

Concord Community Schools

Financial Report
With Supplemental Information

Year Ended June 30, 2018

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WILLIS & JURASEK
CPAS AND CONSULTANTS

Independent Auditors' Report

Board of Education
Concord Community Schools
Concord, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Concord Community Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Concord Community Schools as of June 30, 2018, and the respective changes in financial position, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 14 to the financial statements, during the year ended June 30, 2018, Concord Community Schools implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and certain pension and OPEB 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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 Concord Community Schools' basic financial statements. The combining nonmajor fund financial statements and the schedule of bonded indebtedness are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

Board of Education
Concord Community Schools

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2018, on our consideration of Concord Community 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Concord Community Schools' internal control over financial reporting and compliance.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

September 17, 2018

Concord Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2018

This section of Concord Community School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2018.

Financial Highlights

- The current year's activity decreased net position by \$94,597. The decrease represents an increase in ongoing expenditures with no change to income.
- The General Fund's fund balance decreased by \$217,950 to \$1,058,139 or approximately 15% of total 2017 -18 General Fund expenditures.
- The District participated in the State Aid Note program for the 2017-18 year for cash flow to maintain the current level of services. This will be the case again for the 2018 -19 year.
- The taxpayers of the District approved a sinking fund tax levy of 2.0 mills through the 2019-20 school year to make improvements to the school facilities. Some of the improvements include significant roofing replacement on the Elementary/Middle School building, paving in the school lots, installation of six windows at the High School, installing energy efficient LED lighting in the High School gym, tear out and replacement of concrete flooring at the Middle School gym/locker area, and upgrading the High School sports complex. The property tax revenue for the fiscal year restricted to sinking fund capital improvement expenditures totaled approximately \$276,000.
- Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented during fiscal year 2015. The purpose of this standard is to improve accounting and financial reporting for pensions. It established standards for measuring and recognizing pension liabilities, pension expenses, and the related deferred inflows and deferred outflows of resources. Implementation of this standard requires recording of the full unfunded portion of the District's pension plan administered through the Michigan Public School Employees' Retirement System (MPERS). The unfunded pension liability has been established through actuarial valuations and will be amortized over a 22 year period beginning with the plan's fiscal year-end of September 30, 2014. With the recording of this pension liability, the liabilities of the District exceeded its assets. The balance of the net position at the close of the most recent fiscal year was \$(9,104,393) (negative net position).
- For the year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The changes required under this standard are significant at the government-wide level. The Standard requires reporting related to postemployment benefits other than pensions (OPEB) similar to reporting in regards to pension plans. These requirements include recording a proportionate share of the net OPEB liability, recording a proportionate share of OPEB expense and certain required disclosures and required supplementary information. The Standard has no affect on the statements at the fund level.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District financially as a whole. The District-wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the School District's most significant fund – the General Fund. All other funds are presented in one column as non-major funds.

Concord Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2018

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities - One of the most important questions asked about the District's finances is, "Is the District better or worse off as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to accounting used by private-sector corporations.

The statement of net position and the statement of activities present information about the following:

Governmental Activities – The statement of net position and statement of activities report the governmental activities for the District. These services include instruction, support services, community services, athletics, food services, and transfers to other local districts. Property taxes, intergovernmental revenues, (unrestricted and restricted State Aid), and charges for services finance most of these activities. All of the current year's revenues and expenses for these services are taken into consideration regardless of when cash is received or paid.

The statement of net position reports the District's net position, the difference between assets and liabilities. The statement of activities reports the District's change in net position, the revenues less expenses for the fiscal year, either as an increase or a decrease, or in other words, the operating results for the year. However, the School District's goal is to provide services to its students, not to generate profits, as private-sector corporations do.

These two statements report the District's net position and changes in net position. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, political conditions at the State Capitol, student enrollment growth, birth rates, and facility conditions in arriving at their conclusion regarding the overall health of the District.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements – The fund financial statements provide detailed information about the most significant funds – not the District as a whole. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's *Accounting Manual*.

Governmental Funds – Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements.

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

Concord Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2018

Fiduciary Funds – The District is the fiduciary for various student group activities and a scholarship fund. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations. The District's fiduciary funds are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position and are presented on the full accrual basis of accounting.

The basic fiduciary fund financial statements can be found on pages 7 and 8 of this report.

Additional Information – The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 9-26 of this report.

Government-Wide Financial Analysis

The government-wide financial analysis focuses on the net position and changes in net position of the District's governmental activities. As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The following is a summary of the School District's net assets as of June 30, 2018 and 2017:

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Assets:		
Current assets	\$ 7,236,797	\$ 2,368,237
Capital assets	4,277,288	4,069,370
Total assets	<u>11,514,085</u>	<u>6,437,607</u>
Deferred Outflows of Resources	<u>3,334,202</u>	<u>1,843,640</u>
Liabilities:		
Current liabilities	1,027,524	862,869
Long-term liabilities	21,300,591	15,635,358
Total liabilities	<u>22,328,115</u>	<u>16,498,227</u>
Deferred Inflows of Resources	<u>1,624,565</u>	<u>792,816</u>
Net Position:		
Invested in capital assets - net of related debt	2,754,602	2,272,404
Restricted	5,009,719	66,048
Unrestricted	(16,868,714)	(11,348,248)
Total net position	<u>\$ (9,104,393)</u>	<u>\$ (9,009,796)</u>

The above analysis focuses on the net position. The change in net position of the School District's governmental activities is discussed below. The net position differs from fund balances and a reconciliation appears on page 4.

A large portion of the District's positive net position, \$2,754,602, reflects an investment in capital assets (i.e. land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Concord Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2018

An additional portion of the District's net position, \$5,009,719, represents resources that are subject to external restrictions on how they may be used. In the case of the School District, these amounts are restricted for debt service and capital projects. The *unrestricted* balance of net position, \$(16,868,714), which is *negative* net position, is negative primarily as a result of recording the net pension and OPEB liabilities. The pension and OPEB liabilities at fiscal year-end is expected to be amortized over a 22-year period.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities which shows the changes in net position for fiscal year 2018. Comparative information for fiscal years 2018 and 2017 follows.

The following is a summary of the change in net position for the years ended June 30, 2018 and 2017.

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 244,032	\$ 235,871
Operating grants	1,880,577	1,725,331
General revenues:		
Property taxes	1,132,895	1,123,802
Grants and state aid	4,787,065	5,004,497
Interest and investment earnings	26,641	1,354
Other	114,122	96,740
Total revenues	<u>8,185,332</u>	<u>8,187,595</u>
Functions/Program Expenses:		
Instruction	4,562,311	4,325,892
Support services	2,518,678	2,470,141
Food service activities	479,952	475,918
Athletic activities	246,258	265,749
Community service	-	613
Capital outlay	48,269	4,644
Interest on long-term obligations	144,553	96,873
Depreciation (unallocated)	279,908	341,904
Total expenses	<u>8,279,929</u>	<u>7,981,734</u>
Increase (decrease) in net position	(94,597)	205,861
Net position beginning of year	(9,009,796)	(5,439,902)
Decrease in net position - implementation of GASB No. 75	<u>-</u>	<u>(3,775,755)</u>
Ending net position	<u>\$ (9,104,393)</u>	<u>\$ (9,009,796)</u>

The District's net position decreased by \$94,597 during the current fiscal year. The decrease in net position coincides with the change in fund balances and a reconciliation appears on page 6.

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

Concord Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2018

General Fund Budgeting and Operating Highlights

The School District's budgets are prepared according to Michigan law. The most significant budgeted funds are the General Fund and Food Service Fund.

A schedule showing the School District's General Fund original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

The General Fund actual revenue and other financing sources were \$6,993,434. That amount is slightly lower than the amended budget estimate of \$7,041,863.

The actual expenditures and other financing uses of the General Fund were \$7,211,384, which is below the amended budget estimate of \$7,430,428.

The General Fund had total revenues of \$6,993,434 and total expenditures of \$7,211,384 with a net decrease in fund balance of \$217,950 and ending fund balance of \$1,058,139.

Capital Asset and Debt Administration

Capital Assets – At the end of fiscal year 2018, the School District had \$10,130,332 invested in land, buildings, furniture and equipment, vehicles and buses. On this amount, \$5,853,044 in depreciation has been taken over the years. We currently have a net book value of \$4,277,288.

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 17,500	\$ 17,500
Construction in process	212,819	-
Buildings and improvements	7,979,715	7,806,498
Site improvements	913,866	867,526
Buses and other vehicles	375,700	339,480
Furniture and equipment	630,732	611,502
Total capital assets	10,130,332	9,642,506
Less accumulated depreciation	5,853,044	5,573,136
Net capital assets	<u>\$ 4,277,288</u>	<u>\$ 4,069,370</u>

Major capital asset purchases during the current fiscal year included the remainder of the track surfacing (\$56,000), the middle school roof (\$111,000), the LED lighting project (\$53,000), a vehicle for snowplowing, etc. (\$36,000), cafeteria oven (\$19,000), and construction in progress (\$213,000).

Long-Term Debt – At June 30, 2018, the District had total bonded debt outstanding of \$6,510,000.

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
2010 Refunding Bonds	\$ 1,540,000	\$ 1,880,000
2017 Building & Site Bonds	4,970,000	-
Total	<u>\$ 6,510,000</u>	<u>\$ 1,880,000</u>

During the current fiscal year, the District's total bonded debt increased by \$4,630,000.

Additionally, the District has long-term obligations to pay out compensated absences based upon contract agreements with employees. The amount reported which is an estimate of what is due to applicable employees if their employment ends, totals \$132,000.

Concord Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2018

Economic Factors and Next Year's Budgets and Rates

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

- Potential reduction in student count.
- The District will be utilizing the State Aid Note program for the 2018-19 fiscal year. The note is for \$400,000 and is to be paid back via state aid set-asides for the last seven state aid payments. These funds will aid the District for cash flow purposes.

The following assumptions were made in preparing the District's original budgets for the 2018-19 fiscal year:

- Foundation allowance of \$7,871
- Fall Student enrollment of 679
- Reduction of staffing
- Reduction in operations and maintenance
- Increase to health insurance costs

Concord Community Schools is earmarking additional resources to focus on reading proficiency by third grade by continuing the use of a part-time Reading Recovery Teacher again this year. The Intervention Specialist position has been retained to help monitor more closely those children determined to be At Risk district-wide and to enable interventions to be delivered quickly and with more individualized attention than the District had resources for previously.

Concord Community Schools wishes to acknowledge the continued support of the community in helping to provide and maintain an updated, safe and appropriate environment that is conducive to learning for students. The Sinking Fund Millage continues to allow the District to address needs that have been pushed aside due to budget constraints, and to make needed improvements to our facilities. Concord Community Schools values its partnership with our parents, staff and our community to provide a quality education for all students.

Requests for Information

This financial report is designed to provide a general overview of the Concord Community Schools' finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

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Concord, MI 49237-0338
517.524.8850
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Concord Community Schools

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets:	
Cash and investments	\$ 6,092,578
Receivables:	
Accounts receivable	6,699
Due from other governmental units	1,119,694
Internal balances	690
Inventories	12,973
Prepaid expenses	4,163
Capital assets less accumulated depreciation	4,277,288
Total assets	<u>11,514,085</u>
Deferred Outflows of Resources:	
Bond discount on debt refunding	66,428
Pension related	3,065,912
OPEB related	201,862
Total deferred outflows of resources	<u>3,334,202</u>
Liabilities:	
Accounts payable	184,809
State aid anticipation note	42,903
Accrued payroll	395,127
Accrued interest	43,800
Unearned revenue	48,528
Other liabilities	312,357
Long-term liabilities:	
Bonds payable, due within one year	360,000
Other obligations, due within one year	20,000
Bonds payable, due in more than one year	6,150,000
Other obligations, due in more than one year	112,000
Net pension liability	10,925,928
Net OPEB liability	3,732,663
Total liabilities	<u>22,328,115</u>
Deferred Inflows of Resources:	
Bond premium on debt issuance	188,406
Pension related	1,309,968
OPEB related	126,191
Total deferred inflows of resources	<u>1,624,565</u>
Net Position:	
Net investment in capital assets	2,754,602
Restricted for debt service	118,179
Restricted for capital projects	4,891,540
Unrestricted	(16,868,714)
Total net position	<u>\$ (9,104,393)</u>

See Notes to Financial Statements.

Concord Community Schools

Statement of Activities
Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants/ Contributions</u>	<u>Net (Expenses) Revenues and Change in Net Position</u>
Primary government				
Governmental activities:				
Instruction	\$ 4,562,311	\$ -	\$ 1,410,753	\$ (3,151,558)
Support services	2,518,678	-	157,901	(2,360,777)
Food service activities	479,952	191,650	311,923	23,621
Athletic activities	246,258	52,382	-	(193,876)
Capital outlay	48,269	-	-	(48,269)
Interest on long-term debt	144,553	-	-	(144,553)
Depreciation (unallocated)	279,908	-	-	(279,908)
Total governmental activities	<u>\$ 8,279,929</u>	<u>\$ 244,032</u>	<u>\$ 1,880,577</u>	<u>(6,155,320)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				456,228
Property taxes, levied for debt service				400,978
Property taxes, levied for capital projects				275,689
State aid not restricted to specific purposes				4,787,065
Interest and investment earnings				26,641
Other				114,122
Total general revenues				<u>6,060,723</u>
Change in Net Position				<u>(94,597)</u>
Net Position - Beginning of Year, as restated				<u>(9,009,796)</u>
Net Position - End of Year				<u>\$ (9,104,393)</u>

See Notes to Financial Statements.

Concord Community Schools

Balance Sheet
Governmental Funds
June 30, 2018

			Other Nonmajor Governmental Funds	
	General	Capital Project Fund		Total
<u>Assets</u>				
Cash	\$ 687,185	\$ 46,031	\$ 196,973	\$ 930,189
Short-term investments	36,589	5,042,693	83,107	5,162,389
Receivables:				
Accounts receivable	221	-	6,478	6,699
Due from other governmental units	1,107,835	-	11,859	1,119,694
Due from other funds	38,700	-	116,840	155,540
Inventories	-	-	12,973	12,973
Prepaid expenditures	288	-	3,875	4,163
Total assets	<u>\$ 1,870,818</u>	<u>\$ 5,088,724</u>	<u>\$ 432,105</u>	<u>\$ 7,391,647</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 19,813	\$ 142,011	\$ 22,985	\$ 184,809
State aid anticipation note	42,903	-	-	42,903
Due to other funds	-	116,840	38,010	154,850
Salaries payable	392,886	-	2,241	395,127
Accrued expenditures	308,443	-	-	308,443
Unearned revenue	48,528	-	-	48,528
Other liabilities	106	-	3,808	3,914
Total liabilities	<u>812,679</u>	<u>258,851</u>	<u>67,044</u>	<u>1,138,574</u>
Fund Balances:				
Nonspendable:				
Inventories	-	-	12,973	12,973
Prepaid expenses	288	-	3,875	4,163
Restricted:				
Food service	-	-	124,567	124,567
Debt service	-	-	161,979	161,979
Capital expenditures	-	4,829,873	61,667	4,891,540
Assigned for subsequent year expenditures	56,025	-	-	56,025
Unassigned	1,001,826	-	-	1,001,826
Total fund balances	<u>1,058,139</u>	<u>4,829,873</u>	<u>365,061</u>	<u>6,253,073</u>
Total liabilities and fund balances	<u>\$ 1,870,818</u>	<u>\$ 5,088,724</u>	<u>\$ 432,105</u>	<u>\$ 7,391,647</u>

See Notes to Financial Statements.

Concord Community Schools
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018

Total Fund Balances - Governmental Funds	\$	6,253,073
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Amounts reported for governmental activities in the Statement
of Net Position are different because:

Capital assets used in the governmental activities are not financial
resources and are not reported in the funds.

The cost of the capital assets is	\$	10,130,332	
Accumulated depreciation is		(5,853,044)	
			4,277,288

Long-term liabilities not due and payable in the current period
and not reported in the funds:

Bonds payable		(6,510,000)	
Compensated absences		(132,000)	
Discount on debt refunding		66,428	
Bond premium on debt		(188,406)	
			(6,763,978)

The pension/OPEB liability and related deferred inflows and outflows are
not due and payable in the current period and therefore are not reported in
the funds.

Net pension liability		(10,925,928)	
Net OPEB liability		(3,732,663)	
Deferred outflows related to pensions		3,065,912	
Deferred outflows related to OPEB		201,862	
Deferred inflows related to pensions		(1,309,968)	
Deferred inflows related to OPEB		(126,191)	
			(12,826,976)

Accrued interest payable is not included as a liability in
governmental activities.

	(43,800)
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Total Net Position - Governmental Activities	\$	(9,104,393)
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Concord Community Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	General	Capital Project Fund	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources	\$ 588,077	\$ -	\$ 814,429	\$ 1,402,506
State sources	5,893,730	-	16,478	5,910,208
Federal sources	127,522	-	298,131	425,653
Interdistrict and other	349,105	25,827	85,512	460,444
Total revenues	<u>6,958,434</u>	<u>25,827</u>	<u>1,214,550</u>	<u>8,198,811</u>
Expenditures:				
Instruction	4,440,629	-	-	4,440,629
Support services	2,770,755	-	-	2,770,755
Food service activities	-	-	493,836	493,836
Community services	-	-	-	-
Capital outlay	-	152,011	267,326	419,337
Debt service:				
Principal payments	-	-	340,000	340,000
Interest and fiscal charges	-	60,808	71,446	132,254
Total expenditures	<u>7,211,384</u>	<u>212,819</u>	<u>1,172,608</u>	<u>8,596,811</u>
Revenues Over (Under) Expenditures	<u>(252,950)</u>	<u>(186,992)</u>	<u>41,942</u>	<u>(398,000)</u>
Other Financing Sources (Uses):				
Proceeds from issuance of bonds	-	5,016,865	116,840	5,133,705
Operating transfers in	35,000	-	-	35,000
Operating transfers out	-	-	(35,000)	(35,000)
Total other financing sources (uses)	<u>35,000</u>	<u>5,016,865</u>	<u>81,840</u>	<u>5,133,705</u>
Net Changes in Fund Balance	(217,950)	4,829,873	123,782	4,735,705
Fund Balances - Beginning of Year	<u>1,276,089</u>	<u>-</u>	<u>241,279</u>	<u>1,517,368</u>
Fund Balances - End of Year	<u>\$ 1,058,139</u>	<u>\$ 4,829,873</u>	<u>\$ 365,061</u>	<u>\$ 6,253,073</u>

See Notes to Financial Statements.

Concord Community Schools

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Governmental Funds
Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds	\$	4,735,705
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	\$	(279,908)
Capital outlay		<u>487,826</u>
		207,918
Accrued interest is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.		(31,800)
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position.		
Bond proceeds		(5,133,705)
Bond issuance costs		(24,701)
Repayments:		
Principal		340,000
Amortization of deferred charges		(16,606)
Compensated absences are subject to full accrual in the Statement of Activities, while being recorded when financial resources are used in the governmental funds.		(41,000)
Governmental funds report the required pension and OPEB contributions for the fiscal year June 30, 2018 as expenditures. The Statement of Activities reports the fully accrued pension and OPEB expenses based upon a September year-end to coincide with the State of Michigan's fiscal year.		
Changes in pension related liabilities and deferrals		(249,171)
Changes in OPEB related liabilities and deferrals		<u>118,763</u>
Change in Net Position of Governmental Activities	\$	<u>(94,597)</u>

Concord Community Schools
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
Assets:		
Cash and investments	\$ 238,674	\$ 117,173
Total assets	<u>238,674</u>	<u><u>117,173</u></u>
Liabilities:		
Accounts payable	-	\$ 3,740
Due to other funds	-	690
Due to student groups	-	112,743
Total liabilities	<u>-</u>	<u><u>\$ 117,173</u></u>
Net Position:		
Restricted for special purposes	<u>238,674</u>	
Total net position	<u><u>\$ 238,674</u></u>	

See Notes to Financial Statements.

Concord Community Schools
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2018

	<u>Private Purpose Trust Fund</u>
Additions:	
Interest and investment earnings	\$ 1,288
Total additions	<u>1,288</u>
Deductions:	
Scholarships awarded	-
Dues and fees	<u>16</u>
Total deductions	<u>16</u>
Change in Net Position	1,272
Net Position - Beginning of Year	<u>237,402</u>
Net Position - End of Year	<u><u>\$ 238,674</u></u>

See Notes to Financial Statements.

Concord Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the District does not contain any component units.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements with nonmajor governmental funds aggregated into a single column.

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

It is the District's policy to allocate resource outlays first to restricted net position with the remainder allocated to unrestricted net position.

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

Concord Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

District-Wide and Fund Financial Statements (Continued)

Fund-Based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, severance pay, claims, and judgments, are recorded only when payment is due.

Property taxes, unrestricted State Aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Expenditure reimbursing grants are recognized when the qualifying expenditures have been incurred, eligibility requirements have been met, and receipt of monies is expected within the current availability period (60 days post year-end). All other revenue items are considered to be available only when cash is received by the government.

The fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental fund:

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

Additionally, the government reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The District maintains one special revenue fund, the Food Service Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue for payment of principal and other expenditures and the disbursements thereof on a particular bond issue. The District maintains the 2010 Refunding Debt Fund and the 2018 Debt Retirement Fund.

Capital Project Funds – Capital Project Funds are used to record bond proceeds or other revenue and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The District maintains two capital project funds, the Sinking Fund, which has restricted property taxes as its source of revenue, and the Capital Project Fund, which has revenues sourced from 2018 Building and Site Bonds. For these capital project funds, the School District has complied with the applicable provisions of Section 1212 and Section 1351a of the Revised School Code.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the District in a trustee capacity (trust funds) or as an agent (agency funds). Fiduciary Fund net position and results of operations are not included in the district-wide statements.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school-related purposes. The funds are segregated and held for the students and parents. The District also maintains a Trust Fund, the Murdock Scholarship Fund, which is a private purpose trust fund maintained to segregate transactions involving scholarship monies and distributions to recipients.

Concord Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenues, Assets, Liabilities, and Net Position or Equity

State Revenue - The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a State-wide formula. The foundation allowance is funded from a combination of State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2018, the foundation allowance was based on pupil membership counts taken in February 2017 and September 2017.

The State portion of the foundation is provided primarily by a State education property tax millage of six 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 mainly by non-PRE property (non-homestead) taxes which may be levied at a rate of up to 18 mills plus 6 mills on Commercial Personal Property. The State revenue is recognized during the foundation period and is funded through payments from October to August of each year. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

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

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

For the year ended June 30, 2018, the District levied the following amounts per \$1,000 of assessed valuation:

General Fund – Non-primary residence	18.0000
General Fund – Commercial personal property	6.0000
Debt Service – all taxable values	2.8500
Sinking Fund – all taxable values	1.9758

Tax abatements provided to property tax payers, if any, were not significant, and thus no disclosure was deemed required in accordance with GASB Statement No. 77, *Tax Abatement Disclosures*.

Cash and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The District reports its investments in accordance with GASB professional standards. Under these standards, 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. The 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. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost.

Concord Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenues, Assets, Liabilities, and Net Position or Equity (Continued)

Cash and Investments (Continued) – 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. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. The District has determined the uncollectible amounts are immaterial and no provision has been recorded.

Inventories and Prepaid Items – Inventories are valued at cost (purchase price) on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of \$5,000 or greater and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure type assets.

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

Buildings and improvements	20 - 50 years
Site improvements	20 years
Buses and other vehicles	10 years
Furniture and equipment	7 - 10 years

Compensated Absences - The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-Term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are reported as a deferred inflow or outflow, separate from liabilities, and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bond issuance costs are expensed as incurred.

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenues, Assets, Liabilities, and Net Position or Equity (Continued)

Long-Term Obligations (Continued) – In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Debt issued as well as premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources – In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District currently reports deferred outflows of resources related to the net pension liability and the net OPEB liability. The District also reports deferred outflows of resources for pension and OPEB contributions made subsequent to the plan measurement date which will be recognized in the following year.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District currently reports deferred inflows of resources related to its net pension liability and net OPEB liability. These future resources will be amortized and recognized over a time period established by the actuary and relate to differences between actuarial estimates and actual results.

Defined Benefit Pension 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. Related investments are reported at fair value. See Note 11 for detailed information.

Postemployment Benefits Other Than Pensions – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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. Related investments are reported at fair value. See Note 11 for detailed information.

Fund Balance – The District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In accordance with this guidance, fund balances of governmental funds are categorized according to five defined categories of fund balance. These categories consist of *nonspendable* amounts which are not in spendable form or are legally or contractually required to be maintained intact; *restricted* amounts that are constrained for specific purposes set by external parties or law; *committed* amounts that are constraints set by the highest decision making authority (the School Board) through adoption of a resolution and may only be removed by the School Board through a rescindment resolution; *assigned* amounts that have an intended purpose but require no formal specific action; and *unassigned* amounts which are the residual of the other categories and have no specific purpose.

It is the District's policy to generally use fund balance in order according to the hierarchy of fund balance categories, from restricted down to unassigned.

Concord Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenues, Assets, Liabilities, and Net Position or Equity (Continued)

Use of Estimates - 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 expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Note 2 – Stewardship, Compliance, and Accountability

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the General Fund and special revenue funds. Annual appropriations lapse at fiscal year-end.

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* (P.A. 621 of 1978). 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 at the function level per State law. Violations, if any, for the General Fund are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts within 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. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2018.

Note 3 – Cash and Investments

At year-end, the School District's cash and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and investments	<u>\$ 6,092,578</u>	<u>\$ 355,847</u>	<u>\$ 6,448,425</u>

Concord Community Schools
Notes to Financial Statements

Note 3 – Cash and Investments (Continued)

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts, certificates of deposits)	\$ 1,285,236
Investments in MILAF pooled investment fund	5,042,693
Investments in FDIC insured money market deposit accounts	119,696
Petty cash	800
Total	<u>\$ 6,448,425</u>

The District holds money market accounts through a custodial relationship with one bank acting as the District's agent to invest amounts in other financial institutions to provide full FDIC coverage. The monies held in this account are subject to six per month withdrawal limitations. There are no other limitations or restrictions on the money market accounts held by the District.

Investment and Deposit Risk – The District's cash and investments are subject to several types of risk, as noted below.

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District has not adopted and State law does not require a policy for deposit custodial credit risk. As of year-end, \$6,019,566 of the District's uncollateralized bank balance of \$6,544,822 was uninsured.

Custodial Credit Risk – Investments – Custodial credit risk of investments 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 does not have an investment policy for custodial credit risk.

Interest Rate Risk – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The District's investment policy does not restrict investment maturities beyond State law.

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. See Note 1 for a full description of the allowed investments. The District's investment policy does not further limit its investment choice.

The District's investments under the interlocal agreement (MILAF) in the amount of \$5,042,693 are regulated by the Urban Cooperation Act. The fair value of the position in the interlocal agreement pools is the same as the value of the pool shares. The interlocal agreement (MILAF) is rated AAAM according to Standard and Poor's.

Concentration of Credit Risk – The District's investment policy does not limit investments with individual issuers.

Foreign Currency Risk – The District does not invest in foreign currency and does not maintain a policy regarding foreign currency risk.

Concord Community Schools
Notes to Financial Statements

Note 4 – Receivables

Receivables at year end consisted of the following:

Other governmental units (primarily Michigan Department of Education)	\$ 1,119,694
Other	6,699
	<u>\$ 1,126,393</u>

Note 5 – Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Year-End Balance</u>
Assets not being depreciated:				
Land	\$ 17,500	\$ -	\$ -	\$ 17,500
Construction in progress	-	212,819	-	212,819
Total assets not being depreciated	<u>17,500</u>	<u>212,819</u>	<u>-</u>	<u>230,319</u>
Capital assets being depreciated:				
Buildings and improvements	7,806,498	173,217	-	7,979,715
Site improvements	867,526	46,340	-	913,866
Buses and other vehicles	339,480	36,220	-	375,700
Furniture and equipment	611,502	19,230	-	630,732
Subtotal	<u>9,625,006</u>	<u>275,007</u>	<u>-</u>	<u>9,900,013</u>
Accumulated depreciation:				
Buildings and improvements	4,572,142	187,469	-	4,759,611
Site improvements	319,645	28,738	-	348,383
Buses and other vehicles	339,480	3,622	-	343,102
Furniture and equipment	341,869	60,079	-	401,948
Subtotal	<u>5,573,136</u>	<u>279,908</u>	<u>-</u>	<u>5,853,044</u>
Net capital assets being depreciated	<u>4,051,870</u>	<u>(4,901)</u>	<u>-</u>	<u>4,046,969</u>
Net capital assets	<u>\$ 4,069,370</u>	<u>\$ 207,918</u>	<u>\$ -</u>	<u>\$ 4,277,288</u>

Depreciation for the fiscal year ended June 30, 2018 amounted to \$279,908. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Note 6 – Interfund Receivables and Payables

At year-end, a net amount of \$38,010 was owed from the Food Service Fund to the General Fund and \$690 was owed from the Agency Fund to the General Fund for reimbursement of expenditures.

Concord Community Schools
Notes to Financial Statements

Note 7 – Notes Payable

For the fiscal year ended June 30, 2018, the School District was issued a State Aid Anticipation Note to allow for needed cash flow prior to receipt of State Aid which totaled \$300,000, with an interest rate of 1.27% and a maturity date of July 20, 2018. The State Aid Anticipation Note is secured by the full faith and credit of the School District as well as pledged State Aid. The note required payments to an irrevocable set-aside account of \$257,097 in total by June 30, 2018. At year-end, the total of these payments is considered defeased debt and is not included in the year-end balance, leaving an outstanding balance including interest, at June 30, 2018 of \$42,903. Activity for the year is as follows:

<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2018</u>
\$ 116,750	\$ 300,000	\$ (373,847)	\$ 42,903

The District was issued a Capital Improvement Tax Anticipation Note of \$200,000 to provide cash for building and site improvements prior to receipt of sinking fund property taxes to cover those expenditures. Tax anticipation notes of this nature are allowed under the provisions of Act 34, Public Acts of Michigan, 2001, as amended. Interest on the note was 1.10% and totaled \$1,729. The note matured April 26, 2018.

<u>June 30, 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2018</u>
\$ -	\$ 200,000	\$ (200,000)	\$ -

Note 8 – Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and net pension and OPEB liabilities. See Note 11 for further details regarding the net pension and OPEB liabilities.

Long-term obligation activity can be summarized as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts Due</u> <u>Within One</u> <u>Year</u>
Governmental Activities:					
Bonds	\$ 1,880,000	\$4,970,000	\$ 340,000	\$ 6,510,000	\$ 360,000
Compensated absences	91,000	41,000	-	132,000	20,000
Total governmental activities	<u>\$ 1,971,000</u>	<u>\$5,011,000</u>	<u>\$ 340,000</u>	<u>\$ 6,642,000</u>	<u>\$ 380,000</u>

Concord Community Schools
Notes to Financial Statements

Note 8 – Long-Term Debt (Continued)

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2019	\$ 360,000	\$ 149,808	\$ 509,808
2020	415,000	226,570	641,570
2021	435,000	211,240	646,240
2022	460,000	195,325	655,325
2023	200,000	177,925	377,925
2024-2028	1,080,000	796,625	1,876,625
2029-2033	1,300,000	586,125	1,886,125
2034-2038	1,560,000	305,925	1,865,925
2039-2040	700,000	36,925	736,925
Total	<u>\$ 6,510,000</u>	<u>\$ 2,686,468</u>	<u>\$ 9,196,468</u>

General obligation bonds consist of:

\$3,645,000 serial bonds due in annual installments of \$360,000 to \$410,000 through May 1, 2022; interest at 3.75% to 4.00%	\$ 1,540,000
\$4,970,000 serial bonds due in annual installments of \$35,000 to \$355,000 through May 1, 2040; interest at 2.00% to 4.00%	<u>4,970,000</u>
Total bonded debt	<u>\$ 6,510,000</u>

Note 9 – Leases

The District leases a portion of its bus fleet from CH&H Leasing, LLC. The lease is a three year lease for the 17/18, 18/19 and 19/20 school years with annual payments contingent upon how many buses are leased per year. In the 17/18 school year, a total of seven buses were leased, with a total cost of \$92,600. The School is responsible for all insurance, maintenance and operation costs of the leased buses. The lease agreement also calls for mileage charges of 25 cents per mile over an annual 12,000 miles per bus allowance. The minimum required lease payments are expected to be \$92,600 annually for the next two fiscal years.

Note 10 – Risk Management

The School District is exposed to various risks of loss-related torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries; and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring all covered risks of loss, including employee health and accident insurance, workers' disability compensation, property and casual, errors and omissions, and fleet. 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 year, 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.

Note 11 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions

Organization

Pension/OPEB Plan Description – The School District participates in the Michigan Public School Employees' Retirement System ("MPSERS" or "the System"), a State-wide, cost-sharing, multiple-employer defined benefit public employee retirement plan governed by the State of Michigan. The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees, and covers substantially all employees of the School District. There are currently approximately 700 participating employers in the System which meets the definition of a qualified pension trust fund under Section 401(a) of the Internal Revenue Code. In addition, the System maintains a health plan ("OPEB") which provides postemployment healthcare benefits to all eligible retirees as an elective option including health, prescription drug, dental, and vision coverage.

The System was originally created under Public Act 136 of 1945, recodified, and currently operates under the provisions of Public Act 300 of 1980, as amended. Section 25 of this Act establishes a governing board and its authority to promulgate or amend the provisions of the System. The board consists of twelve members – eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report and are available on the ORS website at www.michigan.gov/orsschools. Information provided in this report includes financial data, actuarial assumptions data, and detailed information about the pension plan and OPEB plan fiduciary net positions.

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

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

Note 11 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Organization (Continued)

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

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

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

Pension/OPEB Plan Contributions – Public Act 300 of 1980, as amended, requires contributions from both the participating employers and the active plan members. The School District, as a participating employer, is required to contribute amounts necessary to finance the coverage of pension and OPEB benefits of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees (plan members) during the year, with an additional amount paid in to finance a portion of the unfunded accrued liability.

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 the September 30, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

Concord Community Schools
Notes to Financial Statements

Note 11 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Organization (Continued)

Pension Plan Contributions – The System is set up with several different benefit options which are available to plan members (employees) based on date of hire. The table below summarizes pension contribution rates in effect for fiscal year 2018:

<u>Benefit Type</u>	<u>Member Rates</u>	<u>Employer Rates</u>
Basic	0.0% - 4.0%	17.89% - 19.03%
Member Investment Plan (MIP)	3.0% - 7.0%	17.89% - 19.03%
Pension Plus	3.0% - 6.4%	16.61% - 18.40%
Pension Plus 2	6.2%	19.74%
Defined Contribution	0.0%	13.54% - 15.27%

The District's required and actual contributions to the pension plan for the year ended September 30, 2017 were \$988,919. The District's required and actual pension contributions include an allocation of \$313,225 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial liability (UAAL) stabilization rate for the year ended September 30, 2017.

OPEB Contributions – OPEB contribution rates in effect for the fiscal year 2017 were 3% for members under the Premium Subsidy option with a corresponding 5.91% contribution from employers and 0% for members under the Personal Healthcare Fund with a corresponding 5.69% employer contribution.

Required contributions to the OPEB plan from the District were \$328,163 for the year ended September 30, 2017. The District's required and actual OPEB contributions include an allocation of \$116,557 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial liability (UAAL) stabilization rate for the year ended September 30, 2017.

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

Proportionate Share of School District's Net Pension Liability - At June 30, 2018, the District reported a liability of \$10,925,928 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2016. The District's proportionate share of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the System during the measurement period by the percent of statutorily required pension contributions from all applicable employers during the measurement period. At September 30, 2017, the District's proportionate share percent was .04216185 percent, an increase of .00252687 percent from its proportion measured as of September 30, 2016.

Pension Expense - For the plan year ended September 30, 2017, the School District's pension expense was \$1,205,419, exclusive of payments to fund the MPSERS UAAL stabilization rate.

Proportionate Share of School District's Net OPEB Liability - At June 30, 2018, the District reported a liability of \$3,732,663 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2016. The District's proportionate share of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the System during the measurement period by the percent of statutorily required OPEB contributions from all applicable employers during the measurement period. At September 30, 2017, the District's proportionate share was .04215093 percent.

Concord Community Schools
Notes to Financial Statements

Note 11 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Pension/OPEB Liabilities, Pension/OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions/OPEB (Continued)

OPEB Expense - For the plan year ended September 30, 2017, the School District's OPEB expense was \$249,723 exclusive of payments to fund the MPSERS UAAL stabilization rate.

Deferred Outflows and Deferred Inflows - At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	<u>Pension</u>	<u>OPEB</u>	<u>Pension</u>	<u>OPEB</u>
Difference between expected and actual experience	\$ 94,954	\$ -	\$ 53,611	\$ 39,742
Changes of assumptions	1,197,022	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	522,331	86,449
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	755,862	241	290,765	-
School District's contributions subsequent to the measurement date	1,018,074	201,621	443,261	-
Total	<u>\$ 3,065,912</u>	<u>\$ 201,862</u>	<u>\$ 1,309,968</u>	<u>\$ 126,191</u>

\$1,018,074 reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

\$201,621 reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

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

<u>Year Ended June 30</u>	<u>Pension</u>	<u>OPEB</u>
2019	\$ 271,923	\$ (30,440)
2020	500,316	(30,440)
2021	362,674	(30,440)
2022	46,218	(30,440)
2023	-	(4,190)

Payables to the Pension/OPEB Plan - The District reported an accrued pension/OPEB plan payable at June 30, 2018 of \$99,584. This amount represents employee withholdings and the employer amount payable for wages earned at June 30, 2018 but not yet paid.

Concord Community Schools
Notes to Financial Statements

Note 11 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions

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

A summary of actuarial assumptions as of the latest actuarial valuation follows:

Valuation date	September 30, 2016
Actuarial cost method	Entry age, normal
Wage inflation rate	3.5%
Investment rate of return:	
MIP and Basic plans (non-hybrid) as well as OPEB	7.5%
Pension Plus Plan (hybrid)	7.0%
Projected salary increases	3.5 – 12.3%, including wage inflation at 3.5%
Healthcare cost trend rate	7.5% Year 1 graded to 3.5% Year 12
Cost of living pension adjustments	3.0% annual non-compounded for MIP members
Mortality	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Additional assumption information includes the following:

- 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/OPEB valuations beginning with the September 30, 2014 valuation. The total pension/OPEB liability as of September 30, 2017 is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years – 4.5188 for pension plan employers and 5.4744 for OPEB plan employers.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Additional assumptions related to OPEB only include:

- Opt out assumptions - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
- Survivor coverage - 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
- Coverage election at retirement – 75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

Concord Community Schools
Notes to Financial Statements

Note 11 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions (Continued)

Long-Term Expected Rate of Return on Plan Assets – The long-term expected rate of return on pension/OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension/OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension/OPEB plan's target asset allocation as of September 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic equity pools	28.0%	5.6%
Alternative investment pools	18.0%	8.7%
International equity pools	16.0%	7.2%
Fixed income pools	10.5%	(0.1)%
Real estate and infrastructure pools	10.0%	4.2%
Absolute return pools	15.5%	5.0%
Short-term investment pools	<u>2.0%</u>	<u>(0.9)%</u>
Total	<u>100.0%</u>	

*Long-term rates of return are net of administrative expenses and 2.3% inflation.

Rate of Return – For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension/OPEB plan investments, net of pension/OPEB plan investment expense, was 13.24% and 11.82%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate - A discount rate of 7.5% was used to measure the total pension/OPEB liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long-term expected rate of return on pension/OPEB plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension/OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension/OPEB plan investments was applied to all periods of projected benefits payments to determine the total pension/OPEB liability.

Concord Community Schools
Notes to Financial Statements

Note 11 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for the Pension Plus Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher:

<u>Current Single Discount Rate</u>		
<u>1% Decrease (Non-Hybrid/Hybrid)* 6.5%/6.0%</u>	<u>Assumption (Non-Hybrid/Hybrid)* 7.5%/7.0%</u>	<u>1% Increase (Non-Hybrid/Hybrid)* 8.5%/8.0%</u>
<u>\$14,232,850</u>	<u>\$10,925,928</u>	<u>\$8,141,710</u>

*The Basic Plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher:

<u>1% Decrease 6.5%</u>	<u>Current Discount Rate 7.5%</u>	<u>1% Increase 8.5%</u>
<u>\$4,372,028</u>	<u>\$3,732,663</u>	<u>\$3,190,043</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the School District's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher:

<u>1% Decrease 6.5%</u>	<u>Current Healthcare Cost Trend Rate 7.5%</u>	<u>1% Increase 8.5%</u>
<u>\$3,161,064</u>	<u>\$3,732,663</u>	<u>\$4,381,675</u>

Note 12 – Federal and State Grants

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

Concord Community Schools
Notes to Financial Statements

Note 13 – Subsequent Events

To replace the State Aid and Tax anticipation notes described in Note 7, the District has approved issuance of the following:

- State Aid anticipation notes for the 2018-2019 school year totaling \$400,000 due in seven increments including interest at 1.75% of approximately \$58,000 each beginning in January, 2019 and ending in July, 2019.
- Tax anticipation notes for the 2018-2019 school year totaling \$200,000 with an interest rate of 2.57%, maturing April, 2019.

Note 14 – New Accounting Standard

For the year ended June 30, 2018, the District has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which was promulgated with the purpose of improving accounting and financial reporting for postemployment benefits other than pensions (OPEB). The Statement established standards for measuring and recognizing OPEB liabilities, OPEB expenses, and the related deferred inflows and deferred outflows of resources. The Statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan, similar to the requirements under GASB Statement No. 68 for pension liability reporting. The Statement also addresses standards for OPEB note disclosures and required supplementary information. Previous to the implementation of this Standard, the OPEB liabilities were not recorded in the District's financial statements. The Standard requires this change to be applied retroactively. As a result of this implementation, which was effective July 1, 2017, the beginning net position has been adjusted to reflect the beginning of year balances of the net OPEB liability and related deferrals of inflows and outflows of resources. This restatement of net position was a decrease of beginning net position of \$3,775,755 to a restated balance of \$(9,009,796).

Note 15 – Upcoming Accounting and Reporting Changes

GASB has issued Statement No. 84, *Fiduciary Activities*, to improve accounting and financial reporting over fiduciary activities. The Statement establishes criteria for identifying fiduciary activities and whether these identified fiduciary activities should be reported in a separate fiduciary fund in the basic financial statements. The Statement aims to enhance consistency and comparability for assessing government accountability and stewardship over fiduciary activities. Statement No. 84 will be effective for the District's fiscal year ending June 30, 2020.

Statement No. 87, *Leases*, was issued by the Governmental Accounting Standards Board to increase the usefulness of government financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. The Statement also addresses standards for note disclosures to include information regarding the timing, significance, and purpose of a government's leasing arrangements. Statement No. 87 will be effective for the District's fiscal year ending June 30, 2021.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, was issued to improve noted disclosures related to debt, including clarifying which liabilities should be included when governments disclose information regarding debt. The Statement requires the disclosure of essential information related to debt including unused lines of credit, collateral pledged as debt security, and other significant terms. Statement No. 88 will be effective for the District's fiscal year ending June 30, 2019.

Required Supplementary Information

Concord Community Schools
 Budgetary Comparison Schedule - General Fund
 Year Ended June 30, 2018

	Budgeted Amounts		Actual
	Original	Final	
Revenues:			
Local sources	\$ 579,600	\$ 592,952	\$ 588,077
State sources	5,865,722	5,904,907	5,893,730
Federal sources	142,781	173,171	127,522
Interdistrict and other	304,000	335,833	349,105
Total revenues	<u>6,892,103</u>	<u>7,006,863</u>	<u>6,958,434</u>
Expenditures:			
Instruction:			
Basic programs	3,391,695	3,525,490	3,477,218
Added needs	958,219	1,012,890	963,411
Support services:			
Pupil	257,794	265,439	255,453
Instructional staff	164,148	194,382	159,541
School administration	305,227	292,906	298,793
Building administration	388,187	390,258	377,903
Business	129,384	215,897	214,754
Operation and maintenance	770,821	815,234	776,683
Pupil transportation	391,625	407,155	383,266
Information management services	99,896	64,197	59,273
Athletics	234,471	245,235	245,089
Community and welfare services	1,345	1,345	-
Total expenditures	<u>7,092,812</u>	<u>7,430,428</u>	<u>7,211,384</u>
Revenues Over (Under) Expenditures	<u>(200,709)</u>	<u>(423,565)</u>	<u>(252,950)</u>
Other Financing Sources (Uses):			
Operating transfers in	20,000	35,000	35,000
Operating transfers out	(500)	-	-
Total other financing sources (uses)	<u>19,500</u>	<u>35,000</u>	<u>35,000</u>
Net Changes in Fund Balances	<u>(181,209)</u>	<u>(388,565)</u>	<u>(217,950)</u>
Fund Balances - Beginning of Year	<u>1,276,089</u>	<u>1,276,089</u>	<u>1,276,089</u>
Fund Balances - End of Year	<u>\$ 1,094,880</u>	<u>\$ 887,524</u>	<u>\$ 1,058,139</u>

Concord Community Schools
Schedule of the District's Proportionate Share of the Net Pension Liability of the MPSERS Plan
Last Four Fiscal Years (Amounts Determined Each Year as of September 30)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of net pension liability (%)	<u>0.04216185%</u>	<u>0.03963498%</u>	<u>0.03762482%</u>	<u>0.04093000%</u>
District's proportionate share of net pension liability	<u>\$ 10,925,928</u>	<u>\$ 9,888,603</u>	<u>\$ 9,189,872</u>	<u>\$ 9,015,307</u>
District's covered payroll	<u>\$ 3,604,066</u>	<u>\$ 3,434,863</u>	<u>\$ 3,319,381</u>	<u>\$ 3,616,669</u>
District's proportionate share of net pension liability as a percentage of its covered payroll	<u>303.16%</u>	<u>287.89%</u>	<u>276.86%</u>	<u>249.27%</u>
Plan fiduciary net position as a percentage of total pension liability	<u>64.21%</u>	<u>63.27%</u>	<u>63.17%</u>	<u>66.20%</u>

Concord Community Schools
Schedule of the District's Pension Contributions to the MPSERS Plan
Last Four Fiscal Years (Amounts Determined Each Year as of June 30)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required pension contributions	\$ 1,086,372	\$ 987,951	\$ 877,263	\$ 708,840
Pension contributions in relation to statutorily required contributions	<u>1,086,372</u>	<u>987,951</u>	<u>877,263</u>	<u>708,840</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 3,557,106</u>	<u>\$ 3,733,616</u>	<u>\$ 3,294,426</u>	<u>\$ 3,395,027</u>
Pension contributions as a percentage of covered payroll	<u>30.54%</u>	<u>26.46%</u>	<u>26.63%</u>	<u>20.88%</u>

Concord Community Schools
Notes to Required Supplementary Information Pension Schedules
Year Ended June 30, 2018

Changes of Benefit Terms:	There were no changes of benefit terms in 2017.
Changes of Assumptions:	The actuarial assumption regarding the investment rate of return for MIP and Basic plans changed from 8.0% to 7.5% effective for the State's fiscal year ended September 30, 2017.

Concord Community Schools

Schedule of the District's Proportionate Share of the Net OPEB Liability of the MPSERS Plan

Fiscal Year (Amounts Determined Each Year as of September 30)

	<u>2017</u>
District's proportion of net OPEB liability (%)	<u>0.04215093%</u>
District's proportionate share of net OPEB liability	<u>\$ 3,732,663</u>
District's covered payroll	<u>\$ 3,604,066</u>
District's proportionate share of net OPEB liability as a percentage of its covered payroll	<u>103.57%</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>36.39%</u>

Concord Community Schools
Schedule of the District's OPEB Contributions to the MPSERS Plan
Fiscal Year (Amounts Determined Each Year as of June 30)

	<u>2018</u>
Statutorily required OPEB contributions	\$ 251,928
OPEB contributions in relation to statutorily required contributions	<u>251,928</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
District's covered payroll	<u><u>\$ 3,557,106</u></u>
OPEB contributions as a percentage of covered payroll	<u><u>7.08%</u></u>

Concord Community Schools
Notes to Required Supplementary Information OPEB Schedules
Year Ended June 30, 2018

Changes of Benefit Terms:	There were no changes of benefit terms in 2017.
Changes of Assumptions:	There were no changes of benefit assumptions in 2017.

Other Supplementary Information

Concord Community Schools

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Food Service Fund	2010 Refunding Debt Fund	2018 Debt Retirement Fund	Sinking Fund	Total
<u>Assets</u>					
Cash	\$ 151,834	\$ 45,139	\$ -	\$ -	\$ 196,973
Short-term investments	-	-	-	83,107	83,107
Accounts receivable	6,478	-	-	-	6,478
Due from other governmental units	11,859	-	-	-	11,859
Due from other funds	-	-	116,840	-	116,840
Inventories	12,973	-	-	-	12,973
Prepaid expenditures	3,875	-	-	-	3,875
Total assets	<u>\$ 187,019</u>	<u>\$ 45,139</u>	<u>\$ 116,840</u>	<u>\$ 83,107</u>	<u>\$ 432,105</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 1,545	\$ -	\$ -	\$ 21,440	\$ 22,985
Due to other funds	38,010	-	-	-	38,010
Salaries payable	2,241	-	-	-	2,241
Other liabilities	3,808	-	-	-	3,808
Total liabilities	<u>45,604</u>	<u>-</u>	<u>-</u>	<u>21,440</u>	<u>67,044</u>
Fund balances:					
Nonspendable:					
Inventories	12,973	-	-	-	12,973
Prepaid expenditures	3,875	-	-	-	3,875
Restricted	124,567	45,139	116,840	61,667	348,213
Total fund balances	<u>141,415</u>	<u>45,139</u>	<u>116,840</u>	<u>61,667</u>	<u>365,061</u>
Total liabilities and fund balances	<u>\$ 187,019</u>	<u>\$ 45,139</u>	<u>\$ 116,840</u>	<u>\$ 83,107</u>	<u>\$ 432,105</u>

Concord Community Schools
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2018

	Food Service Fund	2010 Refunding Debt Fund	2018 Debt Retirement Fund	Sinking Fund	Total
Revenues:					
Local sources	\$ 139,908	\$ 398,292	\$ -	\$ 276,229	\$ 814,429
State sources	13,792	2,686	-	-	16,478
Federal sources	298,131	-	-	-	298,131
Other	55,189	-	-	30,323	85,512
Total revenues	<u>507,020</u>	<u>400,978</u>	<u>-</u>	<u>306,552</u>	<u>1,214,550</u>
Expenditures:					
Food service activities	493,836	-	-	-	493,836
Debt service	-	411,446	-	-	411,446
Capital outlay	-	-	-	267,326	267,326
Total expenditures	<u>493,836</u>	<u>411,446</u>	<u>-</u>	<u>267,326</u>	<u>1,172,608</u>
Revenues Over (Under) Expenditures	<u>13,184</u>	<u>(10,468)</u>	<u>-</u>	<u>39,226</u>	<u>41,942</u>
Other Financing Sources (Uses):					
Bond proceeds	-	-	116,840	-	116,840
Operating transfers out	(35,000)	-	-	-	(35,000)
Total other financing sources (uses)	<u>(35,000)</u>	<u>-</u>	<u>116,840</u>	<u>-</u>	<u>81,840</u>
Net Changes in Fund Balances	(21,816)	(10,468)	116,840	39,226	123,782
Fund Balances - Beginning of Year	<u>163,231</u>	<u>55,607</u>	<u>-</u>	<u>22,441</u>	<u>241,279</u>
Fund Balances - End of Year	<u>\$ 141,415</u>	<u>\$ 45,139</u>	<u>\$ 116,840</u>	<u>\$ 61,667</u>	<u>\$ 365,061</u>

Concord Community Schools
Schedule of Bonded Indebtness
June 30, 2018

	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Fiscal Year Interest Requirements</u>	<u>Amount of Annual Maturity</u>	<u>Bonds Outstanding June 30, 2018</u>
2010 Refunding Bonds	December 9, 2010	\$ 3,645,000	3.750%	5/1/2019	\$ 59,545	\$ 360,000	\$ 360,000
			3.850%	5/1/2020	46,045	380,000	380,000
			3.850%	5/1/2021	31,415	390,000	390,000
			4.000%	5/1/2022	16,400	410,000	410,000
							<u>\$ 1,540,000</u>

Concord Community Schools
Schedule of Bonded Indebtness (Continued)
June 30, 2018

	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Fiscal Year Interest Requirements</u>	<u>Amount of Annual Maturity</u>	<u>Bonds Outstanding June 30, 2018</u>
2018 School Building & Site Bonds	February 16, 2018	\$ 4,970,000	2.000%	5/1/2019	\$ 90,263	\$ -	\$ -
			2.000%	5/1/2020	180,525	35,000	35,000
			2.000%	5/1/2021	179,825	45,000	45,000
			2.000%	5/1/2022	178,925	50,000	50,000
			3.000%	5/1/2023	177,925	200,000	200,000
			3.000%	5/1/2024	171,925	205,000	205,000
			3.000%	5/1/2025	165,775	210,000	210,000
			3.000%	5/1/2026	159,475	215,000	215,000
			3.000%	5/1/2027	153,025	220,000	220,000
			4.000%	5/1/2028	146,425	230,000	230,000
			4.000%	5/1/2029	137,225	240,000	240,000
			4.000%	5/1/2030	127,625	250,000	250,000
			4.000%	5/1/2031	117,625	260,000	260,000
			4.000%	5/1/2032	107,225	270,000	270,000
			4.000%	5/1/2033	96,425	280,000	280,000
			4.000%	5/1/2034	85,225	290,000	290,000
			4.000%	5/1/2035	73,625	300,000	300,000
			4.000%	5/1/2036	61,625	310,000	310,000
			4.000%	5/1/2037	49,225	325,000	325,000
			3.500%	5/1/2038	36,225	335,000	335,000
			3.500%	5/1/2039	24,500	345,000	345,000
			3.500%	5/1/2040	12,425	355,000	355,000
							<u>\$ 4,970,000</u>



WILLIS & JURASEK

CPAS AND CONSULTANTS

**Independent Auditors' 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**

Board of Education
Concord Community Schools
Concord, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Concord Community Schools as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 17, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Concord Community 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Concord Community 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*.

Board of Education
Concord Community Schools

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.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

September 17, 2018