,075,000                      | 11,575,000                            | 1,130,000            |
| 2021                            | -   | 3,730,000            | -                              | 1,050,000                      | 12,100,000                            | 1,160,000            |
| 2022                            | -   | -                    | 3,975,000                      | 1,000,000                      | -                                     | 1,670,000            |
| 2023                            | -   | -                    | 3,900,000                      | -                              | -                                     | 1,730,000            |
| 2024                            | -   | -                    | 3,840,000                      | -                              | -                                     | 1,815,000            |
| 2025                            | -   | -                    | 3,770,000                      | -                              | -                                     | 1,895,000            |
| 2026                            | -   | -                    | 3,625,000                      | -                              | -                                     | 1,970,000            |
| 2027                            | 12,180,000                                    | -                    | 3,600,000                      | -                              | -                                     | 2,035,000            |
| 2028                            | -   | -                    | 3,575,000                      | -                              | -                                     | 2,100,000            |
| 2029                            | -   | -                    | 3,550,000                      | -                              | -                                     | 2,155,000            |
| 2030                            | -   | -                    | -                              | -                              | -                                     | 2,185,000            |
| 2031                            | -   | -                    | -                              | -                              | -                                     | 870,000              |
| 2032                            | -   | -                    | -                              | -                              | -                                     | 900,000              |
| 2033                            | -   | -                    | -                              | -                              | -                                     | 905,000              |
| 2034                            | -   | -                    | -                              | -                              | -                                     | 910,000              |
| 2035                            | -   | -                    | -                              | -                              | -                                     | 920,000              |
| <b>Total remaining payments</b> | <b>\$ 12,180,000</b>                          | <b>\$ 11,315,000</b> | <b>\$ 29,835,000</b>           | <b>\$ 4,225,000</b>            | <b>\$ 34,750,000</b>                  | <b>\$ 25,490,000</b> |
| Interest rate                   | 6.65%<br>(excluding subsidized portions)      | 3.50%                | 4.00% to 5.25%                 | 2.00%                          | 1.83% to 2.478%                       | 4.00% to 5.00%       |
| Original issue                  | <b>\$ 12,180,000</b>                          | <b>\$ 36,960,000</b> | <b>\$ 30,035,000</b>           | <b>\$ 6,770,000</b>            | <b>\$ 55,770,000</b>                  | <b>\$ 26,615,000</b> |

Principal payments for the bond issues are due on May 1 of each year.

Interest payments for the bond issues are due on May 1 and November 1 of each year.