Reeths-Puffer Schools
Muskegon, Michigan

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

www.reeths-puffer.org

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Muskegon, Michigan

Comprehensive
Annual Financial Report
For the year ended
June 30, 2018

Prepared By

Reeths-Puffer Schools
Business Office

Jason Helsen
Director of Finance

Reeths-Puffer Schools

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REETHS-PUFFER SCHOOLS

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October 19, 2018

Dear Board Members and Citizens of Reeths-Puffer Schools:

The Comprehensive Annual Financial Report (CAFR) of Reeths-Puffer Schools (School District) for the fiscal year ended June 30, 2018 is presented for your review. Guided by the Board of Education's commitment to public accountability, detailed financial information relating to the fiscal operation of the School District is presented in this report prepared by the School District's Finance Department. The CAFR is prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Responsibility for the completeness, accuracy and fairness of the information presented rests with the administration and management of Reeths-Puffer Schools.

The report has been prepared following generally accepted accounting principles. We believe the data presented is accurate in all material respects and clearly reflects the financial position and the results of operations of Reeths-Puffer Schools. All disclosures necessary to enable the reader to gain an understanding of the School District's financial activities have been included.

Report Organization

The Comprehensive Annual Financial Report was prepared to meet the needs of a broad spectrum of financial statement readers. The report is divided into the following major sections:

Introductory Section—The reader is introduced to Reeths-Puffer Schools. Included are facts about the School District, a brief highlight of our curriculum offerings, points of pride, major initiatives undertaken and other information. The introductory section includes this transmittal letter, the School District's organizational chart, a list of School District officials and administrative staff.

Financial Section—The Independent Auditor's Report, Management's Discussion and Analysis (MD&A), Basic Financial Statements and Notes to Basic Financial Statements are included. These provide an overview for readers who require less detailed information than is contained in the balance of this report. In addition to the basic financial statements, this section includes combining and individual fund supplemental statements and schedules.

Statistical Section—The reader is provided with a 10-year history of financial and demographic data intended to reflect economic conditions, financial trends and the fiscal capabilities of our School District.

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The School District's MD&A can be found immediately following the report of the independent auditors.

We, the administration, would like to stress to you, the reader, that we are responsible for both the financial information and representations contained in the financial statements and other sections of this annual report. In preparing the financial statements, it is necessary to make informed estimates and judgments based on currently available information.

Reporting Entity

Reeths-Puffer Schools is a suburban school district, located in northern Muskegon County, covering five townships, plus a portion of the City of Muskegon, in an area affectionately known as “Rocket City”. The School District covers approximately 77 square miles and includes the entirety of Laketon Township plus portions of Fruitland, Dalton, Muskegon, and Cedar Creek Townships. The current population is approximately 22,000.

The School District was formed in 1946 by the consolidation of the Reeths School District and Puffer School District. Reeths-Puffer High School graduated its first class in 1959. The School District reached its present boundaries in 1981 after a process of several consolidations and annexations. The roots of the School District extend back to the late 1800s. Reeths-Puffer Schools is a fiscally independent school district governed by a seven-member elected Board of Education.

The School District operated six traditional and three non-traditional instructional facilities in the 2017-18 school year. Pennsylvania Elementary and McMillan Early Childhood Center serve early childhood education needs. Three elementary schools serve grades K through 4: Central Elementary, Twin Lake Elementary, and Reeths-Puffer Elementary. Reeths-Puffer Intermediate School serves grades 5-6, Reeths-Puffer Middle School serves grades 7-8, and Reeths-Puffer High School serves grades 9 through 12. The School District has several support facilities, and also participates in a five-district consortium that runs Duck Creek alternative high school. The student enrollment for 2017-18 was 3,827 students. Some program changes in 2018-19 will result in an overall decrease in student enrollment, but core K-12 enrollment is expected to be steady, and enrollment is projected to be 3,751 students in 2018-19.

School Programs and Major Initiatives

Reeths-Puffer Schools strives to be a leader in instructional excellence and continues to attract new families to the “Rocket City” community. The R-PS curriculum and student programs are guided by the ambitious student achievement goals of the R-P Strategic Plan:

- “No Boundaries, No Limits - Anytime, Anyplace, Any Level Learning”
- “100% Plugged In – Every Child Connected to an ‘Out of School’, Coordinated, Value-Added Activity”
- “100% of Rocket Graduates are ‘College and Career’ Aware and Ready”

These standards set high expectations and are based upon the belief that all students can and will succeed. This is punctuated by the bold “23” initiative, which aims to increase student achievement, thereby increasing access to higher education opportunities for Reeths-Puffer High School graduates.

In response to these goals, opportunities for students have grown, with new clubs, groups, and teams accessible to students of all ages. The School District provides a world language program spanning grades K through 12. Pennsylvania Elementary operates as a public/private partnership that provides innovative early childhood and Kindergarten instruction. McMillan Early Childhood Center provides great opportunities through preschool programming for young Rockets. Advanced Placement and dual enrollment opportunities are available to students at the high school looking for challenges. A college readiness program has started at the elementary level, which will feed into students in the secondary grades having a greater awareness of what it takes to be college-and career-ready. The decorated high school band continues to win awards and finished runner-up at the state championships in 2017-18.

Accounting Systems and Budgetary Controls

The School District adheres to budgetary policies established by the Board of Education. The Superintendent submits a proposed operating budget to the Board of Education prior to July 1 each year. The operating budget includes proposed expenditures, along with the means of financing them. In 2017-18, this proposed operating budget included the General Fund, Food Service Fund, and Technology and Security Fund. The level of control is at the functional level. The budget process includes public hearings to obtain taxpayer comments, and a legally adopted Board of Education resolution prior to July 1. The Superintendent and Director of Finance are authorized to transfer budgeted amounts within expenditure functions. Any transfer or revisions that require increases in total expenditures or change the total for any fund must be approved by the Board of Education. The budget is amended throughout the year as needed, with the final amendment always approved prior to June 30.

The budget process is designed to effectively allocate resources to maximize student benefit. One of the key values identified in the School District strategic plan is the open sharing of School District financial information, and as such, transparency is highly valued in the budget communication process.

The School District integrates the budget the accounting system and internal controls. Internal controls are in place to provide reasonable, but not absolute, assurance for the safeguarding of assets against loss from unauthorized use, and for maintaining accountability of the assets. Such controls also provide assurance for the reliability of the financial records necessary for producing accurate financial statements. Our budgetary and internal controls adequately safeguard School District assets and provide reasonable assurance that errors or fraud are prevented or can be detected within a timely period.

Independent Audit

The School District's financial statements were audited by Brickley DeLong, as of June 30, 2018. Their audit was made in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The financial statements present fairly the financial position of Reeths-Puffer Schools at June 30, 2018.

The independent audit of the financial statements of the District was part of a federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the District's separately issued Single Audit Report.

Financial and Capital Planning

The passage of Proposal A in 1994 has resulted in the School District being dependent upon the State of Michigan for the majority of its funding. The School District has ongoing financial planning for operational needs as well as capital asset needs. Major assumptions involved with financial forecasting include student enrollment, state funding, employee wage and benefit costs, and equipment and facility life cycles. Considerable time and energy is spent tracking and forecasting student enrollment, as the vast majority of funding is generated on a per-pupil basis.

Many of the School District's instructional facilities were built between 1948 and 1962. Reeths-Puffer High School was constructed in 1994. Each of the facilities has benefited from significant improvements over the years, which was highlighted most recently by the complete renovation of Reeths-Puffer Middle School using the 2010 Bond. Facility upgrades have been funded through bond capital projects as well as building and site improvement funds set aside on an annual basis.

Economic Environment

Michigan voters approved the state constitutional amendment known as Proposal A in 1994. Funding of school operations shifted dramatically at that time from local property tax revenue to State Aid funding as a result. The School District has seen both increases and decreases in state funding during the time since this change, and it has always dealt with budget challenges responsibly in a manner that puts students at the forefront of the process.

The regional economy in West Michigan has made a slow recovery since the downturn in 2008-2009. The unemployment rate in Muskegon County has tracked the State of Michigan trend, declining significantly over the past several years. Property taxable values have stabilized over the past several years after five consecutive years of losses, but are well below the high point of 2009-2010. Changes in the economy were compounded by a significant loss from settlements with the School District's biggest taxpayer, Consumers Energy, as they prepared to close the BC Cobb power plant.

School District voters have consistently supported bond issues for capital improvements, most recently in 2009. Muskegon County voters approved a 1 mill technology and security enhancement millage in 2014, which will benefit the School District for years to come.

Certificate of Excellence

The School District first prepared a CAFR for the year ended June 30, 2014, and first gained the Association of School Business Officials (ASBO) Certificate of Excellence at that time. The School District was successful in earning the ASBO Certificate of Excellence for the Comprehensive Annual Financial Report for the year ended June 30, 2017, the fourth straight year of this achievement. This achievement is a source of pride for both the School Administration and the Board of Education. The vision and leadership of the Board is a necessity for maintaining such high standards for financial reporting. The Administration will again submit this year's report in the hopes of continuing this achievement.

Acknowledgments

The preparation of this report could have not been accomplished without the dedication and effort of the entire Business Services department staff. We would like to express our gratitude and appreciation to all School District employees who assisted in the timely and accurate closing of the School District's financial records and the preparation of this report.

Respectfully submitted,

Steven Edwards	Jason Helsen
Superintendent	Director of Finance

Reeths-Puffer Schools

Elected Officials and Administrative Staff

2017-18 Board of Education

Kim Kelly, President

Mike Weessies, Vice President

Mary Schaab, Treasurer

Robert DeMuro, Secretary

Susan Blackburn, Trustee

Doug Brown, Trustee

Sonya Hernandez, Trustee

2017-18 Administrative Staff

Steve Edwards, Superintendent

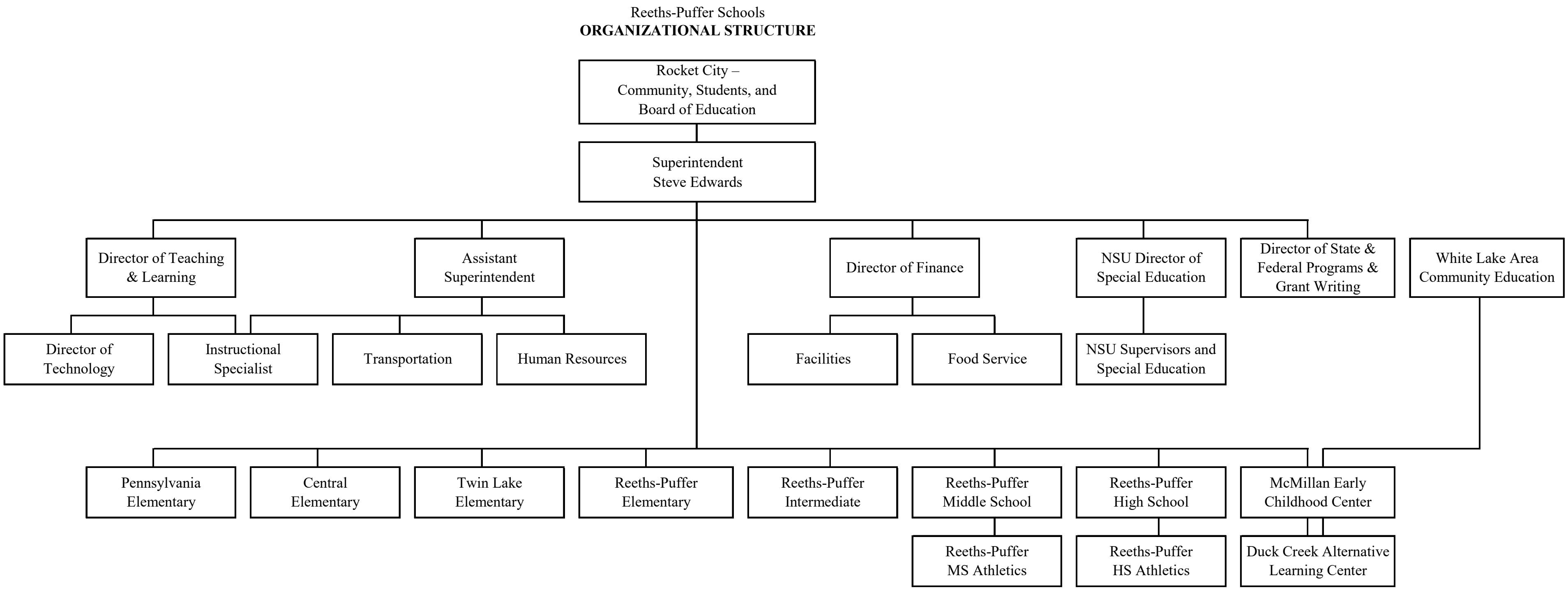
Rob Renes, Assistant Superintendent

Scott Green, Director of Special Education

Jason Helsen, Director of Finance

Terri Portice, Director of Teaching and Learning

Reeths-Puffer Schools
ORGANIZATIONAL STRUCTURE



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

Reeths-Puffer Schools

for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2017.

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.

CERTIFICATE OF EXCELLENCE
IN FINANCIAL REPORTING

Charles E. Peterson, Jr., SFO, RSBA, MBA
President

John D. Musso, CAE
Executive Director

INDEPENDENT AUDITOR'S REPORT

Board of Education
Reeths-Puffer Schools
Muskegon, 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 Reeths-Puffer Schools (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise 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.

Auditor's Responsibility

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

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

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

Grand Haven | Grand Rapids | Hart | Muskegon

www.brickleydelong.com

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 Reeths-Puffer Schools as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As described in Note N to the financial statements, Reeths-Puffer Schools implemented Governmental Accounting Standards Board (GASB) Statement 75—*Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*. Our opinion is 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 pension and OPEB information on pages 12 through 33 and 68 through 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Reeths-Puffer Schools' basic financial statements. The introductory section, budgetary comparison schedules, combining nonmajor fund financial statements, debt service funds financial statements, fiduciary funds financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section, budgetary comparison schedules, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2018, on our consideration of Reeths-Puffer Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Reeths-Puffer Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Reeths-Puffer Schools' internal control over financial reporting and compliance.

Brickley DeLong, P.C.

Muskegon, Michigan
October 19, 2018

The management discussion and analysis report for Reeths-Puffer Schools (School District) is intended to assist the reader in focusing on significant financial issues, provide an overview of the School District's financial activity and identify changes in its financial position. This section of the financial statements also identifies all material deviations from the financial plan (initial budgets) and discloses individual fund issues and concerns that exist at the close of the fiscal year.

This information is required by GASB 34 (Governmental Accounting Standards Board's Statement No. 34). GASB 34 requires the presentation of two basic types of financial statements; namely, Government-Wide Financial Statements and Fund Financial Statements.

Overview of the Comprehensive Financial Statements

This comprehensive annual financial report consists of seven parts: (1) the introductory section, (2) the independent auditor's report, (3) management's discussion and analysis (this section), (4) the basic financial statements, (5) required supplementary information, (6) other supplemental information, and (7) the statistical section. The financial statements include notes that explain some of the information in the statements by providing detailed data. These statements are followed by a section of required supplementary information that further explains and supports the financial statements, utilizing a comparison to the School District's budget for the year. Additionally, the basic financial statements also include two kinds of statements that present different views of the School District.

Government-Wide Financial Statements

The government-wide statements provide a financial perspective of the School District as a whole. These statements use the "full accrual" basis of accounting. There are two (2) government-wide statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position combines and consolidates governmental funds' current financial resources (short-term expendable resources) with capital assets and long-term obligations, whether they are currently available or not.

The Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid (full accrual accounting). The intent of this statement is to summarize and simplify the information relative to funding received and expenditures made for various district services.

Fund Financial Statements

Fund statements are reported under the "modified accrual" method of accounting. Under this basis of accounting, revenues are recorded when received, except where they are measurable and available within sixty (60) days of the close of the fiscal year. Expenditures are accounted for in the period that goods and services are used in school programs; therefore, major payments during the summer for payrolls and benefits belonging to the year's instructional program are expensed on June 30th. In addition, capital asset purchases are expensed when placed in service and are not shown as assets in these statements. Debt payments made in the fiscal year are shown as expenditures in the current year and future debt obligations are not recorded here.

Fund types include the General Fund, special revenue funds, debt retirement funds, capital projects funds and the agency funds. The General Fund is used to show the operational financial activities of the School District for the fiscal year. The primary funding sources for the General Fund are from local property taxes, state foundation grant per student, state categorical funding for specific programs, federal grants and inter-governmental transfers. A budgetary comparison schedule for the General Fund is presented as Required Supplementary Information. This schedule shows the initial budget adopted in June 2017, the final amended budget as of June 30, 2018, and how actual results compared.

Special revenue funds include the Food Service Fund and the Technology and Security Fund. Transactions dealing with the school food service program are recorded in the Food Service Fund and related accounts. The Technology and Security fund was added as a non-major special revenue fund, effective July 1, 2014. It accounts for the enhancement millage received through Muskegon Area ISD and the related expenditures, focused on technology and security enhancements.

The debt service funds are used to record debt payments of principal and interest amounts. Local property tax funds are used to pay the majority of debt, with any unmet needs being covered by the Michigan School Bond Loan Program and Michigan School Loan Revolving Fund. The fund for the 2015 Refunding Bonds, Series B is presented as a major fund again in 2017-18. The annual principal and interest payments required on this bond issue exceed the threshold to be presented as a major fund. Therefore, it is shown separate from the other debt service funds, which are presented as other governmental funds in the Other Supplemental Information section.

The capital projects funds are used to record the costs associated with the acquisition of land, construction or improvement of school facilities, and for equipment purchases in excess of $5,000. The School District currently has one dedicated capital projects fund, the Building and Site Fund. This fund is used for building improvements, equipment purchases, and general facilities upgrades.

The agency funds, known as internal activity funds, are held in a trustee capacity for various student or school related groups' financial transactions. Monies in these funds are not available for general school use.

Budgetary comparison schedules cover the special revenue funds of the School District – Food Service Fund and Technology and Security Fund. These comparisons are presented as Other Supplemental Information and are not subject to audit. However, the Board of Education is required by law to adopt a budget for appropriations for those funds. These schedules show the initial budget adopted in June 2017, the final amended budget as of June 30, 2018, and how actual results compared.

Government-Wide Financial Results – Statement of Activities and Changes in Net Position

The net position deficiency shown below is the direct result of the School District using capital appreciation bonds and loans from the Michigan School Bond Loan and School Loan Revolving Funds to finance major facility construction projects over the past several years. Under Michigan School Bond Loan funding programs, the payments against principal and interest costs are delayed to some point in the future; therefore, interest costs compound due to their delayed payment.

The negative impact of funding school projects by utilizing these particular funding methods is further increased by the fact that the facility values associated with the borrowed funds are decreasing each year due to depreciation. These particular funding programs have been available for use by public schools where the community's tax base is insufficient to support the immediate costs of debt associated with meeting current facility needs. The particular capital appreciation bonds the School District has are currently not callable for refinancing at a lower rate.

Furthermore, the net deficiency position of the School District has been exacerbated by the adoption of GASB Statements Numbers 68 and 75, which have greatly increased the long-term liabilities required to be recognized by the School District. GASB Statement Number 68 was adopted for the fiscal year ended June 30, 2015, and GASB Statement Number 75 was adopted for the fiscal year ended June 30, 2018. As of June 30, 2018, the School District reported liabilities of approximately $56.7 million for its share of the unfunded liability for the MPSERS pension plan, approximately $19.4 million for its share of the MPSERS OPEB liability as well as approximately $2.8 million in additional OPEB liabilities. The adoption of GASB 68 and GASB 75 and the impact of the new statements are explored in more depth in Footnote I.

Statement of Net Position

	For the Year Ended June 30,	
	2018	**2017**
Assets		
Current assets	$ 14,713,669	$ 14,952,832
Capital assets (net of depreciation)	48,230,368	50,404,567
Total assets	62,944,037	65,357,399
Deferred outflows of resources	14,512,245	8,765,439
Total assets and deferred outflows of resources	77,456,282	74,122,838
Liabilities		
Current liabilities	21,392,952	21,024,261
Long-term liabilities	144,929,879	126,105,682
Total liabilities	166,322,831	147,129,943
Deferred inflows of resources	6,632,670	2,232,324
Total liabilities and deferred inflows of resources	172,955,501	149,362,267
Net Position		
Net investment in capital assets	3,223,706	594,530
Restricted funds	298,205	405,608
Unrestricted funds	(99,021,130)	(76,239,567)
Net position	$ (95,499,219)	$ (75,239,429)

- Current assets – Several asset categories have decreased slightly as of June 30, 2018, compared to a year ago. Cash and investments decreased slightly, Due from Other Governmental Unit receivable balances increased slightly, and prepaid items decreased. None of the variances appear significant. Timing of receipts from grant draws, payments to vendors, and current year results all contributed to this situation.
- Capital assets – net capital assets were reduced by annual depreciation, and capitalized additions were relatively low once again. This resulted in a net decrease.
- Deferred outflows of resources increased fairly significantly. An amount was established related to other postemployment benefits with the adoption of GASB Statement 75, and the amount related to pensions increased significantly. Deferred charges related to refunding decreased slightly as this amount is amortized over the term of the refunding bonds.

- As a result of these changes, total assets and deferred outflows of resources as of June 30, 2018 increased by over $2.3 million compared to June 30, 2017.
- Current liabilities – increased slightly compared to June 30, 2017. The amount of bond payments due within one year increased slightly as of June 30, 2018. Accounts payable is very similar to a year ago, and accrued liabilities also increased slightly compared to a year ago. The State Aid loan decreased from $6,000,000 as of June 30, 2017 to $5,800,000 as of June 30, 2018.
- Long-term liabilities – increased compared to June 30, 2017. While the amount of long-term bonds and other obligations decreased significantly, the recognition of over $22 million in post-employment benefits caused our liabilities to increase compared to a year ago. The amount of long-term liabilities has increased significantly in recent years with the implementation of GASB Statements 68 and 75.
- Largely as a result of the increase in long-term liabilities described above, the deficiency in the School District's net position has increased compared to a year ago. This has grown significantly over the past several years, directly as a result of the adoption of GASB Statements Number 68 and 75, and the related recognition of the long-term pension liability and other post-employment benefit liability.

Statement of Activities

	For the Year Ended June 30, 2018	2017
District Wide Revenues		
Program Revenues		
Charges for services	$ 545,606	$ 565,458
Operating grants	11,888,903	10,570,351
General Revenues		
Property taxes	8,614,100	9,005,078
Unrestricted grants	25,668,248	25,318,240
Other revenues	200,058	145,809
Total revenues	46,916,915	45,604,936
District Wide Expenses		
Instruction	26,437,642	24,639,207
Support services	14,762,592	13,815,211
Community services	35,311	42,200
Food services	1,282,961	1,269,012
Athletics	898,313	896,777
Interest on long-term debt	2,824,320	2,390,222
Unallocated depreciation	40,887	40,887
Total expenses	46,282,026	43,093,516
Change in net position	634,889	2,511,420
Net position at beginning of year (as restated)	(96,134,108)	(77,750,849)
Net position at end of year	$ (95,499,219)	$ (75,239,429)

The change reflected above is a change in net position of approximately $635,000, or approximately 0.8% of total assets. Overall, total revenue in 2017-18 increased by approximately $1.3 million compared to 2016-17, an increase of nearly 3%. Property tax revenue for debt service decreased slightly, as the School District was able to decrease its debt levy, from 10.39 mills to 9.75 mills. This was a product of modest tax base growth, along with School District efforts to refinance outstanding debt, and is consistent with the requirements of Public Act 437 of 2012. Operating grants increased with the increase in Section 147 funding, a significant increase in At-Risk funds, and increased Act 18 distribution from MAISD. Unrestricted revenue was comparable to the previous year. Per-pupil funding increased and the School District added a shared time program, but also lost K-12 enrollment and the corresponding state aid, so this tempered the other increases.

Overall, expenses increased by about $3.2 million in 2017-18, compared to 2016-17. Instructional spending increased by approximately $1.8 million compared to the prior year. Included in these changes were the increased spending in At-Risk funds, new shared time program staffing, and increased Section 147C pension charges. Support services spending increased by approximately $950,000. One significant increase in this area came in the Technology and Security budget, for the lighting and security project. Also, in the previous year, spending at the fund level was comparable, but a larger portion was capitalized on the full accrual financial statements, making the Government-wide support services expense lower. In the current year, there were very few capitalized additions. Interest on long-term increased for the year ended June 30, 2018. While the School District has aggressively refinanced outstanding bonds in past years, in the shorter term, interest costs will increase as we borrow from the School Bond Loan Fund to repay the 2015 Series B bonds. In the long run, the School District will save over $6.6 million in interest expense as a result of the 2015-16 and 2016-17 bond refunding issues.

Net Capital Asset Values

Asset Category	July 1, 2017 Balance	Additions in 2017-18	Deductions in 2017-18	Change in Accumulated Depreciation	June 30, 2018 Balance
Land	$ 474,150	$ -	$ -	$ -	$ 474,150
Land Improvements	494,003	-	-	3,007	490,996
Vehicles	324,296	-	221,087	(137,138)	240,347
Buildings & improvements	47,604,164	24,548	-	1,844,557	45,784,155
Furniture & equipment	1,507,954	57,049	15,397	308,886	1,240,720
Total	$50,404,567	$ 81,597	$ 236,484	$ 2,019,312	$ 48,230,368

As shown above, capital assets, net of depreciation, decreased in value from July 1, 2017 to June 30, 2018. During 2017-18, the School District capitalized slightly more than $80,000 in equipment purchases and other projects, while accumulated depreciation increased by over $2 million. With 2010 Bonded Capital Projects funds fully depleted for several years, the School District has found itself with limited resources for capital improvements. For more information on capital assets, please see Note E in the notes to the financial statements.

Debt Obligations

	July 1, 2017	Additions	Deductions	June 30, 2018	Current
Debt obligations (Bonds, SBLF, other borrowing)	$ 79,819,713	$ 7,856,145	$11,156,138	$ 76,519,720	$10,999,267
Compensated absences and early retirement obligations	809,560	255,036	217,372	847,224	216,250
Net pension liability	55,001,235	7,177,460	5,540,694	56,638,001	-
Net other postemployment benefits liability	23,170,061	53,372	1,082,982	22,140,451	-
Total long-term obligations	$ 158,800,569	$ 15,342,013	$ 17,997,186	$ 156,145,396	$ 11,215,517

The ending balance of debt obligations as of June 30, 2018 is lower than the beginning balance by approximately $3,300,000. Additions shown above represent borrowing from the State of Michigan School Loan Revolving Fund and accreted interest on capital appreciation bonds. Reductions in outstanding debt include principal and interest payments made according to bonded debt schedules, and amortization of bond premiums. For more information on debt, please see Note H in the notes to the financial statements.

In 2015-16 and 2016-17, the School District issued over $53.9 million in refunding bonds combined over four issues to refinance outstanding debt at lower interest rates in order to lower costs and pass significant savings along to its taxpayers. These four issues refinanced multiple outstanding bond issues and achieved projected combined interest savings of over $6.6 million.

General Fund Budgetary Highlights

The State of Michigan's Uniform Budget Act requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. When the budget is prepared each year, several unknown factors exist. Estimates are used for such major items as student count, employee contracts, state aid, staffing, and tax appeals. As a matter of practice and in accordance with Board policy and state law, the School District amends its budget periodically during the fiscal year. These revisions are made in order to deal with changes in revenues and expenditures that become known during the year. During the 2017-18 year, the budget was amended in January 2018 and June 2018.

One of the main assumptions impacting the School District's budget is the revenue received from State of Michigan through the per-pupil foundation allowance. The foundation grant for the 2017-18 year was $7,631. This represented an increase of $120 over the 2016-17 level, distributed on the 2x formula. The State of Michigan provided approximately $98 per pupil in available supplemental funds through Section 147A MPSERS pension offset grant, an increase from the previous year's allocation of about $69 per pupil.

Revenue adjustments made during the 2017-18 budget process included:

- Pupil Count and State Aid *(January 2018, Budget Amendment #1; June 2018, Budget Amendment #2)* – The projected pupil count for 2017-18 was flat with 2016-17 levels. While total student count increased for fall 2017, there were several components to this.
    - Traditional K-12 count was down 53 students compared to 2016-17, from 3,769 to 3,716. This resulted a loss of approximately $405,000 in state aid revenue.
    - Alternative ed student count increased by 3 students, to approximately 37 FTE.
    - Shared time student count was new for 2017-18, and was not factored into initial budget estimates. The initial projected student count was approximately 81 student FTE through partnership Western Michigan Christian schools. The final count was approximately 77 student FTE, leading to a blended 2017-18 count impact of about 69 FTE.
- State pension funding through Section 147 *(January 2018, Budget Amendment #1)* - the District received more than originally projected in MPSERS 147A and 147C funding. In total, these sources brought in over $3 million in 2017-18, and added approximately 14% to our pension rate, bringing total pension costs to nearly 40% of payroll. Section 147C funding increased to nearly $2.7 million, or nearly 7% of the total general fund budget. This amount equated to over $700 per pupil that was received from the State of Michigan and passed right back to the pension program.
    - New pension funding through Section 147E *(June 2018, Budget Amendment #2)* – this new revenue source was implemented mid-year in 2017-18. The allocation was approximately $20,000, and will be used to help offset increased defined contribution costs for new hires in the pension system.
- Federal Title grant revenue updates *(January 2018, Budget Amendment #1)* –
    - Title I-A – the District planned for a decrease in funding in the initial 2017-18 budget estimates, but the allocation came in approximately $60,000 less than planned in the initial budget recommendation, leading to a total decrease of nearly $130,000 compared to 2016-17 levels.

  - Title II-A – the District allocation decreased by approximately $25,000 compared to 2016-17, which was an increase of approximately $17,000 compared to initial estimates.
  - Title III grant decreased from initial 2017-18 estimates, and Title IV grant was implemented with a new allocation of $10,000.
  - The updated projected revenue available for the Title grant cluster was approximately $710,000, a drop of about $40,000 from the initial budget.
- Federal IDEA grant revenue updates *(January 2018, Budget Amendment #1; June 2018, Budget Amendment #2)* – the amount of the IDEA Preschool grant decreased from initial estimates by approximately $20,000. Mid-year amendments further reduced IDEA funds available by approximately $23,000. The total projected revenue available among three IDEA grants was approximately $1,300,000.

- From the Initial Budget in June 2017 to Budget Amendment #2 in June 2018, total revenue increased by approximately $615,000, an increase of about 1.6%. The most significant factors in this change came in state funding due to the increase in enrollment with the addition of shared time and the unexpected increase in section147C funding.

The initial expenditure assumptions included a MPSERS base pension rate of 25.56% of payroll, a subsidized MPSERS rate of 12.7% of payroll, an increase in health insurance caps of 3.3% according to PA 152 limits, modest wage increases for employees as already settled according to contracts, and budget reductions of over $200,000.

Expenditure adjustments made during the 2017-18 budget process included:

- Increased staffing expenditures *(January 2018, Budget Amendment #1)* – adjustments and new hires were made over the summer in preparation for the 2017-18 school year. Due to retirements and the increase in 31A funding, the District was able to replace retiring teaching positions, as well as add instruction and supports at the elementary level compared to initial estimates.
- Pension costs *(January 2018, Budget Amendment #1)* – Initial MPSERS rates suggested a small increase for 147C costs, but the final allocation released in November 2017 showed an increase of approximately $380,000. Revenue and expenditures were increased to approximately $2,700,000. This equated to nearly 14% of payroll, an increase over the 2016-17 rate of 12.7%.

- From the Initial Budget in June 2017 to Budget Amendment #2 in June 2018, total expenditures increased by approximately $970,000, or about 2.6%. The most significant increase occurred in instructional expenditures, with the addition of shared time teachers, and where the increase in the pension 147C rate had the greatest budget impact.

The initial budget called for a surplus of approximately $92,000, while the final amended budget called for an operating deficit of approximately $262,000, a change of approximately $354,000, or about 0.9% of annual expenditures. The actual results reflect a surplus of approximately $55,000; a positive swing of approximately $318,000 compared to the final budget amendment, or about 0.8% of the annual budget.

2017-18 General Fund

	Initial Budget	Final Budget	Actual
Revenues			
Local revenue			
Local sources	$ 3,009,240	$ 2,934,540	$ 2,967,374
Received from other districts	1,629,000	1,603,000	1,727,887
State revenue	31,241,250	32,015,065	32,141,758
Federal revenue	2,125,227	2,039,423	2,009,089
Transfers and other	91,000	119,000	75,478
Total revenues	$ 38,095,717	$ 38,711,028	$ 38,921,586
Variance of actual from budget	$ 825,869	$ 210,558	
	2.2%	0.5%	

2017-18 General Fund

	Initial Budget	Final Budget	Actual
Expenditures			
Instruction	$ 23,808,972	$ 24,558,856	$ 24,611,702
Instructional support	4,568,945	4,693,441	4,690,347
Business and Administration	4,354,140	4,324,558	4,067,027
Maintenance and Operations	2,595,156	2,682,664	2,767,678
Transportation	1,711,693	1,737,925	1,741,811
Athletics	775,147	794,378	812,867
Community, Transfers, and Other	189,813	181,276	174,693
Total expenditures	$ 38,003,866	$ 38,973,097	$ 38,866,125
Variance of actual from budget	$ 862,259	$ (106,972)	
	2.3%	-0.3%	
Change in Fund Balance	$ 91,851	$ (262,069)	$ 55,461
Variance of actual from budget	$ (36,390)	$ 317,530	
Percentage of budgeted expenditures	-0.1%	0.8%	

Budget to actual analysis follows:

Revenue

- Local revenues higher than budget estimates: \$32,000, or 1.1%. Revenues received were in line with estimates. A year-end reclassification of several miscellaneous items was the only difference between budget estimates and final figures.
- State revenues higher than estimated: \$127,000 – The variance represents about 0.4% of this category. About ¼ of this variance came on the August 20th state aid payment. Revenues received were in line with estimates.
- Local revenue sources received from other districts higher than estimated: \$125,000 – Much of the revenue received in this category are not known until mid-August per the terms of the MAISD Act 18 distribution and special education 'bill-back' procedures. Actual revenue figures, received on August 15, 2018, exceeded year-end budgeted expectations by nearly \$190,000.
- Federal revenues lower than estimated: (\$30,000) – Since full grant allocations must be appropriated, any carryover shows up as a budget variance. Title I-A, and Title II-A budgets combined came in approximately \$27,000 under approved award amounts. IDEA revenue received matched approved award amounts. These grants are reimbursement-based, meaning this variance has no impact on the School District's bottom line. These amounts will be carried over into the 2018-19 year.
- Incoming Transfers and Other Sources lower than estimated: (\$44,000) – This category represents indirect cost recovery from the food service fund, as well as irregular or non-recurring items like sale of fixed assets, insurance claim reimbursements, and prior period adjustments. The allowable food service indirect amount was lower than budgeted and is governed by Michigan Department of Education guidelines. A year-end reclassification of several miscellaneous items contributed to the difference between budget estimates and final figures.

- Revenue higher than budgeted: approximately \$210,000 or about 0.5% of the \$38.7 million budget.

Expenditures

Budget variances in expenditures by functional category are highlighted below.

- Instruction - approximately \$53,000 over budget or approximately 0.2% of this category. Tuition payments to other districts, the largest of which is the MAISD billback for special education, exceeded budgeted amounts by approximately \$30,000. The School District receives the MAISD billback in mid-August, so this amount is unknown even at the end of the school year in June. Added needs staffing slightly exceeded budgeted estimates, by about \$76,000 in total considering salaries and benefits. The largest variances in this area were in paraprofessional staffing, which can be somewhat inconsistent and which required added resources throughout the 2017-18 school year. These budget overages were partially offset by savings in purchased services and supplies line items, which once again came in under budget.
- Pupil and Instructional staff support - approximately \$3,000 under budget or less than 0.1% of this category. Total salaries and benefits were about \$34,000 over budget, or less than 0.8% of the \$4.5 million total. Several areas had temporary or additional needs very late in the school year and as such, these areas were slightly underestimated. Other items were a result of additional

supports through increased At-Risk funds that changed throughout the school year. These variances were offset by savings within purchased services and supply budgets, which came in below estimated amounts.

- Business and Administration - approximately $258,000 under budget or almost 6% of this category. Salaries and wages were about $51,000 under budget, or about 2.5% of the over $2 million budgeted. The largest variances in this area happened in hourly staffing for buildings or departments where there was turnover and new employees were hired. There was about $70,000 in savings in employee benefits, or about 5% of the budgeted total. This amount was split fairly evenly among several benefits categories. This includes insurance benefits, where the School District self-funds certain benefits for these employees, and retirement and FICA tax expenditures, which follow closely the costs experienced for salaries and hourly wages. Purchased services came in about $90,000 under budget, as costs for legal and professional services were lower than estimated, and the School District continues to experience savings on its printing and copying contract. The remainder of the savings experienced was in office supplies, and the biggest factor here is that the School District is cutting back on how much paper it purchases. This is another success of the copying and printing approach, and it is in line with the School District goal to be "Green and Clean."
- Operations and Maintenance - approximately $85,000 over budget or 3.2% of this category. Purchased services were about $46,000 or 3.6% over budget. A short period of intense snowfall resulted in high snowplowing costs. In addition, large costs for wells and irrigation needs added up. Supplies spending was about $58,000 over budget, as the School District addressed several pressing needs throughout the year, including grounds and irrigation, facility exteriors, and heating and cooling needs. This was partially offset by savings in utilities, as the energy management program and smart spending continues to pay dividends for the School District.
- Transportation - approximately $4,000 over budget, or 0.2% of this category. Costs for bus repairs exceeded estimates, but were offset by savings in staffing and contracted services. In total, expenditures were in line with estimates.
- Athletics - approximately $18,000 over budget or 2.3% of this category. The variance was largely a result of dues and fees costs, both the costs of hosting invitational events, and also the costs of participating in them at other school sites.
- Other costs, including community services, interfund transfers, and School District capital outlay - approximately $6,000 under budget or 3.6% of this category. These budget savings occurred in community services area of the budget.

Budget variances in expenditures by object category are highlighted below:

General Fund Expenditures by Object	2017-18 Budget	Percent of total	2017-18 Actual	Percent of total	Variance	Percent of object
Salaries and Wages	$18,749,330	48.1%	$18,770,967	48.3%	$ (21,637)	-0.1%
Benefits	13,496,394	34.6%	13,356,453	34.4%	139,941	1.0%
Purchased services	3,965,477	10.2%	3,942,750	10.1%	22,727	0.6%
Supplies	1,358,315	3.5%	1,365,378	3.5%	(7,063)	-0.5%
Capital Outlay	108,676	0.3%	100,012	0.3%	8,664	8.0%
Other	1,294,905	3.3%	1,330,565	3.4%	(35,660)	-2.8%
Total	$38,973,097	100.0%	$38,866,125	100.0%	$106,972	0.3%

- Amounts spent on salaries and wages were slightly higher than budgeted, within 0.1% of the $18.75 million budget.
- Amounts spent on employee benefits were under budget by approximately $140,000, or 1%, for several reasons. Pension costs, comprising nearly $7.4 million, were within $15,000 of estimates, or about 0.2%. FICA taxes were about $26,000 under budgeted estimates of $1.4 million, or about 1.9%. As employees spend higher amounts for insurance coverage and save more in pre-tax savings programs, the costs of these taxes decline. Insurance benefit costs were about $72,000 lower than budgeted estimates of approximately $4,200,000. Medical insurance for active employees came in approximately $46,000 under budget, or about 1.1% of the total. Ancillary benefits such as dental and vision, came in about 16% under budget. These lines of coverage are partially self-funded and the School District experiences the benefit of lower claims costs. Other benefits, including unemployment coverage, workers compensation insurance, retirement benefits, and tuition allowances, came in about $57,000 under budget. These are relatively small numbers in the scheme of the larger budget, but the School District was conservative in these benefits estimates, and savings helped cover cost overages in other areas as a result.
- Purchased services costs came in slightly under budget by approximately $23,000, or 0.6% of the nearly $4 million budgeted. Lower than budgeted travel and mileage costs comprised the most significant portion of this variance.
- Supply costs came in approximately $7,000 over budget, or about 0.5%. Higher than expected transportation and operations spending was offset by lower than expected instructional and office supplies spending. In past years, the School District has had significant carryover impact in grant funds. This year, only about $12,000 in this category is related to unspent grant funds and will carry over into 2018-19. This could be a signal of grant funds getting tighter and the School District's focus on funding instructional staff first whenever possible.
- Capital outlay spending came in about $9,000 under budget, or about 8%. This is due to several small variances across the School District, and aided by the resources that the Technology and Security Fund have provided.
- The other category includes costs such as dues and fees, borrowing and interest costs, special education tuition billings, and software licenses, and it was about $36,000 over budget, or about 2.8%. About $33,000 of this variance comes through inter-district tuition billings. The MAISD special education billback is not finalized until mid-August and exceeded estimates slightly. The alternative education consortium costs through White Lake Area Community Education also slightly exceeded estimates, due to unexpected adjustments late in the 2017-18 school year.

- Total expenditure savings: $107,000 or 0.3% of the total $39 million budget.

General Fund Year-to-Year Comparison of Actual Results

	2018	2017	Difference
Revenues			
Local revenue			
Local sources	$ 2,967,374	$ 2,988,760	$ (21,386)
Received from other districts	1,727,887	1,699,667	28,220
State revenue	32,141,758	30,642,906	1,498,852
Federal revenue	2,009,089	2,202,131	(193,042)
Transfers and other Sources	75,478	366,877	(291,399)
Totals revenues	$38,921,586	$37,900,341	$ 1,021,245
Expenditures			
Instruction	$24,611,702	$22,831,932	$ 1,779,770
Instructional support	4,690,347	4,591,772	98,575
Administration	4,067,027	4,344,072	(277,045)
Maintenance	2,767,678	2,638,828	128,850
Transportation	1,741,811	1,585,797	156,014
Athletics	812,867	802,909	9,958
Other costs	174,693	196,584	(21,891)
Total expenditures	$38,866,125	$36,991,894	$ 1,874,231

In comparing 2017-18 results to 2016-17 results, several things become evident. Total revenues increased by approximately $1 million, or 2.6% from the 2016-17 total. Looking a little closer, we can identify several important factors by category.

- Local revenue showed a slight decrease from the previous year. Property taxes and athletic revenue came in slightly lower than the prior year, while interest earnings increased as rates have risen.
- Local revenue received from the ISD and other districts increased by about $28,000 from 2016-17. While MAISD Act 18 distributions increased significantly from to a year ago, Medicaid revenue passed through MAISD decreased. In addition, inter-district billings were lower because the NSU infant/toddler program ceased, replaced by a countywide Early On and MMSE program overseen by MAISD.

- State revenue increased significantly due to several factors: an increase in the foundation allowance, increased overall student count due to the addition of shared time, increased allocation for Section 147C MPSERS Rate Stabilization funding, and an increase in the At-Risk grant.
- Federal revenue decreased by about $193,000, a change of about 9.6%. The School District experienced significant decreases Title I-A and Title II-A grant allocations compared to 2016-17, while IDEA special education grant funds also decreased, but at a lower rate.
- Interfund transfers and other sources decreased due to the one-time funding of the capital lease of $292,000 in 2016-17, which did not recur in 2017-18. Several items in this category are irregular and unpredictable.

Total expenditures increased by approximately $1.9 million in 2017-18, or 4.8% higher than 2016-17 levels. About $370,000 of this increase was due to increased Section 147C MPSERS stabilization costs paid to the State of Michigan. There are several important factors that we can identify when comparing fiscal years:

- Instructional spending increased by approximately $1.8 million from 2016-17 to 2017-18. There were several significant factors in this increase. These included the large increase in 147C pension costs mentioned above, the addition of the shared time program, which added over $550,000 in direct instructional expenditures, and additional instructional positions added as a result of increased At-Risk funding of nearly $300,000 compared to 2016-17.
- Instructional Support costs increased by approximately $99,000, or about 2.1%. The largest change came in additional At-Risk spending of about $100,000 to support students and staff.
- Administrative costs decreased by approximately $277,000. This area increased in the prior year by about $156,000 due to the capital outlay recognized as part of the capital lease for printers and copiers. The remaining decreases were focused in the areas of legal and professional costs and purchased services, where spending decreased by approximately $130,000 compared to 2016-17.
- Operations costs increased by approximately $129,000. Utility spending increased by approximately $35,000 compared to a year ago. Salaries and benefits increased very slightly, by approximately $12,000. Purchased services increased by approximately $80,000, as operational needs dictated, for work performed on wells, heating and cooling, snowplowing, and other specialized operational needs.
- Transportation costs increased by approximately $156,000. Contracted services costs increased by approximately $125,000, with the majority of that increase occurring through the contract with Dean Transportation. Fuel costs and repair costs also increased compared to 2016-17.

- Athletics spending increased by $10,000 or 1.2%. Staffing costs increased according to the amount of employee contracts and related benefits, including increased pension costs.
- Other costs decreased by $21,000. Community services spending decreased by about $7,000. Much of this is determined by grant fund budgets. Facilities spending also decreased, by about $15,000.

General Fund Revenue and Other Financing Sources

Revenues	2017-18	Percent	2016-17	Percent
State revenue	$32,141,758	82.6%	$30,642,906	80.9%
Local sources	2,967,374	7.6%	2,988,760	7.9%
Federal revenue	2,009,089	5.2%	2,202,131	5.8%
Local from other districts	1,727,887	4.4%	1,699,667	4.5%
Other sources	75,478	0.2%	366,877	1.0%
Total revenues	$38,921,586	100.0%	$37,900,341	100.0%

As indicated above, funding from the State of Michigan is the School District's largest source of revenue, which accounts for over eighty percent of the total budget. Thus, the financial stability of the School District rests primarily with the economic health of the State of Michigan. Local sources decreased slightly and federal sources decreased significantly. While the School District planned proactively to deal with these changes, this further highlights the reliance on State revenue. Inter-district revenue increased slightly, as an increased Act 18 allocation from MAISD offset further changes in the NSU consortium that reduced this category. Other sources decreased significantly due to the funding of the capital lease in 2016-17, which did not recur in 2017-18. Items in this area often represent special or non-recurring items which can be unpredictable from year-to-year.

General Fund Expenditures by Function

Expenditures	2017-18	Percent	2016-17	Percent
Instruction and Instructional Support	$29,302,049	75.4%	$27,423,704	74.1%
Business and Administration	4,067,027	10.5%	4,344,072	11.7%
Maintenance and Operations	2,767,678	7.1%	2,638,828	7.1%
Transportation	1,741,811	4.5%	1,585,797	4.3%
Athletics	812,867	2.1%	802,909	2.2%
Community, Transfers, and Other	174,693	0.4%	196,584	0.5%
Total expenditures	$38,866,125	100.0%	$36,991,894	100.0%

As indicated above, the School District spends over three-quarters of its budget – over $7,650 per student – on direct classroom instruction and instructional support services. The School District spends 7.1% of its budget or approximately $723 per pupil on maintenance and operation costs, and 4.5% or approximately $455 per pupil on transportation of its students. The percentage spent on business and administration decreased significantly in 2017-18 compared to 2016-17, from 11.7% to 10.5%.

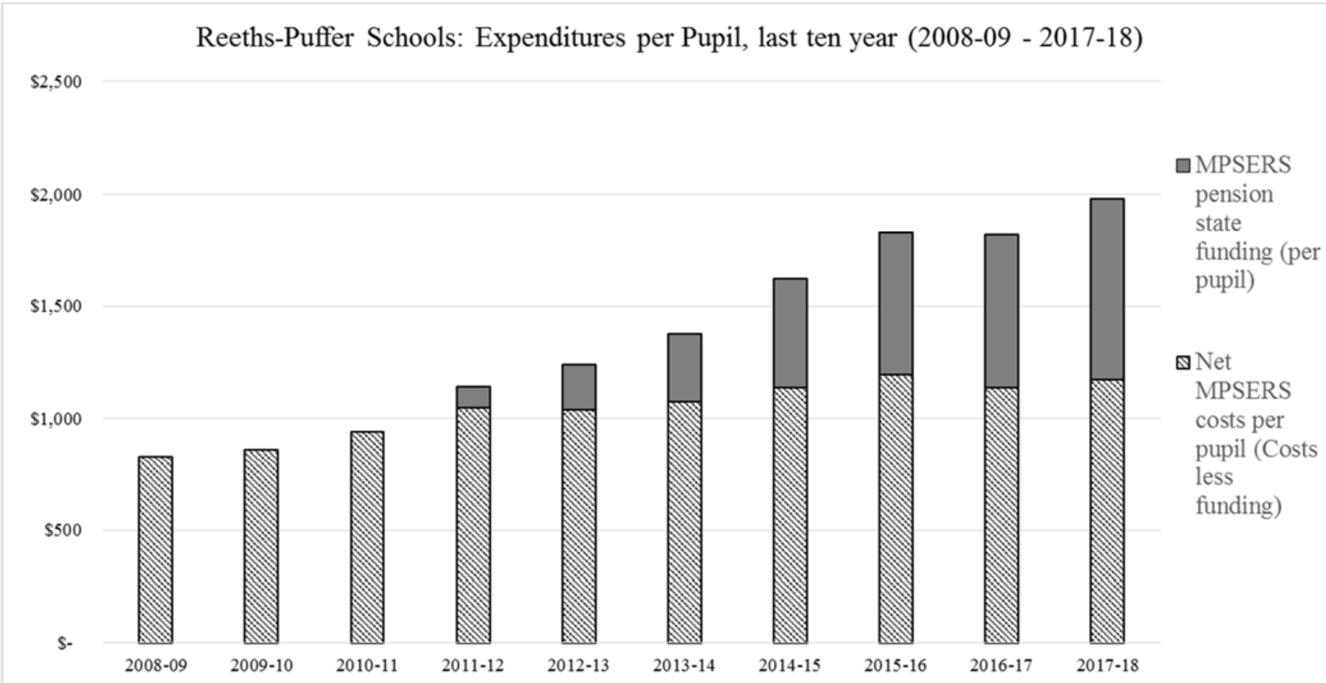
The Effect of MPSERS Pension Changes

In the 2011-12 fiscal year, the State of Michigan implemented Section 147A MPSERS Offset funding, which provides additional revenue to offset increasing pension costs, without added costs to the School District bottom line. In June 2013, the state announced Section 147C MPSERS Pension Stabilization funding, which provides additional revenue but also increased pension expenditures, leaving no net impact on the bottom line. This program increased total revenue and total expenditures substantially. For a short period of time in 2014-15, the state also distributed pension stabilization funds through Section 147D MPSERS One-Time Liability funding. In 2017-18, the state implemented Section 147E funds to help offset increased defined contribution costs as a result of pension reform and newly-implemented plans. The general fund budget has increased substantially over the last several years as a result of these programs, as shown in the table below:

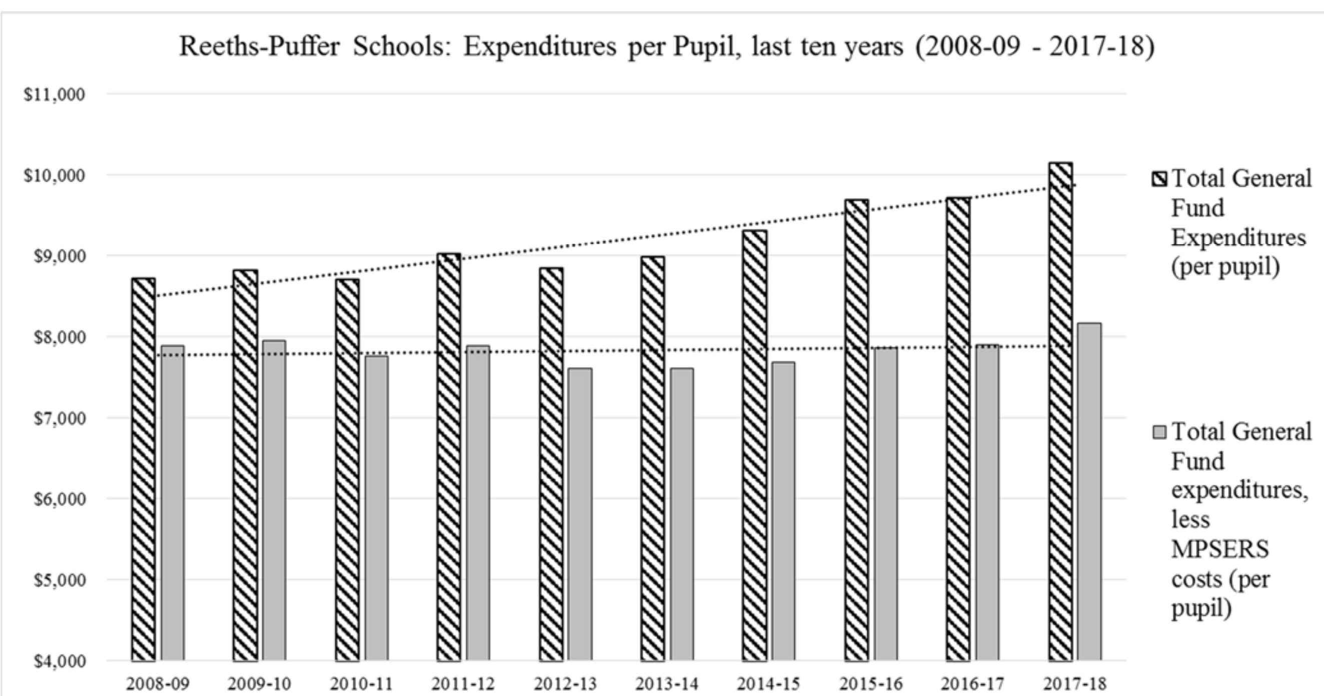
MPSERS State Aid Funding through Section 147

Fiscal Year	147A Funding	% of Payroll	147C Funding	% of Payroll	147D Funding	% of Payroll	147E Funding	% of Payroll	Total Section 147 Funding	% of Payroll
2011-12	$ 364,749	2.0%	$ -	0.0%	$ -	0.0%	$ -	0.0%	$ 364,749	2.0%
2012-13	388,080	2.2%	367,581	2.1%	-	0.0%	-	0.0%	755,661	4.2%
2013-14	247,745	1.4%	916,655	5.1%	-	0.0%	-	0.0%	1,164,400	6.4%
2014-15	254,922	1.4%	1,565,454	8.6%	45,505	0.2%	-	0.0%	1,865,881	10.2%
2015-16	263,761	1.4%	2,130,329	11.5%	-	0.0%	-	0.0%	2,394,090	12.9%
2016-17	261,534	1.5%	2,317,651	12.9%	-	0.0%	-	0.0%	2,579,185	14.4%
2017-18	374,636	2.0%	2,685,964	14.3%	-	0.0%	29,208	0.2%	3,089,808	16.5%
Cumulative Total	$2,155,427		$9,983,634		$ 45,505		$ 29,208		$12,213,774	

These amounts, while helping the School District deal with skyrocketing pension costs, have inflated School District costs as well. The total per-pupil pension obligation of the School District has more than doubled over the past ten years, from $829 in 2008-09 to $1,980 in 2017-18. The per-pupil cost net of funding for 2017-18 was $1,173 per-pupil, showing an increase of $344 per pupil compared to 2008-09, or about $1.3 million. Even compared to five years ago, when the State of Michigan started Section 147 funding, the School District's net cost has increased over $500,000 per year. The trend over the last ten years is illustrated on a per-pupil basis in the graph below.



Without the additional funding and extra expenditures, the School District's total general fund budget would be closer to $35 million in 2017-18 instead of approximately $38 million. The impact, shown in the graph below, is that while the School District is spending more per-pupil in total, there is a larger portion that is going back into the State of Michigan MPSERS pension system. This means there is a flat or declining amount of resources that can be devoted to employee salaries, insurance benefits, supplies, and purchased services.



Other Governmental Funds – June 30, 2018

	Technology and Security	Food Service	Debt Service	Building and Site
Beginning Balance	$ 238,668	$ 258,009	$ 669,559	$ 185,331
Revenues	1,089,502	1,319,091	6,327,564	130,931
Expenditures	1,029,965	1,343,481	6,883,706	14,780
Ending Balance	$ 298,205	$ 233,619	$ 113,417	$ 301,482

As shown above, the School District accounts for portions of its operations in separate funds from the General Fund. Generally, the classifications shown above are required by law. Each area shown above retains a healthy, appropriate amount of fund balance at June 30, 2018.

The Technology and Security fund was added as a non-major special revenue fund, effective July 1, 2014. The voters of Muskegon Area ISD approved a 10-year, 1 mill levy to local districts in February 2014 to fund technology and security enhancements. The levy is received countywide and distributed to the eleven districts on a per-pupil basis. Reeths-Puffer began receiving property tax receipts through Muskegon Area ISD starting in July 2014.

The School District's annual allocation is approximately $630,000. As the School District enters the fifth year of the ten-year millage, we are proud of the accomplishments of this program. The School District has improved school security at all sites, installed a secure entrance at the High School, implemented a new police liaison program, strengthened the technology infrastructure and backbone, and provided for numerous student and staff technology devices. Future plans include further investments in the School District security systems as well as in instructional classroom technology.

More detail on each fund or fund type shown above is available in the other supplemental information section of the CAFR.

Currently known facts, decisions, and conditions affecting the 2018-19 School Year

2018-19 Initial General Fund Budget (June 2018 Budget Hearing)

The adopted budget for the 2018-19 fiscal year projects a surplus of $186,000. This budget will be amended to reflect updated factors such as foundation grant information, actual student counts, and final staffing levels. This budget is based upon certain assumptions as well as over $1,100,000 in estimated reductions. The main assumptions for the 2018-19 budget are:

- State Aid Revenue – funding is based upon the conference committee report agreed to by the House and Senate in early June, 2018. This is how this year's state budget is expected to affect our School District:
  - Foundation Allowance – a 2x formula increase is expected to yield an increase of $240 per pupil, making the projected 2018-19 foundation allowance $7,871 per pupil. While this is the highest that the foundation allowance has ever been in nominal dollars, it's still below the level of the year 2000 when adjusted for inflation. This will result in an increase of approximately $900,000 in state aid for the 2018-19 year.

  - At-Risk Section 31A – the 2017-18 state budget brought a significant increase in At-Risk funding and that is expected to continue. Our initial estimate for the School District's grant is approximately \$1.45 million. This grant helps to fund supplemental instructional and student service positions, as well as early elementary literacy and district-wide PBIS initiatives.
- Pupil Count – total projected pupil count of 3,751 for 2018-19. There are several components:
  - Traditional K-12 count – projected decline of 5 students, from 3,721 to 3,716. This is a projected decline of \$39,000 in state aid revenue.
  - Alternative education student count – projected flat with 2017-18 at 35 FTE.
  - Shared time student count – the 2017-18 program will be discontinued for 2018-19. This will be a decline of 69 student FTE from 2017-18, leading to a decrease of approximately \$534,000 in state aid revenue.
- MPSERS Pension Revenue and Expenditures:
  - The base pension rate will increase from 25.56% to 26.18%, and defined contribution costs are expected to continue to increase as new employees participate in new plans implemented over the past several years.
  - The total projected pension rate is approximately 38.4%, down slightly from 2017-18 due to the discontinuation of 147c2 costs.
  - Section 147 MPSERS funding – we expect 147a1, 147a2, and 147c1 funding to continue at current rates. Funding for section 147c2 was eliminated in early rounds of budget discussions and it is not included in the conference committee report. This is part of the reason that the State of Michigan is able to afford such a significant foundation allowance increase for 2018-19. Elimination of 147c2 funding will decrease state funding – and corresponding pension costs – by approximately \$439,000.
  - Section 147a1 and 147a2 funding are projected to continue at \$375,000 in total, or nearly \$100 per pupil. This funding is provided to offset pension expenditures and help the district's bottom line.
  - Section 147c1 funding is projected to continue at approximately \$2,250,000. This equates to 12.2% of projected payroll costs for 2018-19.
  - Section 147e is currently projected at approximately \$20,000. This was implemented in 2017-18 to help districts deal with increased defined contribution costs for new employees.
  - Total projected pension expenditures are slightly over \$7.2 million, down slightly from last year's total of \$7.4 million. This represents over 18.3% of general fund expenditures.
- Grant Revenue Assumptions:
  - Title I-A – The projected grant budget for 2018-19 is approximately \$525,000, a decrease of approximately \$16,000 from 2017-18. Initial allocations from MDE are always made conservatively, and the final grant award will likely be known in fall 2018, after school starts. We will continue the plan implemented in 2017-18 and use a combination of Title I-A, Title II-A, Section 31A At-Risk, and Section 35 Early Literacy to fund current interventionist and coaching positions focused on math and literacy.
  - Title II-A – Our initial allocation for 2018-19 is approximately \$137,000, a decline of approximately \$19,000 compared to the 2017-18 amount. The District will continue to use a combination of Title I-A, Title II-A, Section 35, and Section 31A to fund math and literacy initiatives in 2017-18.
  - Title III – is projected to continue with a 2018-19 allocation of approximately \$900.
  - Title IV – the 2018-19 allocation has increased to approximately \$31,000. The preliminary budget for this grant will address certain curriculum and professional development needs, while also allocating funds to support district wellness and positive behavior programs.
  - The projected revenue available for the Title grant cluster is approximately \$673,000.

    - Indian Ed – This grant has an expected allocation of approximately $22,000. This grant will continue to provide supplementary tutoring services to students.
    - IDEA – Per-student allocations passed through MAISD are projected to be very similar to 2017-18. Slight staffing and other cost adjustments have been made in the initial 2018-19 budget. The four district NSU consortium will continue in 2018-19. The total projected revenue available among three IDEA grants is approximately $1,300,000.
    - State of Michigan Section 35 Early Literacy – projected at approximately $32,000. This allocation will likely be finalized in fall 2018, after school starts. The District has used this grant to help pay for a portion of reading specialist positions as well as funding MEC tutors at the elementary level.
    - Section 31A At-Risk – is addressed above in the state funding section, and is another significant grant source in this budget at a projected $1.45 million.
- Staffing and compensation – employee wages and benefits account for 82% of the initial 2018-19 budget. At the time of the budget hearing, one of the employee union agreements was settled for the 2018-19 school year. Negotiations for the successor agreements for the other two groups are underway. (*Note: the other two union agreements were settled and ratified before the report date.)* Major staffing assumptions include:
    - Salary step increases for teaching staff per the terms of the 2016-2018 R-PEA master agreement.
    - Increased health insurance caps at a rate of 3.4% district-wide, as allowed by Public Act 152 of 2011.
    - Updated terms of the R-P MTFS successor agreement, covering the 2018-19 and 2019-20 years. This contract is expected to be ratified on June 18, 2018.
    - Teaching staff reduction of approximately two (2) FTE, with reductions made by attrition. This matches current staffing projections as of the date of the budget hearing.
    - Cost savings from the retirement of nine (9) senior teachers, with newly hired teachers brought in lower on the salary schedule.
    - No other staffing cost increases unless contracts were already settled prior to the preparation of this initial budget.
    - Total salaries and wages for the District are projected at about $18.3 million, or about 48% of our total general fund expenditures.
- Insurance benefits – insurance costs have increased by 3.4%, or the allowable percentage increase under PA 152. For two of the three bargaining units, this factor is still under negotiations for 2018-19. Total insurance benefits are projected at about $4.3 million, or about 11.2% of general fund expenditures.
- Transportation – the School District is entering the fourth year of a transportation contract to Dean Transportation. Program costs for 2018-19 will increase slightly over 2017-18 levels. Projected costs are based upon the contract amounts agreed upon in June 2015.
- Updated allocations for other major contracts and district curriculum and operational needs, have resulted in slight changes in other areas of the budget compared to 2017-18 amounts.
- Factoring in all the above assumptions leaves us with approximately $38.5 million in revenue and $38.3 million in expenditures for a projected surplus of $186,000. Our estimated beginning fund balance for 2017-18 is approximately $3.41 million, or 8.8% of 2017-18 expenditures, and this initial budget will take us to approximately $3.6 million at the conclusion of the year, or 9.4% of projected 2018-19 expenditures.

Consumers Energy Property Tax Appeal and Effects of Public Act 437 of 2012

In October 2011, management became aware of significant property tax appeals entered into by Consumers Energy, the School District's largest taxpayer. On June 26, 2012, the City of Muskegon and Consumers Energy entered into a stipulation agreement that resulted in paybacks of over $4.5 million in property tax refunds to Consumers. Of this total, nearly $2 million was the responsibility of Reeths-Puffer Schools. Payments were made during 2012-13 to clear the School District of liabilities that were previously accrued. Over $1.36 million in operating tax refunds was paid in August 2012, with the remainder of approximately $635,000 paid in January 2013.

Current and future taxable values have been negotiated between the City of Muskegon and Consumers Energy, with the total Consumers value in the Reeths-Puffer School District declining from over $77 million in 2012, to approximately $18 million as of June 30, 2018. The impact of these declines, along with the implementation of Public Act 437 of 2012, forced the School District to increase tax rates for several years.

Public Act 437 of 2012 requires a recalculation of the School District's millage rate since the School District participates in the School Bond Loan Fund. This recalculation is used to gauge compliance with the mandatory loan repayment date (MLRD), which occurs in the year 2033. A significant taxable value loss such as this is very likely to put the School District into MLRD non-compliance, which then requires a millage increase.

The millage rate for 2014-15 was increased by 1.0 mills to 9.37 mills, or an 11.49% increase, equal to the loss in taxable values experienced over the past five years. For 2015-16, a slight taxable value increase was experienced by the School District. This increase forced the School District to gain compliance with the MLRD, meaning an even bigger increase to 10.82 mills. For 2016-17, the School District was fortunate to be able to reduce the millage rate to 10.39 mills based upon some modest growth and the impact of outstanding bonds being refinanced at lower interest rates. In 2017-18, the same was true, as taxable values grew, and the School District experienced the positive impact of refinancing efforts, and the rate was reduced again to 9.75 mills. In 2018-19, the millage rate will once again drop, this time to 9.10 mills.

During 2015-16 and 2016-17, the School District refinanced all four possible bond issues to refinance at lower interest rates, saving taxpayers money. Administration has seen the positive impacts of these changes in impact to the 2017-18 and 2018-19 levy. We are hopeful that taking advantage of these refinancing opportunities will help mitigate any potential future millage increases, and will help the School District stabilize and reduce the millage rate in the longer term.

Post-Retirement Benefits

For several years, the School District has used this space to disclose information about its post-retirement benefit plan, above and beyond what was required. This plan was created as a result of clauses in the collective bargaining agreement with the R-PEA, which guarantees certain insurance payments for up to ten years after retirement from the School District. With the implementation of GASB Statement Number 75, the School District is now required to recognize this liability in the full-accrual financial statements and make certain disclosures within the financial statements and related footnotes. For more information about the plan, the related liability, and the School District's approach, please see Note I in the notes to the financial statements. For more information regarding the implementation of GASB Statement 75, please see Note N in the notes to the financial statements.

Employee Contracts (MEA affiliates)

As of the report date, all organized labor groups are under contract for the 2018-19 year with recently-settled contracts. The R-PEA certified staff contract, covering teachers and non-teaching professional instructional support, was ratified in August, 2018, and expires August 15, 2021. The R-P MTFS contract, covering the maintenance, food service, and transportation group, was ratified in June, 2018, and expires June 30, 2020. The R-P OPPA contract, covering the secretarial and para-professional group, was ratified in August, 2018, and expires June 30, 2021.

Requests for Information

This financial report is designed to provide the School District's citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and to show how the School District accounts for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Jason Helsen, Director of Finance, Reeths-Puffer Schools, 991 W. Giles Road, Muskegon, Michigan 49445, telephone number (231) 719-3110.

Reeths-Puffer Schools
STATEMENT OF NET POSITION
June 30, 2018

	Governmental activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 7,081,197
Receivables	122,371
Due from other governmental units	7,422,404
Inventories	12,702
Prepaid items	74,995
Total current assets	14,713,669
Noncurrent assets	
Capital assets, net	
Nondepreciable	934,170
Depreciable	47,296,198
Total noncurrent assets	48,230,368
Total assets	62,944,037
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	618,193
Related to other postemployment benefits	1,429,977
Related to pensions	12,464,075
Total deferred outflows of resources	14,512,245
Total assets and deferred outflows of resources	77,456,282
LIABILITIES	
Current liabilities	
State aid loans	5,800,000
Accounts payable and accrued liabilities	3,269,488
Due to other governmental units	1,089,968
Unearned revenue	17,979
Bonds and other obligations, due within one year	11,215,517
Total current liabilities	21,392,952
Noncurrent liabilities	
Bonds and other obligations, less amounts due within one year	66,151,427
Net other postemployment benefits liability	22,140,451
Net pension liability	56,638,001
Total noncurrent liabilities	144,929,879
Total liabilities	166,322,831
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	737,591
Related to pensions	5,895,079
Total deferred inflows of resources	6,632,670
Total liabilities and deferred inflows of resources	172,955,501
NET POSITION	
Net investment in capital assets	3,223,706
Restricted for technology	298,205
Unrestricted	(99,021,130)
Total net position	**$ (95,499,219)**

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools
STATEMENT OF ACTIVITIES
For the year ended June 30, 2018

		Program Revenue		Net (Expense) Revenue and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for services**	**Operating grants and contributions**	**Governmental activities**
Governmental activities				
Instruction	$ 26,437,642	$ -	$ 6,802,081	$ (19,635,561)
Support services	14,762,592	32,832	4,118,034	(10,611,726)
Community services	35,311	-	29,571	(5,740)
Food services	1,282,961	373,074	939,217	29,330
Athletics	898,313	139,700	-	(758,613)
Interest on long-term debt	2,824,320	-	-	(2,824,320)
Unallocated depreciation	40,887	-	-	(40,887)
Total governmental activities	**$ 46,282,026**	**$ 545,606**	**$ 11,888,903**	(33,847,517)
General revenues				
Property taxes				8,614,100
Grants and contributions not restricted to specific programs				25,668,248
Investment earnings				55,615
Miscellaneous				137,003
Gain on sale of capital assets				7,440
Total general revenues				34,482,406
Change in net position				634,889
Net position at beginning of year, as restated				(96,134,108)
Net position at end of year				**$ (95,499,219)**

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools
BALANCE SHEET
Governmental Funds
June 30, 2018

	General Fund	2015 Refunding Bonds Series B	Other governmental funds	Total governmental funds
ASSETS				
Cash and cash equivalents	$ 6,185,909	$ 130,634	$ 764,654	$ 7,081,197
Receivables	122,371	-	-	122,371
Due from other governmental units	7,418,257	-	4,147	7,422,404
Due from other funds	205,067	-	396,410	601,477
Inventories	-	-	12,702	12,702
Prepaid items	55,270	-	19,725	74,995
Total assets	**$ 13,986,874**	**$ 130,634**	**$ 1,197,638**	**$ 15,315,146**
LIABILITIES				
State aid loans	$ 5,800,000	$ -	$ -	$ 5,800,000
Accounts payable	156,478	-	28,869	185,347
Accrued liabilities	2,812,141	-	-	2,812,141
Due to other governmental units	1,089,968	-	-	1,089,968
Due to other funds	396,410	1,000	204,067	601,477
Unearned revenue	-	-	17,979	17,979
Total liabilities	10,254,997	1,000	250,915	10,506,912
FUND BALANCES				
Nonspendable				
Inventories	-	-	12,702	12,702
Prepaid items	55,270	-	19,725	74,995
Restricted				
Debt service	-	129,634	113,417	243,051
Food services	-	-	216,792	216,792
Technology	-	-	282,605	282,605
Committed for capital projects	-	-	301,482	301,482
Unassigned	3,676,607	-	-	3,676,607
Total fund balances	3,731,877	129,634	946,723	4,808,234
Total liabilities and fund balances	**$ 13,986,874**	**$ 130,634**	**$ 1,197,638**	**$ 15,315,146**

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools

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

June 30, 2018

Total fund balances—governmental funds		$ 4,808,234
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and are not reported in the governmental funds.		
Cost of capital assets	$ 80,096,312	
Accumulated depreciation	(31,865,944)	48,230,368
Deferred charges on refunding are not capitalized and amortized in the governmental funds.		
Deferred charges on refunding	1,072,170	
Accumulated amortization	(453,977)	618,193
Deferred inflows and outflows of resources related to pensions and other postemployment benefits are not reported in the governmental funds.		
Deferred outflows of resources - related to other postemployment benefits	1,429,977	
Deferred inflows of resources - related to other postemployment benefits	(737,591)	
Deferred outflows of resources - related to pensions	12,464,075	
Deferred inflows of resources - related to pensions	(5,895,079)	7,261,382
Accrued interest in governmental activities is not reported in the governmental funds.		(272,000)
Long-term obligations in governmental activities are not due and payable in the current period and are not reported in the governmental funds.		(156,145,396)
Net position of governmental activities		**$ (95,499,219)**

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Governmental Funds

For the year ended June 30, 2018

	General Fund	2015 Refunding Bonds Series B	Other governmental funds	Total governmental funds
REVENUES				
Local sources				
Property taxes	$ 2,640,020	$ 2,868,893	$ 2,975,090	$ 8,484,003
Received from other districts	1,727,887	-	635,718	2,363,605
Investment earnings	48,213	3,435	3,967	55,615
Fees and charges	172,532	-	373,074	545,606
Other	106,609	-	62,989	169,598
Total local sources	4,695,261	2,872,328	4,050,838	11,618,427
State sources	32,141,758	72,193	103,978	32,317,929
Federal sources	2,009,089	-	893,143	2,902,232
Total revenues	38,846,108	2,944,521	5,047,959	46,838,588
EXPENDITURES				
Current				
Instruction	24,611,702	-	-	24,611,702
Support services	14,079,730	-	1,029,965	15,109,695
Community services	35,148	-	-	35,148
Food services	-	-	1,275,443	1,275,443
Debt service				
Principal	55,463	5,465,000	3,222,634	8,743,097
Interest and other charges	10,896	471,698	3,661,072	4,143,666
Capital projects	-	-	14,780	14,780
Total expenditures	38,792,939	5,936,698	9,203,894	53,933,531
Excess (deficiency) of revenues over (under) expenditures	53,169	(2,992,177)	(4,155,935)	(7,094,943)
OTHER FINANCING SOURCES (USES)				
Transfers in	68,038	-	73,186	141,224
Transfers out	(73,186)	-	(68,038)	(141,224)
Loan proceeds	-	3,057,762	3,745,943	6,803,705
Proceeds from sale of capital assets	7,440	-	-	7,440
Total other financing sources	2,292	3,057,762	3,751,091	6,811,145
Net change in fund balances	55,461	65,585	(404,844)	(283,798)
Fund balances at beginning of year	3,676,416	64,049	1,351,567	5,092,032
Fund balances at end of year	**$ 3,731,877**	**$ 129,634**	**$ 946,723**	**$ 4,808,234**

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools

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

For the year ended June 30, 2018

Net change in fund balances—total governmental funds		$ (283,798)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities these costs are depreciated over their estimated useful lives.		
Depreciation expense	$ (2,248,099)	
Capital outlay	81,597	(2,166,502)
Governmental funds report the entire proceeds from the sale of capital assets as revenue, but the Statement of Activities reports only the gain or loss on the sale or disposition of capital assets.		(7,697)
Governmental funds report outflows for deferred charges on refunding as expenditures; in the Statement of Activities these costs are amortized over the bond period.		(91,630)
Debt proceeds are other financing sources in the governmental funds, but debt proceeds and accrued interest added to principal increase long-term debt in the Statement of Net Position.		(7,856,145)
Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position.		11,156,138
Interest expense on long-term obligations is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until paid.		56,000
Compensated absences and early retirement obligations reported in the Statement of Activities do not require the use of current financial resources. They are reported as expenditures when financial resources are used in the governmental funds.		(37,664)
Some other postemployment benefit related expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		757,249
Some pension related expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		(891,062)
Change in net position of governmental activities		**$ 634,889**

The accompanying notes are an integral part of this statement.

Reeths-Puffer Schools
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
June 30, 2018

	Agency funds
ASSETS	
Cash and cash equivalents	**$ 534,937**
LIABILITIES	
Accounts payable	$ 107,772
Deposits held for others	427,165
	$ 534,937

The accompanying notes are an integral part of this statement.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Reeths-Puffer Schools (School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied 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 School District's accounting policies are described below.

Reporting Entity
The School District is governed by an elected seven-member Board of Education (Board), which has responsibility and control over all activities related to public school education within the School District. The School District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities.

Generally accepted accounting principles require that if the School District is considered to be financially accountable for other organizations, those organizations should be included as component units in the School District's financial statements. Since no organizations met this criterion, none are included in the financial statements.

Basis of Presentation—Government-wide and Fund Financial Statements
The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the School District. All fiduciary activities are reported only in the fund financial statements. Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

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

The School District reports the following major governmental funds:

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

The 2015 Refunding Bonds Series B Fund accounts for the resources accumulated and payments made for principal and interest on the long-term obligation of the refunded bonds.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements—Continued
Additionally, the School District reports the following fund types:

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The School District accounts for its food service activities and technology millage activities in the special revenue funds.

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

The capital projects funds account for the financial resources to be used for the acquisition of fixed assets or construction of major capital projects.

The agency fund is custodial in nature and used to account for assets held by the School District as an agent for another organization or individual.

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

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

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District 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, early retirement obligations and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

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

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

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

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

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

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

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

Cash and Investments

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

Investments for the School District are reported at fair value (generally based on quoted market prices). 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 School District intends to hold the investment until maturity.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Cash and Investments—Continued

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

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out method. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

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

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year.

As the School District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

Capital Asset Classes	Years
Land improvements	20
Buildings and improvements	10-50
Furniture and equipment	10-20
Vehicles	10

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Long-term Obligations
In the government-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 deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year in which they are incurred.

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

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

Deferred Outflows/Inflows of Resources
In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until that time.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Net Position Flow Assumption
Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the School District’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In the computation of net investment in capital assets, School Bond Loan Fund, School Loan Revolving Fund, and GO School Loan Revolving Fund debt is not considered to be capital related debt.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

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

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

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

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

Revenues and Expenditures/Expenses

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

Property Taxes
Property taxes levied by the School District are collected by various municipalities and periodically remitted to the School District. The taxes are levied 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.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Compensated Absences
The liability for compensated absences reported in the government-wide statement 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.

For fund financial statements, no compensated absence liability is reported for current employees, and a compensated absence liability is reported for terminated employees only when the termination date is on or before year end.

Early Retirement Obligations
For government-wide financial statements, the liability for early retirement obligations is reported when legally enforceable. For fund financial statements, the liability for early retirement obligations is reported either 1) on the due date when there is a specified due date or 2) on the retirement date if it is before year end, when there is not a specified legally enforceable due date.

NOTE B—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting
Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and special revenue funds. All annual appropriations lapse at year end.

The School 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 Board of Education 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. Violations, if any, in the General Fund are noted in the required supplementary information section.
4. The Director of Finance 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 Board of Education.
5. Formal budgetary integration is employed as a management control device during the year.
6. The budget is amended during the year with supplemental appropriations, the last one approved prior to June 30, 2018.

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2018, the School District had no investments.

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

Credit risk
State law limits investments in commercial paper and corporate bonds to the three highest classifications issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices.

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

Custodial credit risk - deposits
In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2018, $7,756,526 of the School District's bank balance of $8,256,526 was exposed to custodial credit risk because it was uninsured; however, the School District had collateralized securities held by the pledging financial institution’s trust department or agent in the School District’s name with a market value of $4,378,815 as of June 30, 2018.

Custodial credit risk - investments
The School District does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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

NOTE D—DUE FROM OTHER GOVERNMENTAL UNITS

The composition of the due from other governmental units balance at June 30, 2018, is as follows:

Receivable from	General Fund	Other Governmental Funds
Other Local School Districts	$ 117,994	$ -
Intermediate School District	1,331,500	3,184
Townships	939	-
State of Michigan	5,964,270	963
Federal Government	3,554	-
	$ 7,418,257	**$ 4,147**

NOTE E—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	$ 474,150	$ -	$ -	$ 474,150
Land improvements	460,020	-	-	460,020
Total capital assets, not being depreciated	934,170	-	-	934,170
Capital assets, being depreciated:				
Land improvements	60,148	-	-	60,148
Buildings and improvements	73,917,337	24,548	-	73,941,885
Furniture and equipment	3,304,454	57,049	15,397	3,346,106
Vehicles	2,035,090	-	221,087	1,814,003
Total capital assets, being depreciated	79,317,029	81,597	236,484	79,162,142
Less accumulated depreciation:				
Land improvements	26,165	3,007	-	29,172
Buildings and improvements	26,313,173	1,844,557	-	28,157,730
Furniture and equipment	1,796,500	316,585	7,699	2,105,386
Vehicles	1,710,794	83,950	221,088	1,573,656
Total accumulated depreciation	29,846,632	2,248,099	228,787	31,865,944
Total capital assets, being depreciated, net	49,470,397	(2,166,502)	7,697	47,296,198
Capital assets, net	**$ 50,404,567**	**$ (2,166,502)**	**$ 7,697**	**$ 48,230,368**

Depreciation
Depreciation expense has been charged to functions as follows:

Instruction	$ 1,653,987
Support services	468,346
Food services	3,444
Athletics	81,435
Unallocated	40,887
	$ 2,248,099

NOTE F—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2018 is as follows:

Due to/from other funds:

Receivable fund	Payable fund	Amount
General Fund	Other governmental funds	$ 204,067
Other governmental funds	General Fund	396,410
General Fund	2015 Refunding Bonds Series B	1,000
		$ 601,477

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

Interfund Transfers
The General Fund transferred $73,186 to the Building and Site Fund to help fund future improvements. The Food Service Fund transferred $68,038 to the General Fund to cover allowable indirect costs.

NOTE G—SHORT-TERM DEBT

The School District issues State of Michigan school aid anticipation notes to provide short-term operating funds. The notes are obligations of the General Fund, which received the note proceeds, and are backed by the full faith, credit and resources of the School District. The short-term debt activity for the year ended June 30, 2018 follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
State aid anticipation note				
2016/2017 1.03% due August 2017	$ 6,000,000	$ -	$ 6,000,000	$ -
2017/2018 1.38% due August 2018	-	5,800,000	-	5,800,000
	$ 6,000,000	**$ 5,800,000**	**$ 6,000,000**	**$ 5,800,000**

NOTE H—LONG-TERM OBLIGATIONS

The School District issues bonds, notes and other contractual commitments to provide for the acquisition, construction and improvement of major capital facilities and for 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 the School Bond Loan Fund, School Loan Revolving Fund, GO School Loan Revolving Fund, capital lease and installment purchase. The School District's debt retirement funds are used as the primary resource to liquidate long-term liabilities. In the event that such resources proved insufficient, the School District's General Fund would be used to pay such obligations.

NOTE H—LONG-TERM OBLIGATIONS—Continued

The following is a summary of long-term obligations activity for the School District for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due within one year
Governmental activities					
Bonds	$ 70,581,695	$ 796,133	$ 10,820,000	$ 60,557,828	$ 10,850,165
Premium	2,464,499	-	306,866	2,157,633	-
Discount	(216,087)	-	(26,321)	(189,766)	-
Other obligations	6,989,606	7,060,012	55,593	13,994,025	149,102
Compensated absences	217,810	80,536	80,622	217,724	80,000
Early retirement obligations	591,750	174,500	136,750	629,500	136,250
Net other postemployment benefits liabilty	23,170,061	53,372	1,082,982	22,140,451	-
Net pension liability	55,001,235	7,177,460	5,540,694	56,638,001	-
	$ 158,800,569	**$ 15,342,013**	**$ 17,997,186**	**$ 156,145,396**	**$ 11,215,517**

In the previous schedule, the additions for bonds include $796,133 of accrued interest added to principal on capital appreciation bonds. The additions for other obligations represent School Bond Loan Fund accrued interest added to principal of $310, School Loan Revolving Fund accrued interest added to principal of $26,348, GO School Loan Revolving Fund proceeds of $6,349,921 and accrued interest added to principal of $229,649, and an installment purchase for copiers of $453,784.

General obligation bonds and other obligations consist of the following:

	Interest Rate	Date of Maturity	Balance	Original Amount Issued
Governmental activities				
General obligation bonds				
1992 School Building and Site Capital Appreciation Bond	6.8-6.85%	May 2022	$ 9,637,828	$ 11,799,969
2010 School Building and Site Qualified School Construction	2.25%	May 2025	9,735,000	10,835,000
2015 Refunding Bonds Series A	4%	May 2029	5,035,000	5,455,000
2015 Refunding Bonds Series B	1.55-2.57%	May 2021	17,085,000	27,930,000
2016 Refunding Bonds	2-4%	May 2027	5,135,000	5,135,000
2017 Refunding Bonds	5%	May 2025	13,930,000	15,415,000
			$ 60,557,828	**$ 76,569,969**
Other obligations				
School Bond Loan Fund	3.11%	May 2033	$ 10,177	N/A
School Loan Revolving Fund	3.11%	May 2033	863,593	N/A
GO School Loan Revolving Fund	3.11%	May 2033	12,482,311	N/A
Capital lease - Xerox Machines	5%	June 2021	184,160	$ 292,163
Installment purchase	2.55%	November 2022	453,784	453,784
			$ 13,994,025	**$ 745,947**

NOTE H—LONG-TERM OBLIGATIONS—Continued

The annual requirements of principal and interest to amortize the bonded debt, other obligations, and early retirement obligations outstanding as of June 30, 2018 follow:

Year ending June 30,	Principal	Interest	Total
2019	$ 11,135,517	$ 1,849,433	$ 12,984,950
2020	11,173,589	1,807,565	12,981,154
2021	11,191,004	1,748,057	12,939,061
2022	5,490,406	1,671,697	7,162,103
2023	4,666,506	839,807	5,506,313
2024-2028	17,218,250	1,718,613	18,936,863
2029-2033	14,306,081	38,000	14,344,081
	$ 75,181,353	**$ 9,673,172**	**$ 84,854,525**

Prior-year Defeasance of Debt
In prior years, the School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the School Districts financial statements. On June 30, 2018, $20.16 million of bonds outstanding are considered defeased.

NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Michigan Public School Employees' Retirement System Plans

Plan Description
The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System.

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

Benefits Provided – Pension
Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected (Basic, Member Investment Plan (MIP), Pension Plus, Pension Plus 2), member retirement benefits for DB plan members are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Benefits Provided – Pension—Continued

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

Pension Reform 2010

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

Pension Reform 2012

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

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus plan described above and a DC plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus plan. If they elect to opt out of the Pension Plus plan, their participation in the DC plan will be retroactive to their date of hire.

Employees in the Pension Plus and DC plans are immediately vested in their own contributions and earnings on those contributions. The employee becomes vested in the employer match contribution at the following rates: 50 percent after two years of service, 75 percent after three years of service, and 100 percent after four years of service. Non-vested contributions are forfeited upon termination of employment. Forfeitures during a plan year are credited to a forfeitures account. Forfeitures are first applied to restore any forfeited amounts that are required to be restored. The remaining amounts in the forfeitures account may be maintained in reserve, used to cover a portion of the plan's administrative expenses or offset future employer contributions, as determined by the plan administrator.

Pension Reform 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan (Pension Plus 2) with similar plan benefit calculations, but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6 percent. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85 percent for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Regular Retirement

The pension benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation (FAC). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period. For a Member Investment Plan member, who became a member of MPSERS prior to July 1, 2010, the averaging period is 36 consecutive months. For a Pension Plus member, who became a member of MPSERS after June 30, 2010, the averaging period is 60 consecutive months. For a Basic Plan member, this period is the 60 consecutive months yielding the highest total wages. The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Post-Retirement Adjustments

A retiree who became a Member Investment Plan member prior to July 1, 2010, receives an annual post-retirement non-compounded increase of three percent of the initial pension in the October following twelve months of retirement. Basic Plan members do not receive an annual post-retirement increase, but are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions. Pension Plus members do not receive an annual post-retirement increase.

Plan Status

The Basic, MIP, and Pension Plus plans are closed to new entrants. The Pension Plus 2 plan and the DC plan are still open to new entrants.

Benefits Provided – OPEB

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning 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 Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80 percent beginning January 1, 2013; 90 percent 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 Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

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

Contributions – Pension and OPEB
School Districts are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 22-year period for the 2017 fiscal year.

The schedules below summarize the contribution rates in effect for the System's fiscal year ended September 30, 2017.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0 %	19.03 %
Member Investment Plan	3.0 - 7.0	19.03
Pension Plus Plans	3.0 - 6.4	18.40
Defined Contribution	0.0	15.27

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.0 %	5.91 %
Personal Healthcare Fund	0.0	5.69

The School District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately $5,600,000, including Section 147c contributions.

For the year ended June 30, 2018, the School District and employee defined contribution plan contributions were approximately $80,000 and $123,000, respectively.

The School District's OPEB contributions for the year ended June 30, 2018 were equal to the required contribution total. OPEB contributions were approximately $1,400,000.

NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
At June 30, 2018, the School District reported a liability of $56,638,001 for its proportionate share of the net pension liability and a liability of $19,375,449 for its proportionate share of the net OPEB liability.

The net pension and OPEB liabilities were measured as of September 30, 2017, and the total pension and OPEB liabilities used to calculate the net pension and OPEB liabilities were determined by an actuarial valuation rolled forward from September 30, 2016. The School District's proportion of the net pension and OPEB liabilities was determined by dividing each employer's statutorily required pension and OPEB contributions to the system during the measurement period by the percent of pension and OPEB contributions, respectively, required for all applicable employers during the measurement period. At September 30, 2017 and 2016, the School District's pension proportion was 0.21856 and 0.22045 percent, respectively. At September 30, 2017, the School District's OPEB proportion was 0.21880 percent.

For the year ended June 30, 2018, the School District recognized pension expense of $5,932,623 and OPEB expense of $1,296,160.

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

	Pension		OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 492,223	$ 277,911	$ -	$ 206,292
Changes of assumptions	6,205,143	-	-	-
Net difference between projected and actual earnings on plan investments	-	2,707,669	-	448,740
Changes in proportion and differences between School District contributions and proportionate share of contributions	519,373	662,735	820	-
State of Michigan Section 147c UAAL rate stabilization state aid payments subsequent to the measurement date	-	2,246,764	-	-
School District contributions subsequent to the measurement date	5,247,337	-	1,310,934	-
Total	**$ 12,464,076**	**$ 5,895,079**	**$ 1,311,754**	**$ 655,032**

NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources—Continued
The School District contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions and OPEB, in the chart above, will be recognized as a reduction of the net pension liability and the net OPEB liability, respectively, in the year ended June 30, 2019. The State of Michigan Section 147c UAAL rate stabilization state aid payments subsequent to the measurement date reported as deferred inflows of resources will be recognized as revenue in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in expense as follows:

Year ending June 30,	Pension	OPEB
2019	$ 1,093,829	$ (158,107)
2020	1,961,210	(158,107)
2021	685,203	(158,107)
2022	(171,818)	(158,107)
2023	-	(21,784)

Actuarial assumptions
Valuation Assumptions

Investment rate of return –	7.5% a year for the MIP and Basic plans 7% a year for the Pension Plus plans 7.5% a year for OPEB
Salary increases –	3.5%-12.3%
Inflation –	3.5%
Cost-of-living pension adjustments –	3% annual non-compounded for MIP members
Healthcare cost trend rate –	7.5% Year 1 graded to 3.5% Year 12

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 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.

Mortality Assumptions
The healthy life post-retirement mortality table used in this valuation of the System was the RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB.

Experience Study
The annual actuarial valuation report of the System used for these statements is dated September 30, 2016. Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2014 valuation.

NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Long-Term Expected Rate of Return on Investments
The long-term expected rate of return on 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 plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.6 %
Private Equity 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	2.0	(0.9)
Total	**100.0** %	

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

Discount rate
In the current year, the discount rate used to measure the total pension and OPEB liabilities was 7.5 percent (7 percent for the Pension Plus Plans). The discount rate used to measure the total pension liability as of June 30, 2017 was 8 percent (7 percent for the Pension Plus Plans). The projection of cash flows used to determine the 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 those assumptions, the pension and OPEB plans' 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 and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Sensitivity of the net pension and OPEB liabilities to changes in the discount rate

The following presents the School District's proportionate share of the net pension and OPEB liabilities calculated using the discount rate of 7.5 percent (7 percent for Pension Plus Plans), as well as what the School District's proportionate share of the net pension and OPEB liabilities would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Lower (6.5%)	Discount Rate (7.5%)	1% Higher (8.5%)
School District's proportionate share			
Net pension liability	$ 73,780,476	$ 56,638,001	$ 42,205,128
Net OPEB liability	22,694,251	19,375,449	16,558,826

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 assumed trend rates, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher:

	1% Lower (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Higher (8.5%)
School District's proportionate share			
Net OPEB liability	$ 16,408,401	$ 19,375,449	$ 22,744,326

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plans' fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System Comprehensive Annual Financial Report available at www.michigan.gov/orsschools.

Payable to the pension and OPEB plan

At year end the School District is current on all required pension and OPEB payments. Accruals for July and August deferred payroll and for July and August Section 147c amounts are not considered payables for this purpose.

NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Reeths-Puffer Schools Retiree Medical Benefits Plan

Plan Description
The School District administers a single-employer defined benefit post-employment health and life insurance plan, the Reeths-Puffer Schools Retiree Medical Benefits Plan (Plan). The Director of Finance is responsible for administration of the Plan in accordance with the employment contracts. This plan does not issue a publicly-available stand-alone financial report and there are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. Information is available upon request of the School District.

Plan Membership
As of June 30, 2018, employees covered by benefit terms of the Plan were as follows:

Inactive plan members receiving benefits	84
Spouses of inactive plan members	70
Active plan members	256
	410

Benefits Provided
Pursuant to employment contracts, the Plan provides that certain employees electing retirement are eligible to receive post-retirement health and life insurance benefits. Benefit provisions are established and amended by the union contracts through negotiations between the School District and the respective unions or as established by the School District for non-union employees. Benefits terminate the month the person attains eligibility for full social security benefits, or dies, whichever occurs first; however, no more than ten (10) years of payments will be made. The Plan provides the following benefits based on employee group upon retirement:

Teachers and Administrators—

Date of Hire	Benefits
Before September 1, 2004 with at least 20 years of service	Health insurance costs not covered by State retirement program for retiree and spouse, up to 20% of the cost of the State plan, for maximum of ten years. Term life insurance premium for a maximum of ten years.
After September 1, 2004 with 10-20 years of service	Health insurance costs not covered by State retirement program for retiree and spouse, up to 20% of the cost of the State plan, for maximum of five years. Term life insurance premium for a maximum of five years.
After September 1, 2004 with at least 20 years of service	Term life insurance premium for a maximum of five years.

Secretaries—
Health insurance costs not covered by State retirement program for the individual only, with a cap of $125 per month for a maximum of three years.

NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Contributions
The Plan's funding policy is that the School District will fund the Plan on a pay-as-you-go basis. That is, benefit payments will be made from general operating assets. There are no long term contracts for contributions to the Plan. The Plan has no legally required reserves. For the fiscal year ended June 30, 2018, the School District paid approximately $185,000.

Total OPEB Liability
The School District's total OPEB liability of $2,765,002 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs
Valuation Assumptions
The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	Implicit in expected payroll increases
Salary increases	1%
20-year Aa Municipal bond rate	3%

Discount Rate
The discount rate used to measure the total OPEB liability was 3% based on the long-term expected rate above reflecting a 20-year Aa tax-exempt municipal bond yield.

Mortality
Mortality rates were based on the RP-2000 Tables with adjustments for mortality improvements based on a Scale AA.

Experience Study

The annual actuarial valuation report of the Plan used for these statements is dated June 30, 2018. Assumption changes as a result of an experience study for turnover rates based on 2008 data and an experience study for retirement rates for the period 2008 through 2012 have been adopted by the Plan.

Changes in the Total OPEB Liability

Balance at June 30, 2017	$ 2,733,255
Service cost	100,725
Interest	82,448
Changes in benefit terms	(19,956)
Difference between expected and actual experience	(92,640)
Change of assumptions	132,658
Benefit payments	(171,488)
Net change	31,747
Balance at June 30, 2018	**$ 2,765,002**

Changes of assumptions reflect a change in the Pre-65 medical trend rates from 7% graded down to 5% over four years to 8% graded down to 5% over 6 years.

NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Sensitivity of the net OPEB liability to changes in the discount rate
The following table presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2 percent) or 1-percentage-point higher (4 percent) than the current discount rate:

	1% Lower (2%)	Discount Rate (3%)	1% Higher (4%)
Total OPEB liability	$ 2,990,295	$ 2,765,002	$ 2,557,131

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates
The following table presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7 percent decreasing to 4 percent) or 1-percentage-point higher (9 percent decreasing to 6 percent) than the current healthcare cost trend rates:

	1% Lower (7% decreasing to 4%)	Current Healthcare Cost Trend Rate (8% decreasing to 5%)	1% Higher (9% decreasing to 6%)
Total OPEB liability	$ 2,535,760	$ 2,765,002	$ 3,026,792

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2018, the School District recognized OPEB expense of $167,571. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 82,559
Changes of assumptions	118,223	-
Total	**$ 118,223**	**$ 82,559**

NOTE I—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30,	Amount Recognized
2019	$ 4,354
2020	4,354
2021	4,354
2022	4,354
2023	4,354
Thereafter	13,894

NOTE J—COMMITMENTS AND CONTINGENCIES

Grant Programs

The School District participates in grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Litigation

The School District is a defendant in a lawsuit. Although the outcome of the lawsuit is not presently determinable, in the opinion of the School District's legal counsel, the resolution of the matter will not have a material adverse effect on the financial condition of the School District.

Commitments

As of June 30, 2018, the School District had approved commitments for security and network upgrades totaling approximately $308,000.

Capitalized Leases

Included in furniture and equipment are the following assets held under capital leases as of June 30, 2018:

Furniture and equipment	$ 292,163
Less accumulated amortization	(68,172)
	$ 223,991

NOTE J—COMMITMENTS AND CONTINGENCIES—Continued

Future minimum lease payments for assets under capital leases for 2019 through 2021 are as follows:

Year ending June 30,	Amount
2019	$ 66,359
2020	66,359
2021	66,229
Total minimum lease payments	198,947
Less amount representing interest	(14,787)
Present value of net minimum lease payments	184,160
Less current maturities	(58,345)
Long-term obligation	**$ 125,815**

NOTE K—OTHER INFORMATION

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of $500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2018 or any of the prior three years.

NOTE L—TAX ABATEMENTS

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

Municipality	Abatement type	Taxes abated
Muskegon Township	IFT	**$ 96,417**

The tax abatements that reduce the general fund operating tax levy are considered by the State of Michigan when calculating the School District's state aid—section 22 of the State School Aid Act.

There are no significant abatements made by the School District.

NOTE M—SUBSEQUENT EVENTS

State Aid Anticipation Note
In August 2018, the School District received the proceeds of a $4,900,000 State of Michigan (State) school aid anticipation note payable. The note payable is not subject to redemption prior to its maturity in August 2019 and bears interest at the rate of 2.75 percent per annum. The School District pledged for payment of the note payable, the amount of State school aid to be received plus the full faith, credit, and resources of the School District.

Commitments
Subsequent to June 30, 2018, the School District approved technology equipment commitments totaling approximately $64,000.

NOTE N—CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement 75—*Accounting and Financial Reporting for Postemployment Benefits other than Pensions.*

GASB Statement 75 requires governments that participate in postemployment benefits other than pensions (OPEB) to report in their Statement of Net Position a net OPEB liability.

The restatement of the beginning of the year net position is as follows:

	Governmental activities
Beginning net position	$ (75,239,429)
Deferred outflows of resources - related to OPEB	1,593,294
Deferred inflows of resources - related to OPEB	(628,547)
Net OPEB liability	
Reeths-Puffer Schools Employee OPEB Plan	(1,422,620)
MPSERS	(20,436,806)
Beginning net position, as restated	**$ (96,134,108)**

NOTE O—UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement 84—*Fiduciary Activities* was issued by the GASB in January 2017 and will be effective for the School District's 2020 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

GASB Statement 87—*Leases* was issued by the GASB in June 2017 and will be effective for the School District's 2021 fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

Reeths-Puffer Schools
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2018

	Budgeted amounts Original	Budgeted amounts Final	Actual	Variance with final budget-positive (negative)
REVENUES				
Local revenue				
Local sources	$ 3,009,240	$ 2,934,540	$ 2,967,374	$ 32,834
Received from other districts	1,629,000	1,603,000	1,727,887	124,887
State sources	31,241,250	32,015,065	32,141,758	126,693
Federal sources	2,125,227	2,039,423	2,009,089	(30,334)
Incoming transfers and other transactions	91,000	119,000	75,478	(43,522)
Total revenues	38,095,717	38,711,028	38,921,586	210,558
EXPENDITURES				
Instruction				
Basic programs	17,949,517	19,102,743	19,102,538	205
Added needs	5,859,455	5,456,113	5,509,164	(53,051)
Support services				
Pupil	3,029,488	3,159,076	3,192,918	(33,842)
Instructional staff	1,539,457	1,534,365	1,497,429	36,936
General administration	927,891	826,803	760,323	66,480
School administration	2,282,392	2,300,742	2,177,678	123,064
Business	546,273	626,016	619,464	6,552
Operations and maintenance	2,595,156	2,682,664	2,767,678	(85,014)
Pupil transportation services	1,711,693	1,737,925	1,741,811	(3,886)
Central	597,584	570,996	509,562	61,434
Athletics	775,147	794,378	812,867	(18,489)
Community services	50,627	42,090	35,148	6,942
Outgoing transfers and other transactions	139,186	139,186	139,545	(359)
Total expenditures	38,003,866	38,973,097	38,866,125	106,972
Excess (deficiency) of revenues over (under) expenditures	**$ 91,851**	**$ (262,069)**	55,461	**$ 317,530**
Fund balance at beginning of year			3,676,416	
Fund balance at end of year			**$ 3,731,877**	

Note: Both budgets and actual figures are prepared in accordance with generally accepted accounting principles.

Reeths-Puffer Schools
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement System
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
School District's proportion of the net pension liability (%)	0.21856%	0.22045%	0.22250%	0.21646%	-	-	-	-	-	-
School District's proportionate share of the net pension liability	$ 56,638,001	$ 55,001,235	$ 54,344,541	$ 47,678,648	$ -	$ -	$ -	$ -	$ -	$ -
School District's covered payroll	$ 18,388,819	$ 18,523,419	$ 18,523,730	$ 18,395,418	$ -	$ -	$ -	$ -	$ -	$ -
School District's proportionate share of the net pension liability as a percentage of its covered payroll	308.00%	296.93%	293.38%	259.19%	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	64.21%	63.27%	63.17%	66.20%	-	-	-	-	-	-

Note: For years prior to 2015 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Reeths-Puffer Schools

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the School District's Pension Contributions

Michigan Public School Employees Retirement System

Last 10 Fiscal Years (Amounts were determined as of 6/30 of each year)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contributions	$ 3,375,240	$ 3,423,894	$ 4,017,159	$ 3,361,758	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the statutorily required contributions	3,375,240	3,423,894	4,017,159	3,361,758	-	-	-	-	-	-
Contribution deficiency (excess)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
School District's covered payroll	$ 19,141,779	$ 18,229,286	$ 18,516,390	$ 18,535,877	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of covered payroll	17.63%	18.78%	21.70%	18.14%	-	-	-	-	-	-

Note: For years prior to 2015 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Reeths-Puffer Schools
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement System
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each year)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
School District's proportion of the net OPEB liability (%)	0.21880%	-	-	-	-	-	-	-	-	-
School District's proportionate share of the net OPEB liability	$ 19,375,449	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District's covered payroll	$ 18,388,819	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	105.37%	-	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	36.39%	-	-	-	-	-	-	-	-	-

Note: For years prior to 2018 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Reeths-Puffer Schools

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the School District's OPEB Contributions

Michigan Public School Employees Retirement System

Last 10 Fiscal Years (Amounts were determined as of 6/30 of each year)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contributions	$ 1,428,103	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the statutorily required contributions	1,428,103	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
School District's covered payroll	$ 19,141,779	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of covered payroll	7.46%	-	-	-	-	-	-	-	-	-

Note: For years prior to 2018 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Reeths-Puffer Schools
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the School District's Total OPEB Liability
Reeths-Puffer Schools Retiree Medical Benefits Plan

Last 10 Fiscal Years (Amounts were determined as of 6/30 of each year)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Service cost	$ 100,725	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest	82,448	-	-	-	-	-	-	-	-	-
Changes of benefit terms	(19,956)	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(92,640)	-	-	-	-	-	-	-	-	-
Changes of assumptions or other inputs	132,658	-	-	-	-	-	-	-	-	-
Benefit payments	(171,488)	-	-	-	-	-	-	-	-	-
Net change in total OPEB liability	31,747	-	-	-	-	-	-	-	-	-
Total OPEB liability - beginning	2,733,255	-	-	-	-	-	-	-	-	-
Total OPEB liability - ending	**$ 2,765,002**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
School District's covered payroll	$ 19,141,779	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total OPEB liability as a percentage of covered-employee payroll	14.44%	-	-	-	-	-	-	-	-	-

Note: For years prior to 2018 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Changes of benefit terms: There were no changes of benefit terms in 2018.

Changes of assumptions: There were no changes of benefit assumptions in 2018.

Plan Assets – Reeths-Puffer Schools Retiree Medical BenefitsPlan: No assets are accumulated in a trust that meets the criteria in GASB Statement 75, paragraph 4, to pay related benefits.

OTHER SUPPLEMENTAL INFORMATION

Reeths-Puffer Schools
OTHER SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
Food Service
For the year ended June 30, 2018

	Budgeted amounts Original	Budgeted amounts Final	Actual	Variance with final budget-positive (negative)
REVENUES				
Local revenue	$ 426,900	$ 426,900	$ 379,874	$ (47,026)
State sources	60,000	46,000	46,074	74
Federal sources	900,000	900,000	893,143	(6,857)
Total revenues	1,386,900	1,372,900	1,319,091	(53,809)
EXPENDITURES				
Support services				
General administration	4,100	4,100	-	4,100
Operations	6,000	7,700	7,009	691
Transportation	5,500	4,500	2,709	1,791
Food service	1,404,031	1,392,995	1,265,725	127,270
Outgoing transfers and other transactions	80,000	80,000	68,038	11,962
Total expenditures	1,499,631	1,489,295	1,343,481	145,814
Excess (deficiency) of revenues over (under) expenditures	**$ (112,731)**	**$ (116,395)**	(24,390)	**$ 92,005**
Fund balance at beginning of year			258,009	
Fund balance at end of year			**$ 233,619**	

Reeths-Puffer Schools
OTHER SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
Technology
For the year ended June 30, 2018

	Budgeted amounts Original	Budgeted amounts Final	Actual	Variance with final budget- positive (negative)
REVENUES				
Local revenue - received from other districts	$ 610,000	$ 627,500	$ 635,718	$ 8,218
Other financing sources - loan proceeds	-	454,000	453,784	(216)
Total revenues	610,000	1,081,500	1,089,502	8,002
EXPENDITURES				
Support services				
Pupil	62,250	57,915	53,222	4,693
Instructional staff	430,857	427,921	385,877	42,044
Operations and security	146,250	622,750	494,907	127,843
Central	55,078	117,000	90,334	26,666
Debt service	-	5,625	5,625	-
Total expenditures	694,435	1,231,211	1,029,965	201,246
Excess (deficiency) of revenues over (under) expenditures	**$ (84,435)**	**$ (149,711)**	59,537	**$ 209,248**
Fund balance at beginning of year			238,668	
Fund balance at end of year			**$ 298,205**	

Reeths-Puffer Schools
COMBINING BALANCE SHEET
Other Governmental Funds
June 30, 2018

	Total other governmental funds	Special Revenue: Food Service	Special Revenue: Technology	Debt Service	Building & Site
ASSETS					
Cash and cash equivalents	$ 764,654	$ 392,050	$ -	$ 135,193	$ 237,411
Due from other governmental units	4,147	963	3,184	-	-
Due from other funds	396,410	9,692	308,169	14,478	64,071
Inventories	12,702	12,702	-	-	-
Prepaid items	19,725	4,125	15,600	-	-
Total assets	**$ 1,197,638**	**$ 419,532**	**$ 326,953**	**$ 149,671**	**$ 301,482**
LIABILITIES					
Liabilities					
Accounts payable	$ 28,869	$ 121	$ 28,748	$ -	$ -
Due to other funds	204,067	167,813	-	36,254	-
Unearned revenue	17,979	17,979	-	-	-
Total liabilities	250,915	185,913	28,748	36,254	-
FUND BALANCES					
Nonspendable					
Inventories	12,702	12,702	-	-	-
Prepaid items	19,725	4,125	15,600	-	-
Restricted					
Debt service	113,417	-	-	113,417	-
Food service	216,792	216,792	-	-	-
Technology	282,605	-	282,605	-	-
Committed for capital projects	301,482	-	-	-	301,482
Total fund balances	946,723	233,619	298,205	113,417	301,482
Total liabilities and fund balances	**$ 1,197,638**	**$ 419,532**	**$ 326,953**	**$ 149,671**	**$ 301,482**

Reeths-Puffer Schools

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Other Governmental Funds

For the year ended June 30, 2018

	Total other governmental funds	Special Revenue: Food Service	Special Revenue: Technology	Debt Service	Building & Site
REVENUES					
Local sources					
Property taxes	$ 2,975,090	$ -	$ -	$ 2,975,090	$ -
Received from other districts	635,718	-	635,718	-	-
Investment earnings	3,967	1,015	-	2,411	541
Fees and charges	373,074	373,074	-	-	-
Other	62,989	5,785	-	-	57,204
Total local sources	4,050,838	379,874	635,718	2,977,501	57,745
State sources	103,978	46,074	-	57,904	-
Federal sources	893,143	893,143	-	-	-
Total revenues	5,047,959	1,319,091	635,718	3,035,405	57,745
EXPENDITURES					
Current					
Food services	1,275,443	1,275,443	-	-	-
Technology	1,029,965	-	1,029,965	-	-
Debt service					
Principal	3,222,634	-	-	3,222,634	-
Interest and other charges	3,661,072	-	-	3,661,072	-
Capital projects	14,780	-	-	-	14,780
Total expenditures	9,203,894	1,275,443	1,029,965	6,883,706	14,780
Excess (deficiency) of revenues over (under) expenditures	(4,155,935)	43,648	(394,247)	(3,848,301)	42,965
OTHER FINANCING SOURCES (USES)					
Transfers in	73,186	-	-	-	73,186
Transfers out	(68,038)	(68,038)	-	-	-
Loan proceeds	3,745,943	-	453,784	3,292,159	-
Total other financing sources (uses)	3,751,091	(68,038)	453,784	3,292,159	73,186
Net change in fund balances	(404,844)	(24,390)	59,537	(556,142)	116,151
Fund balances at beginning of year	1,351,567	258,009	238,668	669,559	185,331
Fund balances at end of year	**$ 946,723**	**$ 233,619**	**$ 298,205**	**$ 113,417**	**$ 301,482**

Reeths-Puffer Schools
COMBINING BALANCE SHEET
Debt Service Funds – Other Governmental Funds
June 30, 2018

	Total Debt Service Funds	1992 Debt	2010-A Qualified School Construction Bonds Debt	2015-A Refunding	2016 Refunding	2017 Refunding
ASSETS						
Cash and cash equivalents	$ 135,193	$ 56,603	$ 30,238	$ 8,646	$ 3,214	$ 36,492
Due from other funds	14,478	-	-	-	-	14,478
Total assets	**$ 149,671**	**$ 56,603**	**$ 30,238**	**$ 8,646**	**$ 3,214**	**$ 50,970**
LIABILITIES						
Due to other funds	$ 36,254	$ 3,200	$ 9,911	$ 11,767	$ 11,376	$ -
FUND BALANCES	113,417	53,403	20,327	(3,121)	(8,162)	50,970
Total liabilities and fund balances	**$ 149,671**	**$ 56,603**	**$ 30,238**	**$ 8,646**	**$ 3,214**	**$ 50,970**

Reeths-Puffer Schools

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Debt Service Funds – Other Governmental Funds

For the year ended June 30, 2018

	Total Debt Service Funds	1992 Debt	2010-A Qualified School Construction Bonds Debt	2015-A Refunding	2016 Refunding	2017 Refunding
REVENUES						
Local sources						
Property taxes	$ 2,975,090	$ 1,255,141	$ 674,000	$ 179,305	$ 59,768	$ 806,876
Investment earnings	2,411	798	430	214	73	896
Total local sources	2,977,501	1,255,939	674,430	179,519	59,841	807,772
State sources	57,904	31,584	-	4,512	1,504	20,304
Total revenues	3,035,405	1,287,523	674,430	184,031	61,345	828,076
EXPENDITURES						
Debt service						
Principal	3,222,634	452,634	1,100,000	185,000	-	1,485,000
Interest and other charges	3,661,072	2,132,766	244,538	209,300	153,350	921,118
Total expenditures	6,883,706	2,585,400	1,344,538	394,300	153,350	2,406,118
Excess (deficiency) of revenues over (under) expenditures	(3,848,301)	(1,297,877)	(670,108)	(210,269)	(92,005)	(1,578,042)
OTHER FINANCING SOURCES						
Loan proceeds	3,292,159	1,311,952	612,449	198,084	74,538	1,095,136
Total other financing sources	3,292,159	1,311,952	612,449	198,084	74,538	1,095,136
Net change in fund balances	(556,142)	14,075	(57,659)	(12,185)	(17,467)	(482,906)
Fund balances at beginning of year	669,559	39,328	77,986	9,064	9,305	533,876
Fund balances (deficits) at end of year	**$ 113,417**	**$ 53,403**	**$ 20,327**	**$ (3,121)**	**$ (8,162)**	**$ 50,970**

Reeths-Puffer Schools

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

Fiduciary Funds

For the year ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Assets				
Cash and cash equivalents	$ 532,680	$ 695,246	$ 692,989	$ 534,937
Accounts receivable	911	16,179	17,090	-
Total assets	**$ 533,591**	**$ 711,425**	**$ 710,079**	**$ 534,937**
Liabilities				
Accounts payable	$ 121,521	$ -	$ 13,749	$ 107,772
Deposits held for others	412,070	711,425	696,330	427,165
Total liabilities	**$ 533,591**	**$ 711,425**	**$ 710,079**	**$ 534,937**

CONTENTS OF THE STATISTICAL SECTION

This part of the Reeths-Puffer Schools' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health. Many of the schedules present data for the past fiscal years that will allow the reader to discern trends that cannot be seen in a single year's financial statement.

Contents	**Pages**
Financial Trends	84 - 87
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	88 - 91
These schedules contain information to help the reader assess locally levied taxes.	
Debt Capacity	92 - 96
These schedules present information to help the reader assess the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Demographic and Economic Information	97 - 98
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	99 - 104
These schedules contain data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	

Sources: Reeths-Puffer Schools completed a Comprehensive Annual Financial Report (CAFR) for the first time following the fiscal year ended June 30, 2014. Certain information presented in these schedules is derived from previous CAFR's, previous years' audit reports, and the corresponding statistical sections. Sources of data pulled from local, state, and federal sources have been noted by schedule.

Reeths-Puffer Schools
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net Position by Component										
Governmental Activities										
Net investment in capital assets	$ 3,223,706	$ 594,530	$ (2,772,535)	$ (5,142,029)	$ (7,334,766)	$ (9,052,648)	$ (9,899,733)	$ (10,812,829)	$ (12,017,682)	$ (12,754,706)
Restricted for:										
Food services	-	-	-	-	325,991	355,166	-	-	-	-
Debt services	-	405,608	108,879	-	-	-	-	-	894,191	1,056,524
Technology	298,205	-	-	-	-	-	-	-	-	-
Unrestricted	(99,021,130)	(76,239,567)	(75,087,193)	(71,992,460)	(22,771,445)	(19,523,254)	(15,676,941)	(11,641,407)	(11,077,260)	(10,310,735)
Total Governmental Net Position	**$ (95,499,219)**	**$ (75,239,429)**	**$ (77,750,849)**	**$ (77,134,489)**	**$ (29,780,220)**	**$ (28,220,736)**	**$ (25,576,674)**	**$ (22,454,236)**	**$ (22,200,751)**	**$ (22,008,917)**

Source: District audited financial statements.

Reeths-Puffer Schools

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental Activities										
Instruction	$ 26,437,642	$ 24,639,207	$ 24,847,153	$ 24,119,501	$ 24,181,513	$ 22,968,670	$ 23,032,735	$ 22,873,918	$ 23,291,126	$ 23,144,537
Support Services	14,762,592	13,815,211	13,688,040	13,085,912	12,320,667	12,150,567	13,517,984	13,206,390	12,789,934	12,780,190
Community Services	35,311	42,200	39,190	35,886	34,757	156,811	373,689	387,533	320,000	28,568
Food Services	1,282,961	1,269,012	1,330,804	1,344,246	1,341,406	1,357,069	1,335,695	1,242,266	1,305,144	1,256,482
Athletics	898,313	896,777	870,495	828,341	816,805	665,547	698,173	651,156	818,345	876,673
Interest on long-term debt	2,824,320	2,390,222	3,360,850	3,777,208	3,863,485	4,014,075	4,106,619	4,188,920	3,972,458	4,059,962
Unallocated depreciation and amortization	40,887	40,887	40,887	40,887	40,887	120,878	109,468	74,866	60,501	55,110
Total Expenses	46,282,026	43,093,516	44,177,419	43,231,981	42,599,520	41,433,617	43,174,363	42,625,049	42,557,508	42,201,522
Program Revenues										
Governmental Activities										
Charge for services:										
Support services	32,832	15,063	35,021	67,851	73,878	76,986	71,153	62,121	73,320	106,221
Community services	-	11,013	-	-	-	133,617	150,531	162,341	98,466	-
Food services	373,074	388,485	401,362	418,619	384,717	383,486	411,163	457,911	558,342	555,255
Athletics	139,700	150,897	137,955	147,264	132,883	126,433	123,226	132,492	157,333	160,392
Operating grants and contributions	11,888,903	10,570,351	9,401,533	10,379,218	8,617,345	8,171,746	8,000,200	9,180,738	9,740,926	7,147,206
Total Program Revenues	12,434,509	11,135,809	9,975,871	11,012,952	9,208,823	8,892,268	8,756,273	9,995,603	10,628,387	7,969,074
Net Expenses	(33,847,517)	(31,957,707)	(34,201,548)	(32,219,029)	(33,390,697)	(32,541,349)	(34,418,090)	(32,629,446)	(31,929,121)	(34,232,448)
General Revenues										
Governmental Activities										
Property Taxes	8,614,100	9,005,078	9,233,408	8,246,936	7,940,154	8,093,732	8,364,053	9,280,309	9,473,774	9,096,143
Grants and contributions not restricted to specific programs	25,668,248	25,318,240	24,199,630	24,187,326	23,759,009	22,513,544	22,677,225	23,041,136	22,173,698	25,483,831
Unrestricted investment earnings	55,615	31,678	19,703	10,398	10,970	23,548	31,448	61,944	74,781	49,975
Gain on sale of assets	7,440	-	12,210	4,649	-	7,088	-	-	-	-
Special item - refund of prior year taxes	-	-	-	-	-	-	-	(125,273)	-	-
Miscellaneous	137,003	114,131	120,237	99,407	121,080	160,584	222,926	117,847	15,034	44,995
Total General Revenues	34,482,406	34,469,127	33,585,188	32,548,716	31,831,213	30,798,496	31,295,652	32,375,963	31,737,287	34,674,944
Change in Net Position	634,889	2,511,420	(616,360)	329,687	(1,559,484)	(1,742,853)	(3,122,438)	(253,485)	(191,834)	442,496
Net Position, Beginning	(96,134,108)	(77,750,849)	(77,134,489)	(77,464,176)	(28,220,736)	(26,477,883)	(22,454,235)	(22,200,750)	(22,008,916)	(22,451,412)
Net Position, Ending	$ (95,499,219)	$ (75,239,429)	$ (77,750,849)	$ (77,134,489)	$ (29,780,220)	$ (28,220,736)	$ (25,576,673)	$ (22,454,235)	$ (22,200,750)	$ (22,008,916)

Source: District audited financial statements.

Note:

Beginning net position for 2012-13 has been restated to reflect financial statement changes due to GASB statement 65.

Beginning net position for 2014-15 has been restated to reflect financial statement changes due to GASB statement 68.

Beginning net position for 2017-18 has been restated to reflect financial statement changes due to GASB statement 75.

Reeths-Puffer Schools

FUND BALANCES—GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Nonspendable (Reserved)	$ 55,270	$ 390,541	$ 36,982	$ 40,060	$ 49,969	$ 64,468	$ 55,607	$ 297,783	$ 58,947	$ 60,605
Assigned (Designated)	-	-	48,333	182,095	-	422,303	1,073,706	1,843,000	-	-
Unassigned (Unreserved, Undesignated)	3,676,607	3,285,875	2,682,654	2,678,337	2,723,661	2,600,103	2,553,152	2,841,743	4,210,132	3,910,450
Total General Fund	3,731,877	3,676,416	2,767,969	2,900,492	2,773,630	3,086,874	3,682,465	4,982,526	4,269,079	3,971,055
All Other Governmental Funds										
Nonspendable (Reserved), Reported in Special Revenue Funds	32,427	42,045	11,711	10,102	11,021	10,098	13,900	21,664	27,658	40,335
Restricted (Reserved/Unreserved), Reported in:										
Debt Service funds	243,051	733,608	477,255	285,748	260,775	151,703	-	211,090	1,417,191	1,311,024
Special Revenue funds	499,397	454,632	322,442	408,890	314,970	355,166	442,397	440,026	299,766	191,486
Committed, Reported in:										
Capital Projects funds	301,482	185,331	318,342	508,741	470,341	627,678	1,092,112	6,739,084	19,685,068	287,055
Unassigned (Unreserved, Undesignated)	-	-	(36,376)	(4,903)	(5,247)	-	(458,310)	-	-	-
Total All Other Governmental Funds	1,076,357	1,415,616	1,093,374	1,208,578	1,051,860	1,144,645	1,090,099	7,411,864	21,429,683	1,829,900
Total All Governmental Funds	$ 4,808,234	$ 5,092,032	$ 3,861,343	$ 4,109,070	$ 3,825,490	$ 4,231,519	$ 4,772,564	$ 12,394,390	$ 25,698,762	$ 5,800,955

Source: District audited financial statements.

Note: Fund balances prior to 2011-12 have been restated to comply with GASB Statement No. 54 for comparative purposes. Past labels used are listed in parentheses.

Reeths-Puffer Schools

CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
Local Sources										
Property taxes	$ 8,484,003	$ 8,899,903	$ 9,233,408	$ 8,246,936	$ 7,940,154	$ 8,093,732	$ 8,485,214	$ 9,280,309	$ 9,473,774	$ 9,096,143
Investment Earnings	55,615	31,678	19,703	10,398	10,970	23,548	31,448	61,944	74,781	49,975
Food sales and athletic admissions	545,606	565,458	574,338	633,734	591,478	720,522	756,073	814,865	691,230	827,474
Transfers from Other Districts and Other	2,533,203	2,430,652	2,567,097	2,751,877	1,979,823	1,830,045	1,927,245	1,801,097	189,499	99,890
State Sources	32,317,929	30,808,575	29,379,334	28,584,872	27,388,560	26,038,672	25,371,217	25,805,249	24,724,099	25,798,112
Federal Sources	2,902,232	3,078,259	3,252,563	3,329,202	3,118,865	2,961,018	3,204,933	5,007,955	5,125,073	4,626,731
Total Revenues	46,838,588	45,814,525	45,026,443	43,557,019	41,029,850	39,667,537	39,776,130	42,771,419	40,278,456	40,498,325
Expenditures										
Instruction										
Basic Programs	19,102,538	17,665,254	18,142,949	17,677,180	17,250,630	17,011,007	17,365,931	17,415,743	17,264,948	17,409,250
Added Needs	5,509,164	5,166,678	5,004,762	4,753,357	4,853,886	4,414,630	4,621,279	4,591,662	4,739,008	4,593,208
Adult Education	-	-	-	324,177	316,947	-	-	-	-	-
Support Services										
Pupil Support	3,192,918	3,191,760	3,193,547	2,875,734	2,712,694	2,759,550	2,856,188	2,840,294	2,966,849	2,964,100
Instructional Support	1,497,429	1,400,012	1,355,265	1,718,443	1,154,768	1,212,234	1,260,846	1,223,635	1,224,380	1,216,897
General Administration	760,323	873,046	654,263	688,875	425,923	448,258	414,827	396,192	463,298	491,648
School Administration	2,177,678	2,357,952	2,273,019	2,371,590	2,271,646	2,293,638	2,099,857	1,969,945	1,984,949	2,042,318
Business Services	619,464	577,581	530,092	495,100	476,034	430,020	482,296	547,172	510,431	642,233
Operations and Maintenance	2,767,678	2,638,828	2,665,527	2,626,945	2,617,284	2,426,036	2,385,779	2,434,584	2,368,435	2,633,015
Pupil Transportation	1,741,811	1,585,797	1,557,082	1,400,916	1,394,042	1,315,586	1,193,361	1,320,416	1,333,268	1,579,592
Central	509,562	535,493	431,305	535,797	662,963	612,155	687,594	679,529	746,832	696,662
Other Support	-	-	-	-	-	-	-	-	-	1,251
Athletics	812,867	802,909	791,817	797,210	737,768	678,629	706,126	655,539	738,355	796,683
Community services	35,148	42,200	39,346	35,966	34,757	156,811	373,689	387,533	320,000	28,568
Food Services	1,275,443	1,253,016	1,330,659	1,349,006	1,338,035	1,352,790	1,330,507	1,237,771	1,252,726	1,254,064
Technology	1,029,965	464,757	674,015	-	-	-	-	-	-	-
Debt service										
Principal	8,743,097	8,963,467	31,054,381	3,502,304	3,491,991	3,562,030	5,003,593	5,005,395	3,654,721	3,062,609
Interest and Other Charges	4,143,666	3,673,326	3,749,569	3,660,106	3,657,177	3,663,965	2,244,653	2,628,547	1,980,959	2,593,311
Bond Issuance Costs	-	100,619	229,505	-	-	-	-	-	243,819	-
Capital Projects	14,780	259,973	272,473	40,412	233,905	565,351	5,817,776	13,193,919	2,453,702	192,093
Total Expenditures	53,933,531	51,552,668	73,949,576	44,853,118	43,630,450	42,902,690	48,844,302	56,527,876	44,246,680	42,197,502
Excess (Deficiency) of Revenues over (under) Expenditures	(7,094,943)	(5,738,143)	(28,923,133)	(1,296,099)	(2,600,600)	(3,235,153)	(9,068,172)	(13,756,457)	(3,968,224)	(1,699,177)
Other Financing Sources (Uses)										
Transfers from other governmental units and other transactions	7,440	-	14,130	-	10,186	83,080	440,548	31,541	2,006,393	2,183,612
Transfers to other governmental units	-	-	-	-	-	(20,376)	(283,028)	(183,619)	(120,362)	(166,551)
Loan Proceeds	5,708,569	6,575,809	756,774	1,579,679	2,184,385	2,631,404	1,288,826	604,165	-	-
Operating Transfers from other funds	141,224	147,900	163,578	146,720	200,834	241,717	164,807	238,716	786,866	675,000
Operating Transfers to other funds	(141,224)	(147,900)	(163,578)	(146,720)	(200,834)	(241,717)	(164,807)	(238,716)	(786,866)	(675,000)
Payments to refund bond escrow agent and discounts on debt issuance or refunding	-	(17,131,465)	(11,410,703)	-	-	-	-	-	-	-
Discount on refunding bonds	-	(64,743)	-	-	-	-	-	-	-	-
Proceeds from issuance of bonds and refunding bonds, premium proceeds of refunding	1,095,136	17,589,232	39,315,205	-	-	-	-	-	21,980,000	-
Total Other Financing Sources (Uses)	6,811,145	6,968,833	28,675,406	1,579,679	2,194,571	2,694,108	1,446,346	452,087	23,866,031	2,017,061
Net Change in Fund Balance	$ (283,798)	$ 1,230,690	$ (247,727)	$ 283,580	$ (406,029)	$ (541,045)	$ (7,621,826)	$ (13,304,370)	$ 19,897,807	$ 317,884
Debt Service as a Percentage of Non-capital Expenditures	23.9%	24.8%	47.5%	16.0%	16.5%	17.1%	16.8%	17.6%	14.1%	13.5%

Source: District audited financial statements.

Reeths-Puffer Schools

TAXABLE VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

(rate per $1,000 of assessed value)

				Taxable Value					Direct Tax Rate		
Tax Year	Fiscal Year	Estimated Market Value	State Equalized Value	Non-Homestead Property	Homestead Property	Commercial Personal Property	Industrial Personal Property	Total	Operating	Debt	Total
2008	2008-2009	$ 1,559,975,000	$ 779,987,500	$ 191,493,807	$ 442,237,592	$ 15,707,400	$ 7,037,400	$ 656,476,199	18.00	8.37	26.37
2009	2009-2010	1,555,204,200	777,602,100	203,354,401	449,536,629	16,276,100	6,758,700	675,925,830	18.00	8.37	26.37
2010	2010-2011	1,529,909,200	764,954,600	204,096,132	437,057,746	15,991,700	15,358,500	672,504,078	18.00	8.37	26.37
2011	2011-2012	1,457,631,400	728,815,700	203,719,579	426,127,332	15,017,434	15,466,200	660,330,545	18.00	8.37	26.37
2012	2012-2013	1,379,976,800	689,988,400	162,361,562	410,029,355	16,014,400	16,390,800	604,796,117	18.00	8.37	26.37
2013	2013-2014	1,276,364,300	638,182,150	158,351,000	407,609,000	15,379,100	16,296,300	597,635,400	18.00	8.37	26.37
2014	2014-2015	1,293,545,160	646,772,580	145,202,288	413,022,058	13,599,300	15,746,900	587,570,546	18.00	9.37	27.37
2015	2015-2016	1,324,135,500	662,067,750	145,592,271	421,376,401	13,901,400	16,782,700	597,652,772	18.00	10.82	28.82
2016	2016-2017	1,355,653,400	677,826,700	145,549,554	426,034,105	13,441,800	6,235,100	591,260,559	18.00	10.39	28.39
2017	2017-2018	1,426,022,542	713,011,271	141,332,048	438,735,808	13,582,500	4,035,600	597,685,956	18.00	9.75	27.75

Source: Muskegon County Annual Equalization Report and Michigan Department of Education Taxable Value Management System. Values assessed as of June 30 of the corresponding fiscal year are presented as of the date retrieved from the website and may potentially be adjusted by the taxing authorities.

Reeths-Puffer Schools

PROPERTY TAX RATES—DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

(rate per $1,000 of assessed value)

		Direct Tax Rates			Overlapping Rates					
Tax Year	Fiscal Year	Operating	Debt	Total	Cedar Creek Township	Dalton Township	Fruitland Township	Laketon Township	Muskegon Township	City of Muskegon
2008	2008-2009	18.00	8.37	26.37	0.9253	2.2284	2.9044	2.8976	6.7889	11.0682
2009	2009-2010	18.00	8.37	26.37	0.9253	2.2284	2.9904	2.8976	6.7889	11.1680
2010	2010-2011	18.00	8.37	26.37	0.9253	2.2284	2.9904	2.8976	7.7624	12.0680
2011	2011-2012	18.00	8.37	26.37	2.4253	2.2284	2.9044	2.8976	7.7624	12.0749
2012	2012-2013	18.00	8.37	26.37	2.4253	2.2284	2.9044	2.8976	7.7624	12.0749
2013	2013-2014	18.00	8.37	26.37	2.4253	2.2284	2.9044	2.8976	7.7624	12.0865
2014	2014-2015	18.00	9.37	27.37	2.4220	2.2284	0.9095	2.8976	7.7624	13.0875
2015	2015-2016	18.00	10.82	28.82	2.4215	2.2284	0.9090	2.8976	7.6124	13.0869
2016	2016-2017	18.00	10.39	28.39	2.4055	2.2261	0.9040	2.8856	7.6124	13.0905
2017	2017-2018	18.00	9.75	27.75	2.3976	2.9624	0.9001	2.8665	9.1124	13.0908

Source: Muskegon County Equalization Department, Annual Certified Tax Rate Apportionment Report.

Reeths-Puffer Schools
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

Year Ended June 30,		**2018**			**2009**		
Taxpayer	**Product/service**	**Taxable Value**	**Rank**	**Percentage of Total Taxable Value**	**Taxable Value**	**Rank**	**Percentage of Total Taxable Value**
Consumers Energy	Utility	$ 17,922,105	1	3.00%	$ 79,689,255	1	12.14%
Cedar Fair	Amusement park	9,906,820	2	1.66%	11,617,819	2	1.77%
DTE Energy Company	Utility	7,372,469	3	1.23%			
Bayer Cropscience	Chemical plant	6,058,771	4	1.01%	12,090,311	4	1.84%
Muskegon Investments I LLC	Industrial real estate	4,665,400	5	0.78%			
Meijer, Inc.	Retail	4,652,500	6	0.78%	5,759,300	3	0.88%
Michigan Electric Transmission Co.	Production	2,246,500	7	0.38%			
Bolema Lumber & Supply	Rental real estate	2,135,091	8	0.36%	1,497,164	9	0.23%
Nugent Sand Co. Inc.	Sand mining	1,780,458	9	0.30%	3,313,899	6	0.50%
Comcast of Muskegon	Cable TV	1,736,000	10	0.29%			
Michigan Consolidated Gas Company	Utility				5,127,162	5	0.78%
Land Management LLC	Rental real estate				1,940,222	7	0.30%
B Park Meadows LLC	Mobile home park				1,740,200	8	0.27%
Westech	Machine shop				1,412,400	10	0.22%
Total Principal taxpayers		58,476,114		9.78%	124,187,732		18.92%
Balance of valuations		539,209,842		90.22%	532,288,467		81.08%
Total Taxable Valuation		$ 597,685,956		100.00%	$ 656,476,199		100.00%

Source: Muskegon County Equalization Department.

Reeths-Puffer Schools
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

			Collected Within the Fiscal Year of the Levy			Total Collections to Date	
Tax Year	Fiscal Year	Taxes Levied for the Fiscal Year	Amount	Percent of levy	Collections (Refunds) in Subsequent Years	Amount	Percent of levy
2008	2008-2009	$ 9,035,839	$ 9,068,653	100.36%	$ (30,975)	$ 9,037,678	100.02%
2009	2009-2010	9,428,709	9,464,850	100.38%	(29,317)	9,435,533	100.07%
2010	2010-2011	9,273,273	9,263,318	99.89%	(71,665)	9,191,653	99.12%
2011	2011-2012	8,485,214	8,474,234	99.87%	(55,687)	8,418,548	99.21%
2012	2012-2013	8,080,744	8,083,830	100.04%	(36,941)	8,046,889	99.58%
2013	2013-2014	7,944,813	7,940,154	99.94%	(38,694)	7,901,460	99.45%
2014	2014-2015	8,200,773	8,209,931	100.11%	4,755	8,214,686	100.17%
2015	2015-2016	9,168,339	9,164,073	99.95%	(15,126)	9,148,947	99.79%
2016	2016-2017	8,843,740	8,844,293	100.01%	(43,185)	8,801,109	99.52%
2017	2017-2018	8,452,910	8,452,909	100.00%	-	8,452,909	100.00%

Source: Reeths-Puffer Schools District records.

Reeths-Puffer Schools

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Tax Year	Fiscal Year	General obligation bonds	School Loan Revenue Refunding Bonds	School Bond Loan Fund/School Loan Revolving Fund	Capital Lease Obligations	Installment Purchase Agreement	Total Outstanding Debt	Debt Service Funds Available	Net Debt Outstanding (1)	Total Taxable Value	Outstanding Debt as a % of Taxable Value	Estimated Population (1)	Outstanding Debt Per Capita	Taxable Value Per Capita
2008	2008-2009	$ 59,180,427	$ 364,555	$ 13,816,640	$ 69,507	$ -	$ 73,431,129	$ 1,311,024	$ 72,120,105	$ 656,476,199	10.99%	20,849	$ 3,459	$ 31,487
2009	2009-2010	78,531,848	324,834	14,599,357	44,734	-	93,500,773	1,417,191	92,083,582	675,925,830	13.62%	20,852	4,416	32,415
2010	2010-2011	74,817,443	89,259	15,890,777	18,063	-	90,815,542	211,090	90,604,452	672,504,078	13.47%	21,490	4,216	31,294
2011	2011-2012	70,987,012	45,667	17,936,062	-	-	88,968,741	-	88,968,741	660,330,545	13.47%	21,373	4,163	30,896
2012	2012-2013	67,611,286	-	21,327,826	-	-	88,939,112	151,703	88,787,409	604,796,117	14.68%	21,234	4,181	28,482
2013	2013-2014	62,927,003	-	24,291,256	-	-	87,218,259	260,775	86,957,484	597,635,400	14.55%	21,337	4,075	28,009
2014	2014-2015	58,711,049	-	26,731,054	-	-	85,442,103	285,748	85,156,355	587,570,546	14.49%	21,503	3,960	27,325
2015	2015-2016	81,966,729	-	122,902	-	-	82,089,631	477,255	81,612,376	597,652,772	13.66%	21,559	3,786	27,722
2016	2016-2017	70,581,695	-	6,749,853	239,753	-	77,571,301	733,608	76,837,693	591,260,559	13.00%	21,636	3,551	27,328
2017	2017-2018	60,557,828	-	13,356,082	184,160	453,784	74,551,854	454,632	74,097,222	597,685,956	12.40%	21,636	3,425	27,625

Sources: Reeths-Puffer Schools financial records and audited financial statements.

(1) Census figure for 2017 not yet released. The 2016 population figure was used as estimate.

Reeths-Puffer Schools
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Tax Year	Fiscal Year	General Obligation Bonds (1)	Debt Service Funds Available	Net Debt Outstanding	Total Taxable Value	Outstanding Debt as a % of Taxable Value	Estimated Population (2)	Outstanding Debt Per Capita	Taxable Value Per Capita	Ratio - debt to personal income
2008	2008-2009	$ 59,180,427	$ 1,311,024	$ 57,869,403	$ 656,476,199	8.82%	20,849	$ 2,776	$ 31,487	10.33%
2009	2009-2010	78,531,848	1,417,191	77,114,657	675,925,830	11.41%	20,852	3,698	32,415	13.32%
2010	2010-2011	74,817,443	211,090	74,606,353	672,504,078	11.09%	21,490	3,472	31,294	12.61%
2011	2011-2012	70,987,012	-	70,987,012	660,330,545	10.75%	21,373	3,321	30,896	11.61%
2012	2012-2013	67,611,286	151,703	67,459,583	604,796,117	11.15%	21,234	3,177	28,482	10.49%
2013	2013-2014	62,927,003	260,775	62,666,228	597,635,400	10.49%	21,337	2,937	28,009	9.40%
2014	2014-2015	58,711,049	285,748	58,425,301	587,570,546	9.94%	21,503	2,717	27,325	8.25%
2015	2015-2016	81,966,729	477,255	81,489,474	597,652,772	13.63%	21,559	3,780	27,722	10.93%
2016	2016-2017	70,581,695	733,608	69,848,087	591,260,559	11.81%	21,636	3,228	27,328	9.06%
2017	2017-2018	60,557,828	454,632	60,103,196	597,685,956	10.06%	21,636	2,778	27,625	N/A

Sources and notes:
(1) Presented net of discounts and premiums
(2) Census figure for 2017 not yet released. The 2016 population figure was used as estimate.

Reeths-Puffer Schools

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

June 30, 2018

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Direct and Overlapping Debt
Cedar Creek Township	$ -	9.24%	$ -
Dalton Township	5,035,323	84.65%	4,262,401
Fruitland Township	2,899,050	18.96%	549,660
Laketon Township	6,939,138	100.00%	6,939,138
Muskegon Township	15,679,450	33.85%	5,307,494
City of Muskegon	10,987,196	1.98%	217,546
Muskegon County	68,665,923	13.78%	9,462,164
Muskegon Area ISD	-	13.76%	-
Muskegon Community College	35,575,000	13.78%	4,902,235
Subtotal, overlapping debt			31,640,638
District Direct Debt			74,551,854
Total Direct and Overlapping Debt			**$ 106,192,492**

Source: Municipal Advisory Council of Michigan.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the county. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the School District. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account; however, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

Reeths-Puffer Schools

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

Legal Debt Margin Calculation For Fiscal Year 2017-2018:	
State Equalized Valuation (SEV), July 1, 2017	$ 713,011,271
Statutory Debt Limit (15% of SEV)	106,951,691
Debt applicable to Debt Limit	60,557,828
Legal Debt Margin	$ 46,393,863

Tax Year	Fiscal Year	State Equalized Value (SEV)	Statutory Debt Limit (15% of SEV)	Debt Applicable to Debt Limit	Legal Debt Margin	Debt as a Percentage of Debt Limit
2008	2008-2009	$ 779,987,500	$ 116,998,125	$ 59,180,427	$ 57,817,698	50.58%
2009	2009-2010	777,602,100	116,640,315	78,531,848	38,108,467	67.33%
2010	2010-2011	764,954,600	114,743,190	74,817,443	39,925,747	65.20%
2011	2011-2012	728,815,700	109,322,355	70,987,012	38,335,343	64.93%
2012	2012-2013	689,988,400	103,498,260	67,611,286	35,886,974	65.33%
2013	2013-2014	638,182,150	95,727,323	62,927,003	32,800,320	65.74%
2014	2014-2015	646,772,580	97,015,887	58,711,049	38,304,838	60.52%
2015	2015-2016	662,067,750	99,310,163	81,966,729	17,343,434	82.54%
2016	2016-2017	677,826,700	101,674,005	70,581,695	31,092,310	69.42%
2017	2017-2018	713,011,271	106,951,691	60,557,828	46,393,863	56.62%

Source: Muskegon County, Annual Equalization report.

SCHOOL BOND LOAN FUND AND SCHOOL LOAN REVOLVING FUND PROGRAMS

Year ended June 30, 2018

As of June 30, 2018, the School District has a School Bond Loan Fund balance of $10,177, a School Loan Revolving Fund balance of $863,593 and a GO School Loan Revolving Fund balance of $12,482,311, for a total balance of $13,356,081. During the 2015-2016 fiscal year, the School District issued taxable bonds with par $27,930,000 to amount of refinance the outstanding School Bond Loan Fund and School Loan Revolving Fund balances.

The Bonds are fully qualified as of the date of delivery pursuant to Act 108 of the Public Acts of Michigan, 1961, as amended, enacted pursuant to Article IX, Section 16, of the Michigan Constitution of 1963. Under the terms of said constitutional and statutory provisions, if for any reason, the School District will be or is unable to pay the principal and interest on the Bonds when due, the School District shall borrow, and the State of Michigan (State) shall lend to it from the School Bond Loan Fund or School Loan Revolving Fund established by the State, an amount sufficient to enable the School District to make payment. Article IX, Section 16 of the Michigan Constitution, as implemented by Act 112 of the Public Acts of Michigan, 1961, as amended, authorizes the State, without approval of its electors, to borrow from time to time such amounts as shall be required, pledge the State's full faith and credit and issue its notes or bonds therefore, for the purpose of making loans to school districts as provided amounts as shall be required, pledge the State's full faith and credit and issue its notes or bonds therefore, for the purpose of making loans to school districts as provided under such section. Loans to school districts for such purposes are made from the proceeds of such State borrowing.

Complete financial statements of all of the State's funds as included in the State's Comprehensive Annual Financial Report (CAFR) prepared by the State's Department of Management and Budget are available upon request from the Department of Management and Budget, Office of Financial Management, P.O. Box 30026, Lansing, Michigan 48909, telephone (517) 373-1011. The State has agreed to file its CAFR with the Nationally Recognized Securities Information Repositories and the State Information Depository (as described in Rule 15c2-12(b)(5) of the Securities Exchange Commission) annually, so long as any bonds qualified for participation in the School Bond Loan Fund remain outstanding.

Reeths-Puffer Schools

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

		Unemployment Rate			Personal Income (5)	
Calendar Year	Estimated Population (1)	Muskegon County (2)	State of Michigan (3)	Inflation Rate (4)	Total (in thousands)	Per Capita
2008	20,849	8.5%	8.3%	0.1%	$ 4,828,481	$ 26,864
2009	20,852	14.5%	13.5%	2.7%	4,755,824	27,774
2010	21,490	13.5%	12.7%	1.5%	4,917,760	27,529
2011	21,373	10.2%	10.4%	3.0%	5,148,421	28,605
2012	21,234	8.8%	9.1%	1.7%	5,313,721	30,289
2013	21,337	8.1%	8.4%	1.5%	5,398,085	31,234
2014	21,503	7.4%	7.3%	0.8%	5,674,297	32,936
2015	21,559	5.6%	5.4%	0.7%	5,969,540	34,567
2016	21,636	4.8%	4.0%	2.1%	6,180,403	35,641
2017	21,636	5.1%	4.3%	2.1%	N/A	N/A

Sources and notes:

(1) US Census Bureau School District estimates. 2017 information not yet available; 2016 used as estimate.

(2) State of Michigan Department of Technology, Management and Budget (DTMB). Annual County jobless rate, not seasonally-adjusted.

(3) State of Michigan DTMB. Annual State of MI jobless rate, not seasonally-adjusted.

(4) U.S. Department of Labor, Bureau of Labor Statistics (BLS). National CPI, December 2017, not seasonally-adjusted.

(5) US Bureau of Economic Analysis. Income, population, and per-capita income by year for Muskegon County, MI. Retrieved September 2018. Information for 2017 not yet available.

Reeths-Puffer Schools

PRINCIPAL EMPLOYERS IN MUSKEGON COUNTY

Current Year and Nine Years Ago

Year Ended June 30,	**2018 (1)**			**2009 (2)**		
Employer	**Employees**	**Rank**	**Percentage of Total Employment**	**Employees**	**Rank**	**Percentage of Total Employment**
Mercy Health Partners	4,372	1	5.5%	1,714	2	1.9%
Arconic Power & Propulsion (4)	2,400	2	3.0%	2,420	1	2.6%
County of Muskegon	1,089	3	1.4%	1,046	3	1.1%
ADAC Automotive	900	4	1.1%	400	8	0.4%
Meijer Inc.	900	5	1.1%	378	9	0.4%
G.E. Aviation	801	6	1.0%			
Hines Corporation Companies	681	7	0.9%			
Chassix (5)	620	8	0.8%	361	10	0.4%
Port City Group	600	9	0.8%			
Wesco	557	10	0.7%	500	5	0.5%
L3 Communications				600	4	0.7%
Johnson Technology, Inc.				480	6	0.5%
Eagle Group				430	7	0.5%
Total Pricipal Employees	12,920		16.2%	8,329		9.1%
Total Employment Base (3)	79,952			91,848		

Sources and notes:

1) Muskegon Area First. 2018 largest employers report, retrieved September, 2018.
2) Muskegon County Comprehensive Annual Financial Report, for Fiscal Year Ended September 30, 2009.
3) Total Muskegon County labor force as of June of the corresponding fiscal year presented. Source: Michigan DTMB.
4) Arconic Power & Propulsion was formerly known as Alcoa Howmet and Howmet. Prior amounts shown on same line.
5) Chassix was formerly known as Diversified Machine. Prior amounts shown on same line.

Reeths-Puffer Schools
DISTRICT EMPLOYEES BY TYPE
Last Ten Fiscal Years

Employee Category	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Administrators	23	23	23	23	24	24	24	23	24	24
Admin. Office Personnel/Technology	6	6	6	6	6	6	6	7	7	8
Teachers	224	219	221	230	230	238	240	244	246	252
Secretarial/Clerical	23	24	25	25	26	26	25	24	26	31
Aides/Paraprofessionals	62	58	60	66	52	53	56	57	51	64
Maintenance/Custodial	6	7	7	6	6	6	6	6	6	6
Transportation	5	5	5	4	4	4	4	4	35	32
Food Service	29	28	31	29	29	28	28	30	30	31
Total	**378**	**370**	**378**	**389**	**377**	**385**	**389**	**395**	**425**	**448**

Source: District payroll records.

Reeths-Puffer Schools
SCHOOL ENROLLMENT
Last Ten Fiscal Years

Historical enrollment for the School District is as follows:

School year	Enrollment	School year	Enrollment
2017-2018	3,828	2012-2013	3,870
2016-2017	3,803	2011-2012	3,843
2015-2016	3,790	2010-2011	4,017
2014-2015	3,853	2009-2010	3,963
2013-2014	3,874	2008-2009	4,061

Enrollment by grades for school year 2017-2018 is as follows:

Kindergarten	323	Seventh	283
First	238	Eighth	279
Second	266	Ninth	323
Third	257	Tenth	331
Fourth	290	Eleventh	312
Fifth	290	Twelfth	317
Sixth	298	Special Ed.	21
		TOTAL	**3,828**

Source: District fall student count records.

Reeths-Puffer Schools
OPERATING STATISTICS
Last Ten Fiscal Years

Fiscal Year	Enrollment	Percentage Change	Operating Expenditures	Percentage Change	Cost Per Pupil	Percentage Change	Percentage of Students Receiving Free or Reduced Price Meals
2008-2009	4,061	-1.65%	34,298,742	0.22%	8,446	1.90%	35.73%
2009-2010	3,963	-2.41%	33,922,398	-1.1%	8,560	1.35%	46.15%
2010-2011	4,017	1.36%	34,469,732	1.61%	8,581	0.25%	45.90%
2011-2012	3,843	-4.33%	34,447,773	-0.06%	8,964	4.46%	49.43%
2012-2013	3,870	0.70%	33,758,554	-2.00%	8,723	-2.68%	44.34%
2013-2014	3,874	0.10%	34,909,342	3.41%	9,011	3.30%	46.19%
2014-2015	3,853	-0.54%	35,808,983	2.58%	9,294	3.14%	50.50%
2015-2016	3,790	-1.64%	36,638,974	2.32%	9,667	4.02%	49.55%
2016-2017	3,803	0.34%	36,918,708	0.76%	9,708	0.42%	48.40%
2017-2018	3,828	0.66%	38,866,117	5.27%	10,153	4.59%	51.18%

Source: District enrollment and financial records. Free and reduced rates retrieved from MI School Data.
Link: (https://www.mischooldata.org/Other/DataFiles/StudentCounts/HistoricalFreeAndReducedLunchCounts.aspx)

Reeths-Puffer Schools

STATE AID SUMMARY—FUNDS FROM STATE SOURCES (INCLUDING CATEGORICALS)

Last Ten Fiscal Years

Year ended June 30	Amount
2009	$ 25,739,541
2010	24,631,590
2011	25,746,844
2012	25,141,272
2013	25,983,244
2014	27,352,472
2015	28,543,207
2016	29,346,038
2017	30,405,694
2018	32,059,289

Source: State of Michigan August State Aid Status Report

Reeths-Puffer Schools
PENSION FUND
Last Ten Fiscal Years

The School District will pay a base rate equal to a percent of its employees' wages to the Michigan Public School Employees Retirement System (MPSERS) which is administered by the State of Michigan. The following were the applicable contribution rates required by law for the periods:

October 1, 2008—September 30, 2009	16.54
October 1, 2009—September 30, 2010	16.94
October 1, 2010—October 31, 2010	19.41
November 1, 2010—September 30, 2011	20.66
October 1, 2011—September 30, 2012	24.46
October 1, 2012—January 31, 2013	25.13 - 26.20
February 1, 2013—September 30, 2013	25.92 - 28.56
October 1, 2013 - September 30, 2014	29.35 - 31.52
October 1, 2014 - September 30, 2015	28.59 - 33.41
October 1, 2015 - September 30, 2016	31.49 - 36.31
October 1, 2016 - September 30, 2017	32.66 - 36.64
October 1, 2017 - September 30, 2018	32.28 - 36.88 %

These contributions are required by law. The School District's contributions for the past ten years are shown below. The School District does not have an unfunded accrued liability under MPSERS.

Year ending June 30	**Paid to pension funds**
2009	$ 3,345,330
2010	3,396,422
2011	3,800,496
2012	4,527,762
2013	4,841,396
2014	5,433,868
2015	6,317,722
2016	6,922,535
2017	6,908,997
2018	7,580,822

Effective January 1, 1987, members of MPSERS may irrevocably elect to contribute a percentage of their gross wages on a tax deferred basis to a member investment plan (MIP) which qualifies them for additional benefits. All employees hired after January 1, 1990 will contribute to the plan at a graduated rate of their gross wages. If a member leaves MPSERS service before a retirement benefit has vested, the member's accumulated contributions to MIP, plus interest, if any, are refundable.

Reeths-Puffer Schools
SCHOOL BUILDING INFORMATION

Site	Grade Configuration	Acreage	Date Originally Constructed	Additions and Renovations	Square feet
McMillan Early Childhood Center	Pre-K	10	1955	1969, 2004, 2005	43,000
Pennsylvania Elementary	Pre-K - K	5.8	1962	1996, 2004	10,602
Central Elementary	K-4	27	1951	1990, 2004, 2005, 2011	55,361
Reeths-Puffer Elementary	K-4	15	1948	1960, 1996, 2004, 2011	66,000
Twin Lake Elementary	K-4	12.6	1953	1972, 1991, 1996, 2004, 2005, 2011	39,691
Reeths-Puffer Intermediate School	5-6	21	1954	1957, 1996, 2004, 2005	95,000
Reeths-Puffer Middle School	7-8	52	1945	1971, 1998, 2004, 2005, 2010	131,000
Reeths-Puffer High School	9-12	61.5	1994	1998	288,000
Duck Creek Learning Center Alternative Ed	9-12	5	1956	1958, 1961, 2004	12,371
Educational Services Building	N/A	2	1962	1970, 1978, 2004	10,602
Transportation	N/A	5.2	2004		8,075
River Road Property 2475 S. River Rd., Muskegon Township	N/A	56			
Gun Club Property Duff Rd., Dalton Township	N/A	160			
Staple Road Property Staple Rd., Dalton Township	N/A	40			
Buel Playground Russell Rd., Muskegon Township	N/A	2			

Source: District records.