

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

CONTENTS

	<u>Page</u>
Independent auditor's report	4 - 6
Management's Discussion and Analysis	7 - 13
Basic financial statements	14
Government-wide financial statements	
Statement of net position.....	15
Statement of activities	16
Fund financial statements	
Balance sheet - governmental funds	17 - 18
Statement of revenues, expenditures and changes in fund balances - governmental funds.....	19 - 20
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities.....	21
Fiduciary funds	
Statement of fiduciary assets and liabilities	22
Notes to financial statements	23 - 51
Required supplementary information	52
Budgetary comparison schedule - general fund	53
Schedule of the reporting unit's proportionate share of the net pension liability.....	54
Schedule of the reporting unit's contributions	55
Notes to required supplementary information	56

CONTENTS

	<u>Page</u>
Additional supplementary information	57
Nonmajor governmental fund types	
Combining balance sheet	58
Combining statement of revenues, expenditures, and changes in fund balances	59
Debt service funds	
Combining balance sheet	60
Combining statement of revenues, expenditures and changes in fund balances	61
Long-term debt	
Bonded debt	62 - 66
School bond loan program.....	67
School loan revolving fund	68
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	69 - 70

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Haslett Public Schools

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Haslett Public Schools' basic financial statements. The additional supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2017 on our consideration of Haslett Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Haslett Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Haslett Public Schools' internal control over financial reporting and compliance.

Maney Costeiran PC

August 30, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

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

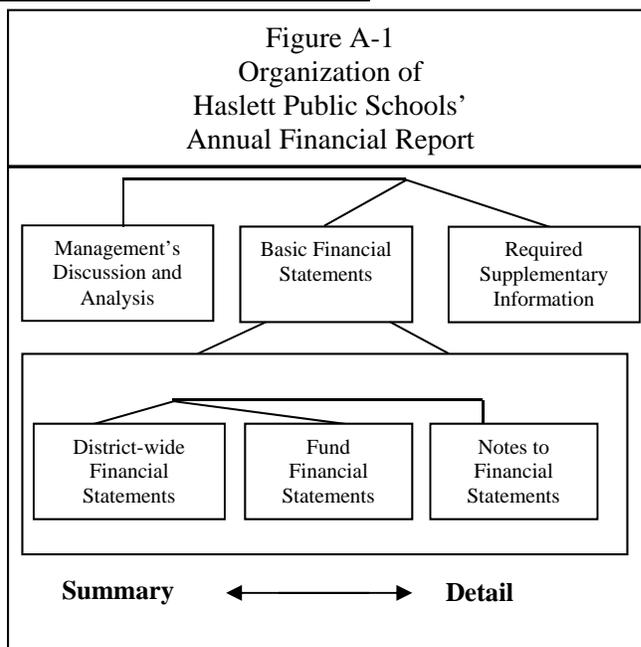
FINANCIAL HIGHLIGHTS

- Governmental funds revenues increased to \$36.1 million compared to \$34.7 million at June 30, 2016. Governmental fund expenditures were \$35.6 million compared to \$57.6 million at June 30, 2016.
- General Fund revenues were \$29.4 million, \$286,000 greater than General Fund expenditures and transfers.
- State Aid Foundation Allowance increased by \$120 per student to \$7,511 per student.
- The District’s fall student count increased to 2,735 pupils, an increase of 14 students over last year.
- The District participates in the School Bond Loan Fund (SBLF) and the School Loan Revolving Fund (SLRF) which allows districts to maintain level debt millages throughout the life of a bond issue. This feature can, however, create a net deficit in the district-wide financial statements in the short term, with future debt millages restoring the net position of the District once the bonded debt is reduced. The District reduced its outstanding long-term debt \$3.3 million or 6%.
- The total taxable value of property in the District increased 2.59 percent. The five-year average for taxable value increases is 1.67 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



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

Figure A-2			
Major Features of District-Wide and Fund Financial Statements			
Scope	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Haslett's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net position include *all* of the District's assets, deferred outflows, deferred inflows, and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net position* and how they have changed. Net position - the difference between the District's assets, deferred outflows, deferred inflows and liabilities - is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

- *Governmental activities* - Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch).

The District has two kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

- *Fiduciary funds* - The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position (deficit) - The District's *combined* net deficit was lower on June 30, 2017, than the year before, decreasing from (\$39.148) million to (\$35.958) million. The District's net deficit results from participating for many years in the School Bond Loan Fund (SBLF) and School Loan Revolving Fund (SLRF) programs as well as recording net unfunded pension liability. These programs allow districts to levy the same debt service property tax millage rate over the life of a bond issue. During the early years of participation in the SBLF and SLRF, the property tax levy is less than is required for debt service and districts in the program borrow from the SBLF and SLRF to make up the difference. During the later years of participation, the property tax levy remains level and is greater than is required for debt service. Districts use the excess to pay back the SBLF and SLRF. The District began repaying the SLRF in 2014-15 and will continue to eliminate the District's deficit in subsequent years. The District has been in the SBLF since 1992, and SLRF since 2006. It is important to note that the Board of Education has full authority to levy the necessary taxes to meet bond issue debt service requirements.

Table A-3 Haslett Public Schools Net Position		
	2017	2016
Current assets	\$ 7,745,582	\$ 7,084,157
Capital assets, net of depreciation	46,113,180	46,025,601
Total assets	53,858,762	53,109,758
Deferred outflows of resources	7,566,171	5,223,690
Noncurrent liabilities	48,398,022	51,612,074
Other liabilities	4,979,474	4,743,134
Net pension liability	41,608,821	38,631,814
Total liabilities	94,986,317	94,987,022
Deferred inflows of resources	2,396,557	2,494,152
Net position:		
Net investment in capital assets	5,947,229	2,905,655
Unrestricted	(41,905,170)	(42,053,381)
Total net position	\$ (35,957,941)	\$ (39,147,726)

Table A-4
Changes in Haslett Public Schools Net Position

	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 1,434,574	\$ 1,512,506
Federal and state categorical grants	4,143,352	2,706,886
General revenues:		
Property taxes	7,812,612	7,707,543
State aid - unrestricted	18,406,935	18,086,490
Other	4,098,003	3,620,889
Total revenues	<u>35,895,476</u>	<u>33,634,314</u>
Expenses:		
Instruction	15,687,416	14,368,412
Support services	11,523,148	11,240,044
Community services	913,279	857,695
Transfers and other transactions	572,996	603,905
Food services	869,430	882,996
Interest on long-term debt	1,478,929	1,655,270
Unallocated depreciation	1,660,493	1,630,430
Total expenses	<u>32,705,691</u>	<u>31,238,752</u>
Change in net position	<u>\$ 3,189,785</u>	<u>\$ 2,395,562</u>

District Governmental Activities

The District seeks a balance between maximizing resources for the education of our students and maintaining the long-term financial health of the District. The governmental activities mirror that goal. Our support services seek to be efficient at providing the necessary safe, orderly, and positive learning environment so that more dollars are available for the direct instruction of students. Our before-and-after-care program, Kids Connection, and our school breakfast and lunch program seek to be self-supporting and cost effective.

- The state per pupil foundation allowance increased \$120 per student to \$7,511.
- Food Service fund balance increased \$12,074 on revenues of \$949,061.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported *combined* fund balances of \$2.9 million. The General Fund's fund balance increased approximately \$286,000 to \$1.9 million.

General Fund Budgetary Highlights

The District is required to adopt an operating budget prior to the start of the fiscal year. Certain information is not known at the time of budget adoption, such as the amount of state aid, the actual number of students and the cost of employee contracts, and must be estimated or projected. Over the course of the budget year, the District revises the annual operating budget several times. For fiscal year 2016 - 2017, these budget amendments included:

- Changes adopted in the third and fourth quarters of the fiscal year to account for final enrollment counts, changes in assumptions since the original budget was adopted.

The District's original budget called for a deficit of \$86,500 before transfers. Budget amendments approved in February and June of 2017 called for budget deficits of \$56,500 and \$56,500 respectively before transfers. Actual revenues exceeded expenditures and transfers by \$285,814 at year end. Actual budget variance at year-end June 30, 2017 was 0.92%.

- Actual revenues were \$206,462 more than budgeted. This variance was due primarily to normal anticipated budget variances.
- Actual expenditures were \$68,157 lower than budgeted. This variance was due primarily to normal anticipated budget variances.
- Actual other financing sources and uses were \$11,195 greater than budgeted. This variance was due primarily to a transfer in.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2017, the District had invested over \$79.7 million in a broad range of capital assets, including school buildings, athletic and support facilities, computer and transportation equipment. (More detailed information about capital assets can be found in Note 3 to the financial statements.) Total depreciation expense for the year exceeded \$1.6 million.

	2017	2016
Land	\$ 330,000	\$ 330,000
Buildings and additions	70,067,179	68,544,985
Site improvements	64,683	64,683
Equipment and furniture	9,260,202	9,195,994
	79,722,064	78,135,662
Accumulated depreciation	33,608,884	32,110,061
Total	<u>\$ 46,113,180</u>	<u>\$ 46,025,601</u>

Long-term Debt

At year-end the District had \$47.3 million in general obligation bonds and other long-term debt outstanding - a net reduction of 6.5% from last year. (More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.)

	2017	2016
General obligation debts <i>(financed with property taxes)</i>	\$ 47.3	\$ 50.6
Other	1.1	1.0
Total	<u>\$ 48.4</u>	<u>\$ 51.6</u>

- The District continued to pay down its debt, retiring \$3.3 million of outstanding bonds.
- The District repaid \$379,000 to the School Loan Revolving Fund during 2016-2017. This leaves an outstanding SBLF and SLRF balance of approximately \$11,000 at year-end.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- All employee contracts were settled as of June 30, 2017. All increases in contract settlements were included in the budget adopted by the board in June 2017.
- Phase IV of the District's renovation project to the performing arts center at the high school will begin in June 2017. Costs for the project are estimated to be \$300,000 for 2017-18.
- The State has passed its budget for 2017-18 but the current economic conditions could cause schools to have to make additional cuts if a mid-year proration to the foundation allowance is necessary.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Haslett Public Schools, 5593 Franklin Street, Haslett, Michigan 48840.

BASIC FINANCIAL STATEMENTS

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

	<u>Governmental activities</u>
ASSETS:	
Cash	\$ 2,751,782
Investments	23,663
Receivables:	
Accounts receivable	62,196
Intergovernmental	4,395,503
Inventories	47,829
Prepays	464,609
Capital assets, not being depreciated - land	330,000
Capital assets, net of accumulated depreciation	<u>45,783,180</u>
TOTAL ASSETS	<u>53,858,762</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding, net of amortization	475,944
Related to pensions	<u>7,090,227</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>7,566,171</u>
LIABILITIES:	
Accounts payable	101,301
Accrued salaries and related items	1,581,718
Accrued retirement	1,054,788
Accrued interest	234,657
Due to student groups	551,887
Unearned revenue	95,123
Notes payable	1,360,000
Noncurrent liabilities:	
Due within one year	6,564,046
Due in more than one year	41,833,976
Net pension liability	<u>41,608,821</u>
TOTAL LIABILITIES	<u>94,986,317</u>
DEFERRED INFLOWS OF RESOURCES:	
Related to pensions	1,084,027
Related to state aid funding for pension	<u>1,312,530</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,396,557</u>
NET POSITION:	
Net investment in capital assets	5,947,229
Unrestricted	<u>(41,905,170)</u>
TOTAL NET POSITION	<u><u>\$ (35,957,941)</u></u>

See notes to financial statements.

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

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net position
Governmental activities:				
Instruction	\$ 15,687,416	\$ 10,725	\$ 3,529,585	\$ (12,147,106)
Support services	11,523,148	149,891	185,768	(11,187,489)
Community services	913,279	752,896	-	(160,383)
Outgoing transfers and other transactions	572,996	-	-	(572,996)
Food services	869,430	521,062	427,999	79,631
Interest on long-term debt	1,478,929	-	-	(1,478,929)
Unallocated depreciation	1,660,493	-	-	(1,660,493)
Total governmental activities	<u>\$ 32,705,691</u>	<u>\$ 1,434,574</u>	<u>\$ 4,143,352</u>	<u>(27,127,765)</u>
General revenues:				
Property taxes, levied for general purposes				1,984,609
Property taxes, levied for debt service				4,689,611
Property taxes, levied for sinking fund				1,138,392
Investment earnings				5,512
State sources - unrestricted				18,406,935
Intermediate sources				3,469,339
Other				<u>623,152</u>
Total general revenues				<u>30,317,550</u>
CHANGE IN NET POSITION				3,189,785
NET POSITION, beginning of year				<u>(39,147,726)</u>
NET POSITION, end of year				<u><u>\$ (35,957,941)</u></u>

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

	<u>General fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
ASSETS:			
Cash and cash equivalents	\$ 1,641,483	\$ 1,110,299	\$ 2,751,782
Investments	1,409	22,254	23,663
Receivables:			
Accounts receivable	62,196	-	62,196
Intergovernmental	4,389,253	6,250	4,395,503
Due from other funds	145,668	572,432	718,100
Inventories	39,172	8,657	47,829
Prepays	464,609	-	464,609
TOTAL ASSETS	<u>\$ 6,743,790</u>	<u>\$ 1,719,892</u>	<u>\$ 8,463,682</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 84,288	\$ 17,013	\$ 101,301
Accrued salaries and related items	1,581,512	206	1,581,718
Accrued retirement	1,054,740	48	1,054,788
Accrued interest	11,661	-	11,661
Due to other funds	-	718,100	718,100
Due to student groups	551,887	-	551,887
Unearned revenue	61,168	33,955	95,123
Notes payable	1,360,000	-	1,360,000
TOTAL LIABILITIES	<u>4,705,256</u>	<u>769,322</u>	<u>5,474,578</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue	100,000	-	100,000
FUND BALANCES:			
Nonspendable:			
Inventories	39,172	8,657	47,829
Prepays	464,609	-	464,609

See notes to financial statements.

	General fund	Total nonmajor funds	Total governmental funds
FUND BALANCES:			
Restricted for:			
Debt service	\$ -	\$ 1,328,403	\$ 1,328,403
Food service	-	3,417	3,417
Unassigned - General fund	1,434,753	-	1,434,753
Unassigned - Capital projects	-	(389,907)	(389,907)
TOTAL FUND BALANCES	1,938,534	950,570	2,889,104
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 6,743,790	\$ 1,719,892	\$ 8,463,682
Total governmental fund balances			\$ 2,889,104
Amounts reported for governmental activities in the statement of net position are different because:			
Deferred outflows of resources - deferred charge on refunding, net of amortization			475,944
Deferred outflows of resources - related to pensions			7,090,227
Deferred inflows of resources - related to pensions			(1,084,027)
Deferred inflows of resources - related to state pension funding			(1,312,530)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:			
The cost of the capital assets is		\$ 79,722,064	
Accumulated depreciation is		(33,608,884)	
			46,113,180
Because the focus of governmental funds is on short term-financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by unavailable revenues in the government funds, and thus are not included in fund balance:			
Unavailable revenue expected to be collected after September 1			100,000
Long-term liabilities are not due and payable in the current period and are not reported in the funds:			
Bonds payable			(47,329,464)
Compensated absences and severance benefits			(1,068,558)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid			(222,996)
Net pension liability			(41,608,821)
Net position of governmental activities			\$ (35,957,941)

See notes to financial statements.

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

	<u>General fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
REVENUES:			
Local sources:			
Property taxes	\$ 1,984,609	\$ 5,828,003	\$ 7,812,612
Tuition	713,769	-	713,769
Investment earnings	2,702	2,810	5,512
Food sales, athletics, and community service	149,891	521,062	670,953
Other	435,910	-	435,910
Total local sources	3,286,881	6,351,875	9,638,756
State sources	22,054,921	58,040	22,112,961
Federal sources	310,398	386,293	696,691
Incoming transfers and other	3,706,219	-	3,706,219
Total revenues	29,358,419	6,796,208	36,154,627
EXPENDITURES:			
Current:			
Instruction	15,664,920	-	15,664,920
Supporting services	11,988,897	-	11,988,897
Food service activities	-	862,423	862,423
Community service activities	913,507	-	913,507
Outgoing transfers and other transactions	572,976	-	572,976

See notes to financial statements.

	General fund	Total nonmajor funds	Total governmental funds
EXPENDITURES (Concluded):			
Capital outlay	\$ -	\$ 1,529,276	\$ 1,529,276
Debt service:			
Principal repayment	-	2,580,000	2,580,000
Interest expense	-	1,510,181	1,510,181
Other	-	121	121
Total expenditures	<u>29,140,300</u>	<u>6,482,001</u>	<u>35,622,301</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>218,119</u>	<u>314,207</u>	<u>532,326</u>
OTHER FINANCING SOURCES (USES):			
Refund from bond escrow agent	-	229,933	229,933
Repayment to school loan revolving fund	-	(379,246)	(379,246)
Proceeds from sale of capital assets	214	-	214
Transfers in	67,481	-	67,481
Transfers out	-	(67,481)	(67,481)
Total other financing sources	<u>67,695</u>	<u>(216,794)</u>	<u>(149,099)</u>
NET CHANGE IN FUND BALANCES	285,814	97,413	383,227
FUND BALANCES:			
Beginning of year	1,652,720	853,157	2,505,877
End of year	<u>\$ 1,938,534</u>	<u>\$ 950,570</u>	<u>\$ 2,889,104</u>

See notes to financial statements.

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

Net change in fund balances total governmental funds	\$ 383,227
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(1,660,493)
Capital outlay	1,748,072
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	264,854
Accrued interest payable, end of the year	(222,996)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Refund from escrow agent	(229,933)
Payments on debt	2,580,000
Amortization of deferred charge on refunding	(55,217)
Amortization of bond premium	292,707
Amortization of bond discount	(47)
Principal and interest payment for SLRF	379,246
Long-term interest on school bond loan fund (accrued)	(108)
Long-term interest on school loan revolving fund (accrued)	(10,397)
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Unavailable revenue, beginning of the year	(100,000)
Unavailable revenue, end of the year	100,000
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences and severance benefits, beginning of the year	1,041,209
Accrued compensated absences and severance benefits, end of the year	(1,068,558)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Pension related items	7,584
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period:	
State aid funding for pension	(259,365)
Change in net position of governmental activities	\$ 3,189,785

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

	<u>Agency fund</u>
ASSETS:	
Due from Haslett Public Schools	\$ 551,887
LIABILITIES:	
Due to student and other groups	\$ 551,887

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

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

B. Reporting Entity

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

C. Basis of Presentation - Government-wide Financial Statements

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

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

D. Basis of Presentation - Fund Financial Statements

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

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The District reports the following major governmental funds:

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

Other non-major funds

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

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

The *capital projects sinking fund* accounts for the receipt of sinking fund millage proceeds and the acquisition of fixed assets or construction of capital projects. The District has complied with the applicable provisions of §1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95 relating to sinking funds. At June 30, 2017 this fund had a deficit of \$389,907, 2017-18 property taxes are planned to eliminate this deficit.

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

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

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

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

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting

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

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

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

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

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

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

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

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

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

F. Budgetary Information

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

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

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information (Concluded)

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

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

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

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

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

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Investments (Concluded)

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

3. Inventories and prepaid items

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

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

4. Capital assets

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

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

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Capital assets (Concluded)

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

Buildings and additions	20 - 50 years
Site improvements	10 - 20 years
Technology	5 - 10 years
Furniture and fixtures	5 - 20 years
Machinery and equipment	5 - 20 years
Transportation equipment	8 years

5. Defined benefit plan

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

6. Deferred outflows/inflows of resources

Deferred outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are the deferred charge on refunding and pension related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows are recognized for pension related items. These amounts are expensed in the plan years in which they apply.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Deferred outflows/inflows of resources (Concluded)

Deferred inflows

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first item arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from receipts that are received after 60 days of year end. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available. The second item is the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary. The third item is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period.

7. Net position flow assumption

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

In the computation of invested in capital assets, net of related debt, school bond loan fund and school bond revolving fund principal proceeds are considered capital-related debt. There were no borrowings in the current year. Accrued interest on the school bond loan fund and school bond revolving fund of \$10,505 is not considered capital related debt.

In addition, during the year ended June 30, 2016 the District issued bonded debt in the amount of \$23,060,000 used to make principal and interest payments related to the School Loan Revolving fund and the School Bond Loan Fund. 29% of these proceeds are not considered capital related debt as this amount was used to pay off accrued interest. The remaining allocation of this debt not considered capital related debt at June 30, 2017 is \$6,687,400.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Fund balance flow assumptions

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

9. Fund balance policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board of education 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.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

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

Fund	Mills
General fund:	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	8.3300
Sinking fund:	
PRE, Non-PRE, Commercial Personal Property	2.0153

3. Compensated absences

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

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Revenues and Expenditures/Expenses (Concluded)

4. Long-term obligations

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Investment type	Fair value	Weighted average maturity (years)	Standard & Poor's rating	%
Michigan Class - pooled short term investments	\$ 23,663	0.0027	(1)	100%
Portfolio weighted average maturity		0.0027		

1 day maturity equals 0.0027, one year equals 1.00

(1) The pooled short term investment fund is rated AAAM

The District voluntarily invests certain excess funds in pooled short term investment funds which included money market funds. One of the pooled investment funds utilized by the District is Michigan Class. Michigan Class is an external money market fund of “qualified” investments for Michigan school districts. Michigan Class is not regulated nor is it registered with the SEC. Michigan Class reports as of June 30, 2017, the fair value of the District’s investments is the same as the value of the pool shares.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Michigan Class funds are a local governmental investment pool as defined by the GASB and as such are recorded at fair value. These funds are subject to the fair value disclosures.

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

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

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2017, \$2,583,517 of the District's bank balance of \$3,083,517 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$2,751,782.

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

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

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

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

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)

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

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

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

Michigan Class Investments are level 2.

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

The carrying amount as previously reported in Note 2:

Deposits	\$ 2,751,782
Investments	23,663
	\$ 2,775,445
	\$ 2,775,445

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

Cash - district-wide	\$ 2,751,782
Investments - district-wide	23,663
	\$ 2,775,445
	\$ 2,775,445

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS

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

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 330,000	\$ -	\$ -	\$ 330,000
Capital assets, being depreciated:				
Buildings and additions	68,544,985	1,522,194	-	70,067,179
Site improvements	64,683	-	-	64,683
Technology	2,608,054	84,764	161,670	2,531,148
Furniture and fixtures	3,810,510	-	-	3,810,510
Machinery and equipment	1,135,541	47,962	-	1,183,503
Transportation equipment	1,641,889	93,152	-	1,735,041
Total capital assets, being depreciated	<u>77,805,662</u>	<u>1,748,072</u>	<u>161,670</u>	<u>79,392,064</u>
Accumulated depreciation:				
Buildings and improvements	24,603,420	1,379,157	-	25,982,577
Site improvements	28,829	3,234	-	32,063
Technology	2,428,671	78,840	161,670	2,345,841
Furniture and fixtures	2,704,501	111,804	-	2,816,305
Machinery and equipment	1,018,371	20,979	-	1,039,350
Transportation equipment	1,326,269	66,479	-	1,392,748
Total accumulated depreciation	<u>32,110,061</u>	<u>1,660,493</u>	<u>161,670</u>	<u>33,608,884</u>
Net capital assets being depreciated	<u>45,695,601</u>	<u>87,579</u>	<u>-</u>	<u>45,783,180</u>
Net governmental capital assets	<u>\$ 46,025,601</u>	<u>\$ 87,579</u>	<u>\$ -</u>	<u>\$ 46,113,180</u>

Depreciation for the fiscal year ended June 30, 2017 amounted to \$1,660,493. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017 consist of the following:

Accounts receivable	\$ 62,196
Intergovernmental receivables	4,395,503
	<u>\$ 4,457,699</u>

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs. No allowance for doubtful accounts is considered necessary.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - NOTES PAYABLE - STATE AID ANTICIPATION NOTES

At June 30, 2017, the District issued state aid anticipation notes payable in the amount of \$3,000,000 with interest rates between .76% and 1.20% and maturity dates through August 21, 2017. Proceeds of the notes were used to fund school operations. The notes are secured by the full faith and credit of the District as well as pledged state aid. The notes require payments to an irrevocable set-aside account for principal and accrued interest at June 30, 2017. At year end, the balance of these payments is considered defeased debt and is not included in the year-end balance. Activity for the year ended June 30, 2017 is as follows:

Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
\$ 1,200,000	\$ 3,000,000	\$ 2,840,000	\$ 1,360,000

NOTE 6 - LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

Long-term debts and other obligations currently outstanding are as follows:

2009 refunding term bonds due in annual installments of \$435,000 to \$490,000 through May 2026 with interest from 3.0% to 4.375%.	\$ 4,170,000
2012 refunding term bonds due in annual installments of \$830,000 to \$1,200,000 through May 2023 with interest from 3.0% to 4.0%.	2,890,000
2015 refunding term bonds due in annual installments of \$1,300,000 to \$1,630,000 through May 2022 with interest from 3.0% to 5.0%.	7,305,000
2016 Series A refunding term bonds due in annual installments of \$100,000 to \$1,820,000 through May 2027 with interest of 4.0%.	7,840,000
2016 Series B general obligation bonds due in annual installments of \$3,755,000 to \$3,955,000 through May 2023 with interest from 1.384% to 2.345%.	23,060,000
Plus: premium on 2016 bond issuance	1,090,172
Plus: premium on 2015 bond issuance	744,655
Plus: premium on 2012 bond issuance	219,570
Less: discount on 2009 bond issuance	(438)
Total general obligation debt	47,318,959

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT (Continued)

Long-term debts and other obligations currently outstanding are as follows (Concluded):

Borrowings from the State of Michigan under the School Bond Loan Fund, including interest at 3.133% at June 30, 2017.	\$ 3,507
Borrowings from the State of Michigan under the School Loan Revolving Fund, including interest at 3.133% at June 30, 2017.	6,998
Obligation under contract for compensated absences	362,960
Obligation under contract for severance benefits	<u>705,598</u>
Total general long-term debt	<u><u>\$ 48,398,022</u></u>

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2017, \$33,145,000 of bonds outstanding are considered defeased.

Borrowing from the State of Michigan - The school bond loans payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the 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. Interest rates ranging from 3.133% - 3.340% for the School Revolving Fund notes and 3.133% - 3.340% for the School Bond Loan Fund notes have been assessed for the year ended June 30, 2017. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 8.33 mills. The school district is required to levy 8.33 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. The District currently levies 8.33 debt mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the following amortization schedule.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT (Continued)

The annual requirements to amortize long-term debt outstanding as of June 30, 2017, including interest of \$6,423,270 are as follows:

Year ending June 30,	Principal	Interest	Total
2018	\$ 6,475,000	\$ 1,337,976	\$ 7,812,976
2019	6,630,000	1,177,206	7,807,206
2020	5,860,000	1,013,106	6,873,106
2021	5,855,000	863,504	6,718,504
2022	5,965,000	690,456	6,655,456
2023 - 2027	14,480,000	1,341,022	15,821,022
Total	45,265,000	6,423,270	51,688,270
Borrowings from school bond loan fund	3,507	-	3,507
Borrowings from school loan revolving fund	6,998	-	6,998
Unamortized premium on bond issuance	1,090,172	-	1,090,172
Unamortized premium on bond issuance	744,655	-	744,655
Unamortized premium on bond issuance	219,570	-	219,570
Unamortized discount on bond issuance	(438)	-	(438)
Accumulated compensated absences	362,960	-	362,960
Accumulated severance benefits	705,598	-	705,598
	<u>\$ 48,398,022</u>	<u>\$ 6,423,270</u>	<u>\$ 54,821,292</u>

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

	Compensated absences and severance benefits	General obligation bonds	School bond loan fund	School loan revolving fund	Total
Balance July 1, 2016	\$ 1,041,209	\$ 50,191,619	\$ 3,399	\$ 375,847	\$ 51,612,074
Additions	27,349	47	108	10,397	37,901
Deletions	-	(2,872,707)	-	(379,246)	(3,251,953)
Balance June 30, 2017	1,068,558	47,318,959	3,507	6,998	48,398,022
Due within one year	(89,046)	(6,475,000)	-	-	(6,564,046)
Due in more than one year	<u>\$ 979,512</u>	<u>\$ 40,843,959</u>	<u>\$ 3,507</u>	<u>\$ 6,998</u>	<u>\$ 41,833,976</u>

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

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

Receivable fund		Payable fund	
General Fund	\$ 145,668	Sinking Fund	\$ 436,249
Food Service	47,504	Debt Service - 2012	237,902
Debt Service - 2009	120,300	Debt Service - 2016A	43,949
Debt Service - 2015	263,083		
Debt Service - 2016B	141,545		
	\$ 718,100		\$ 718,100

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

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS

Plan Description

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

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

Benefits Provided

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

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

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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

Benefits Provided (Concluded)

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

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

Pension Reform 2010

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

Pension Reform 2012

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

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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

Regular Retirement (no reduction factor for age)

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

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

Pension Plus

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

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

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

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

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

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

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

Member Contributions

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

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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

Employer Contributions

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

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

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

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

The District's pension contributions for the year ended June 30, 2017 were equal to the required contribution total. Pension contributions were approximately \$4,058,000, with \$3,953,000 specifically for the Defined Benefit Plan. These amounts include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate. (72.88% for pension and 27.12% for OPEB).

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

Pension Liabilities

At June 30, 2017, the District reported a liability of \$41,608,821 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2015 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2016 and 2015, the District's proportion was 0.1667% and 0.15816%.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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

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

Pension Liabilities (Concluded)

<u>MPERS (Plan) Non-university employers:</u>	<u>September 30, 2015</u>	<u>September 30, 2015</u>
Total Pension Liability	\$ 67,917,445,078	\$ 66,312,041,902
Plan Fiduciary Net Position	\$ 42,968,263,308	\$ 41,887,015,147
Net Pension Liability	\$ 24,949,181,770	\$ 24,425,026,755
Proportionate share	0.16677%	0.15816%
Net Pension liability for the District	\$ 41,608,821	\$ 38,631,814

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

For the year ended June 30, 2017, the District recognized pension expense of approximately \$3,945,000.

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

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Changes of assumptions	\$ 650,521	\$ -
Net difference between projected and actual earnings on pension plan investments	691,538	-
Differences between expected and actual experience	518,556	(98,614)
Changes in proportion and difference between employer contributions and proportionate share of contributions	1,606,644	(985,413)
Reporting Unit's contributions subsequent to the measurement date	<u>3,622,968</u>	<u>-</u>
	<u>\$ 7,090,227</u>	<u>\$ (1,084,027)</u>

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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

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

\$3,622,968, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2017	\$ 410,397
2018	355,987
2019	1,183,634
2020	433,214

Actuarial Assumptions

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

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

Inflation - 2.5%

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

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

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2015. An assumption experience study is performed every five years. The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an actuarial experience study for the period October 1, 2008 to September 30, 2013. As a result of this actuarial experience study, the actuarial assumptions were adjusted to more closely reflect actual experience.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments - The rate was **8% (7%** Pension Plus Plan) net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

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

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

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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

Actuarial Assumptions (Concluded)

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

	1% Decrease (6.0% - 7.0%)	Discount Rate (7.0% - 8.0%)	1% Increase (8.0% - 9.0%)
Reporting Unit's proportionate share of the net pension liability	\$ 53,581,688	\$ 41,608,821	\$ 31,514,543

Pension Plan Fiduciary Net Position

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

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

Other Information

Discount Rate - Assumed Rate of Return

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

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

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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

Other Information (Concluded)

Pension Reform 2017

Senate Bill 401, amends the Public School Employees Retirement Act (PA300 of 1980, as amended).

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

Benefit Provisions - Other Postemployment

Introduction

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

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

Retiree Healthcare Reform of 2012

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

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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

Benefit Provisions - Other Postemployment (Concluded)

Retiree Healthcare Reform of 2012 (Concluded)

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

Employer Contributions

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

The District postemployment healthcare contributions to MPSERS for the years ended June 30, 2017, 2016 and 2015 were approximately \$1,330,000, \$1,404,000, and \$1,568,000.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation and property and casualty. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other needs including health insurance.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - TRANSFERS

The food service fund transferred \$67,481 to the general fund for indirect cost reimbursement.

NOTE 11 - SUBSEQUENT EVENTS

The District has approved borrowing \$3,000,000 for fiscal year 2018 to replace the note payable as described in Note 5.

NOTE 12 - TAX ABATEMENTS

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

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds by municipality under these programs are as follows:

Municipality	Taxes abated
Bath Township	\$ 11,139
Meridian Township	12,590
City of East Lansing	10,388
	\$ 34,117

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

There are no significant abatements made by the District.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENT

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local sources	\$ 3,204,029	\$ 3,239,555	\$ 3,286,881	\$ 47,326
State sources	21,393,617	22,031,281	22,054,921	23,640
Federal sources	275,102	302,797	310,398	7,601
Incoming transfers and other	3,361,760	3,578,324	3,706,219	127,895
Total revenues	<u>28,234,508</u>	<u>29,151,957</u>	<u>29,358,419</u>	<u>206,462</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	12,777,229	13,376,767	13,447,334	(70,567)
Added needs	2,004,308	2,240,513	2,231,643	8,870
Adult and continuing education	-	-	(14,057)	14,057
Total instruction	<u>14,781,537</u>	<u>15,617,280</u>	<u>15,664,920</u>	<u>(47,640)</u>
Supporting services:				
Pupil	2,795,164	2,657,552	2,537,480	120,072
Instructional staff	1,356,533	1,363,213	1,422,672	(59,459)
General administration	467,950	611,520	595,700	15,820
School administration	1,736,615	1,776,606	1,766,182	10,424
Business	1,207,081	768,553	477,687	290,866
Operation/maintenance	2,741,108	2,984,255	3,133,957	(149,702)
Pupil transportation	799,136	905,871	970,821	(64,950)
Central	547,932	577,222	617,508	(40,286)
Athletics	443,751	446,831	445,501	1,330
Other	13,650	13,650	21,389	(7,739)
Total supporting services	<u>12,108,920</u>	<u>12,105,273</u>	<u>11,988,897</u>	<u>116,376</u>
Community services	872,623	884,136	913,507	(29,371)
Outgoing transfers and other transactions	557,928	601,768	572,976	28,792
Total expenditures	<u>28,321,008</u>	<u>29,208,457</u>	<u>29,140,300</u>	<u>68,157</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(86,500)</u>	<u>(56,500)</u>	<u>218,119</u>	<u>274,619</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	6,500	6,500	214	(6,286)
Transfers in	80,000	50,000	67,481	17,481
Total other financing sources (uses)	<u>86,500</u>	<u>56,500</u>	<u>67,695</u>	<u>11,195</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>285,814</u>	<u>\$ 285,814</u>
FUND BALANCE:				
Beginning of year			<u>1,652,720</u>	
End of year			<u>\$ 1,938,534</u>	

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Reporting unit's proportion of net pension liability (%)	0.16677%	0.15816%	0.16521%
Reporting unit's proportionate share of net pension liability	\$ 41,608,821	\$ 38,631,814	\$ 36,390,268
Reporting unit's covered-employee payroll	\$ 14,393,378	\$ 13,186,624	\$ 14,050,440
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	289.08%	292.96%	259.00%
Plan fiduciary net position as a percentage of total pension liability (Non-university employees)	63.27%	63.17%	66.20%

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 3,952,989	\$ 3,598,623	\$ 3,056,322
Contributions in relation to statutorily required contributions	<u>3,952,989</u>	<u>3,598,623</u>	<u>3,056,322</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ 14,239,757	\$ 13,780,051	\$ 13,719,256
Contributions as a percentage of covered-employee payroll	27.76%	26.11%	22.28%

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

HASLETT PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017

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

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

ADDITIONAL SUPPLEMENTARY INFORMATION

**HASLETT PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2017**

	<u>Special revenue</u>			<u>Total nonmajor funds</u>
	<u>Food service</u>	<u>Debt service</u>	<u>Capital projects</u>	
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 885	\$ 1,066,373	\$ 43,041	\$ 1,110,299
Investments	-	18,953	3,301	22,254
Intergovernmental receivable	6,250	-	-	6,250
Due from other funds	47,504	524,928	-	572,432
Inventories	8,657	-	-	8,657
TOTAL ASSETS	<u>\$ 63,296</u>	<u>\$ 1,610,254</u>	<u>\$ 46,342</u>	<u>\$ 1,719,892</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 17,013	\$ -	\$ -	\$ 17,013
Accrued salaries and related items	206	-	-	206
Accrued retirement	48	-	-	48
Due to other funds	-	281,851	436,249	718,100
Unearned revenue	33,955	-	-	33,955
TOTAL LIABILITIES	<u>51,222</u>	<u>281,851</u>	<u>436,249</u>	<u>769,322</u>
FUND BALANCES (DEFICIT):				
Nonspendable:				
Inventories	8,657	-	-	8,657
Restricted for:				
Debt service	-	1,328,403	-	1,328,403
Food service	3,417	-	-	3,417
Unassigned	-	-	(389,907)	(389,907)
TOTAL FUND BALANCES (DEFICIT)	<u>12,074</u>	<u>1,328,403</u>	<u>(389,907)</u>	<u>950,570</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 63,296</u>	<u>\$ 1,610,254</u>	<u>\$ 46,342</u>	<u>\$ 1,719,892</u>

**HASLETT PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>Special revenue</u>		<u>Capital projects</u>	<u>Total nonmajor funds</u>
	<u>Food service</u>	<u>Debt service</u>		
REVENUES:				
Local sources:				
Property taxes	\$ -	\$ 4,689,611	\$ 1,138,392	\$ 5,828,003
Investment earnings	-	2,648	162	2,810
Food sales	521,062	-	-	521,062
Total local sources	521,062	4,692,259	1,138,554	6,351,875
State sources	41,706	13,144	3,190	58,040
Federal sources	386,293	-	-	386,293
Total revenues	949,061	4,705,403	1,141,744	6,796,208
EXPENDITURES:				
Current:				
Food service activities	862,423	-	-	862,423
Capital outlay	7,083	-	1,522,193	1,529,276
Debt service:				
Principal repayment	-	2,580,000	-	2,580,000
Interest expense	-	1,510,181	-	1,510,181
Other expense	-	121	-	121
Total expenditures	869,506	4,090,302	1,522,193	6,482,001
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	79,555	615,101	(380,449)	314,207
OTHER FINANCING SOURCES (USES):				
Refund from bond escrow agent	-	229,933	-	229,933
Repayment to school loan revolving fund	-	(379,246)	-	(379,246)
Transfers out	(67,481)	-	-	(67,481)
Total other financing sources (uses)	(67,481)	(149,313)	-	(216,794)
NET CHANGE IN FUND BALANCES	12,074	465,788	(380,449)	97,413
FUND BALANCES (DEFICIT):				
Beginning of year	-	862,615	(9,458)	853,157
End of year	\$ 12,074	\$ 1,328,403	\$ (389,907)	\$ 950,570

**HASLETT PUBLIC SCHOOLS
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2017**

ASSETS	2009	2012	2015	2016A	2016B	Total
	Refunding	Refunding	Refunding	Refunding	Refunding	Nonmajor
ASSETS:						
Cash and cash equivalents	\$ 129,930	\$ 459,356	\$ 192,186	\$ 216,817	\$ 68,084	\$ 1,066,373
Investments	18,953	-	-	-	-	18,953
Due from other funds	120,300	-	263,083	-	141,545	524,928
TOTAL ASSETS	\$ 269,183	\$ 459,356	\$ 455,269	\$ 216,817	\$ 209,629	\$ 1,610,254
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Due to other funds	\$ -	\$ 237,902	\$ -	\$ 43,949	\$ -	\$ 281,851
FUND BALANCES (DEFICIT):						
Restricted for debt service	269,183	221,454	455,269	172,868	209,629	1,328,403
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 269,183	\$ 459,356	\$ 455,269	\$ 216,817	\$ 209,629	\$ 1,610,254

**HASLETT PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>2009</u> <u>Refunding</u>	<u>2012</u> <u>Refunding</u>	<u>2015</u> <u>Refunding</u>	<u>2016A</u> <u>Refunding</u>	<u>2016B</u> <u>Refunding</u>	<u>Total</u> <u>Nonmajor</u>
REVENUES:						
Local sources:						
Property taxes	\$ 564,870	\$ 1,125,240	\$ 1,688,108	\$ 563,365	\$ 748,028	\$ 4,689,611
Interest	934	620	715	174	205	2,648
Total local sources	<u>565,804</u>	<u>1,125,860</u>	<u>1,688,823</u>	<u>563,539</u>	<u>748,233</u>	<u>4,692,259</u>
State sources	<u>1,583</u>	<u>3,153</u>	<u>4,732</u>	<u>1,579</u>	<u>2,097</u>	<u>13,144</u>
Total revenues	<u>567,387</u>	<u>1,129,013</u>	<u>1,693,555</u>	<u>565,118</u>	<u>750,330</u>	<u>4,705,403</u>
EXPENDITURES:						
Principal repayment	495,000	870,000	1,215,000	-	-	2,580,000
Interest expense	189,800	121,100	372,450	346,702	480,129	1,510,181
Other	20	20	41	20	20	121
Total expenditures	<u>684,820</u>	<u>991,120</u>	<u>1,587,491</u>	<u>346,722</u>	<u>480,149</u>	<u>4,090,302</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(117,433)</u>	<u>137,893</u>	<u>106,064</u>	<u>218,396</u>	<u>270,181</u>	<u>615,101</u>
OTHER FINANCING SOURCES (USES):						
Refund from bond escrow agent	-	-	229,933	-	-	229,933
Repayment to school loan revolving fund	<u>(45,528)</u>	<u>(91,055)</u>	<u>(136,583)</u>	<u>(45,528)</u>	<u>(60,552)</u>	<u>(379,246)</u>
Total other financing sources (uses)	<u>(45,528)</u>	<u>(91,055)</u>	<u>93,350</u>	<u>(45,528)</u>	<u>(60,552)</u>	<u>(149,313)</u>
NET CHANGE IN FUND BALANCES	<u>(162,961)</u>	<u>46,838</u>	<u>199,414</u>	<u>172,868</u>	<u>209,629</u>	<u>465,788</u>
FUND BALANCES:						
Beginning of year	<u>432,144</u>	<u>174,616</u>	<u>255,855</u>	<u>-</u>	<u>-</u>	<u>862,615</u>
End of year	<u>\$ 269,183</u>	<u>\$ 221,454</u>	<u>\$ 455,269</u>	<u>\$ 172,868</u>	<u>\$ 209,629</u>	<u>\$ 1,328,403</u>

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2017**

\$4,665,000 Bonds issued September 29, 2009:

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 490,000	\$ 85,619	\$ 85,619	2018	\$ 661,238
485,000	75,819	75,819	2019	636,638
475,000	66,119	66,119	2020	607,238
470,000	56,619	56,619	2021	583,238
465,000	47,219	47,219	2022	559,438
455,000	37,919	37,919	2023	530,838
450,000	28,534	28,534	2024	507,068
445,000	18,972	18,972	2025	482,944
435,000	9,514	9,514	2026	454,028
<u>\$ 4,170,000</u>	<u>\$ 426,334</u>	<u>\$ 426,334</u>		<u>\$ 5,022,668</u>

The above bonds have interest rates from 3.0% to 4.375%. The bond proceeds were used to refinance \$7,435,000 of the 1999 bond issue.

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2017**

\$3,760,000 Bonds issued March 15, 2012:

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 830,000	\$ 47,500	\$ 47,500	2018	\$ 925,000
860,000	30,900	30,900	2019	921,800
-	18,000	18,000	2020	36,000
-	18,000	18,000	2021	36,000
-	18,000	18,000	2022	36,000
1,200,000	18,000	18,000	2023	1,236,000
<u>\$ 2,890,000</u>	<u>\$ 150,400</u>	<u>\$ 150,400</u>		<u>\$ 3,190,800</u>

The above bonds have interest rates from 3.0% to 4.0%. The bond proceeds were used to refinance \$2,000,000 of the 2001 bond issue and \$5,865,000 of the 2002 bond issue.

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2017**

\$8,520,000 Bonds issued February 11, 2015:

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 1,300,000	\$ 161,925	\$ 161,925	2018	\$ 1,623,850
1,380,000	135,925	135,925	2019	1,651,850
1,460,000	108,325	108,325	2020	1,676,650
1,535,000	79,125	79,125	2021	1,693,250
<u>1,630,000</u>	<u>40,750</u>	<u>40,750</u>	2022	<u>1,711,500</u>
<u>\$ 7,305,000</u>	<u>\$ 526,050</u>	<u>\$ 526,050</u>		<u>\$ 8,357,100</u>

The above bonds have interest rates from 3.0% to 5.0%. The bond proceeds were used to refinance \$9,655,000 of the 2005 bond issue.

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2017**

\$7,840,000 Bonds issued March 23, 2016:

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 100,000	\$ 156,800	\$ 156,800	2018	\$ 413,600
100,000	154,800	154,800	2019	409,600
100,000	152,800	152,800	2020	405,600
-	150,800	150,800	2021	301,600
-	150,800	150,800	2022	301,600
410,000	150,800	150,800	2023	711,600
1,705,000	142,600	142,600	2024	1,990,200
1,780,000	108,500	108,500	2025	1,997,000
1,825,000	72,900	72,900	2026	1,970,800
1,820,000	36,400	36,400	2027	1,892,800
<u>\$ 7,840,000</u>	<u>\$ 1,277,200</u>	<u>\$ 1,277,200</u>		<u>\$ 10,394,400</u>

The above bonds have an interest rate of 4%. The bond proceeds were used to refinance \$9,080,000 of the 2006 refunding bond issue.

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2017**

\$23,060,000 Bonds issued March 23, 2016:

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 3,755,000	\$ 217,144	\$ 217,144	2018	\$ 4,189,288
3,805,000	191,159	191,159	2019	4,187,318
3,825,000	161,309	161,309	2020	4,147,618
3,850,000	127,208	127,208	2021	4,104,416
3,870,000	88,459	88,459	2022	4,046,918
3,955,000	46,372	46,372	2023	4,047,744
<u>\$ 23,060,000</u>	<u>\$ 831,651</u>	<u>\$ 831,651</u>		<u>\$ 24,723,302</u>

The above bonds were initially authorized for \$23,060,000 with rates of 1.384% to 2.345% for the purpose of (i) refunding certain outstanding indebtedness of the District to the State of Michigan under the State of Michigan School Bond Qualification and Loan Program; and (ii) paying a portion of the costs of issuance the Bonds.

**HASLETT PUBLIC SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL BOND LOAN PROGRAM
JUNE 30, 2017**

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Bond Loan Program. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. In September 2003, \$17,160,780 of bonds were issued specifically for repayment of existing borrowings under the Michigan School Bond Loan Fund. The borrowings from and repayments to the State under this program have been summarized as follows:

Year ended June 30,	Loan proceeds	Interest expense	Loan balance (net change)
1992	\$ 1,123,900	\$ 21,833	\$ 1,145,733
1993	994,500	52,458	1,046,958
1994	965,000	73,873	1,038,873
1995	1,010,846	138,840	1,149,686
1996	929,747	258,628	1,188,375
1997	1,235,000	320,769	1,555,769
1998	1,528,127	410,278	1,938,405
1999	1,321,000	485,822	1,806,822
2000	1,087,000	570,656	1,657,656
2001	884,111	625,588	1,509,699
2002	838,000	597,304	1,435,304
2003	1,404,000	542,669	1,946,669
2004	1,833,000	146,451	1,979,451
2004 loan repayment	(13,321,231)	(3,839,549)	(17,160,780)
2005	1,910,583	88,474	1,999,057
2006	-	173,173	173,173
2007	-	209,362	209,362
2008	-	207,644	207,644
2009	-	228,055	228,055
2010	-	286,321	286,321
2011	-	276,267	276,267
2012	-	273,141	273,141
2013	-	256,724	256,724
2014	-	216,549	216,549
2015	-	219,420	219,420
2016	-	163,410	163,410
2016 loan repayment	(3,740,215)	(3,004,129)	(6,744,344)
2017	-	108	108
Total June 30, 2017	<u>\$ 3,368</u>	<u>\$ 139</u>	<u>\$ 3,507</u>

**HASLETT PUBLIC SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL LOAN REVOLVING PROGRAM
JUNE 30, 2017**

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Loan Revolving Fund. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from and repayments to the State under this program have been summarized as follows:

Year ended June 30,	Loan proceeds	Interest expense	Loan balance (net change)
2006	\$ 2,685,769	\$ 24,474	\$ 2,710,243
2007	2,219,214	153,702	2,372,916
2008	1,610,851	248,481	1,859,332
2009	1,258,494	350,961	1,609,455
2010	1,353,701	448,267	1,801,968
2011	1,302,916	399,933	1,702,849
2012	1,527,138	370,174	1,897,312
2013	1,009,448	445,742	1,455,190
2014	1,304,625	552,645	1,857,270
2015	-	594,362	594,362
2015 interest payment	-	(250,000)	(250,000)
2016	373,453	439,153	812,606
2016 loan repayment	(14,272,156)	(3,775,500)	(18,047,656)
2017	-	10,397	10,397
2017 loan repayment	(366,485)	(12,761)	(379,246)
Total June 30, 2017	<u>\$ 6,968</u>	<u>\$ 30</u>	<u>\$ 6,998</u>

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

To the Board of Education
Haslett Public Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Haslett Public Schools as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Haslett Public Schools' basic financial statements and have issued our report thereon dated August 30, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Maney Costeiran PC

August 30, 2017