

Parchment School District

**Financial Report
with Supplemental Information
June 30, 2017**

Parchment School District

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Independent Auditor's Report

To the Board of Directors
Parchment School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Parchment School District (the "School District") as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise Parchment School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

To the Board of Directors
Parchment School District

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, the schedule of the School District's proportionate share of the net pension liability MPSERS for the last 10 fiscal years, and the schedule of the School District's contributions to MPSERS over the last 10 fiscal years, as disclosed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Parchment School District's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The nonmajor governmental funds combining balance sheet, combining statement of revenue, expenditures, and changes in fund balance, and the schedule of bonded indebtedness 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 nonmajor governmental funds combining balance sheet, combining statement of revenue, expenditures, and changes in fund balance, and the schedule of bonded indebtedness are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors
Parchment School District

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017 on our consideration of Parchment School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Parchment School District's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 26, 2017

Parchment School District

Management's Discussion and Analysis

This section of Parchment School District's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2017. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Parchment School District financially as a whole. The district-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund and 2016 Debt Fund - with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

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

Basic Financial Statements

District-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for General Fund

Schedule of Parchment School District's Proportionate Share of the Net Pension Liability
MPSERS for the Last 10 Fiscal Years

Schedule of Parchment School District's Contributions MPSERS Over the Last 10 Fiscal Years

Other Supplemental Information

Reporting the School District as a Whole - District-wide Financial Statements

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

Parchment School District

Management's Discussion and Analysis (Continued)

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

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

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

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

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

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

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

Parchment School District

Management's Discussion and Analysis (Continued)

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table I provides a summary of the School District's net position as of June 30, 2017 and 2016:

TABLE I	Governmental Activities	
	June 30	
	2017	2016
	(in millions)	
Assets		
Current and other assets	\$ 5.4	\$ 5.6
Capital assets	<u>33.7</u>	<u>34.8</u>
Total assets	39.1	40.4
Deferred Outflows of Resources		
Deferred charges on bond refunding	-	-
Deferred outflows related to pensions	<u>5.4</u>	<u>3.7</u>
Total deferred outflows of resources	<u>5.4</u>	<u>3.7</u>
Total assets and deferred outflows of resources	44.5	44.1
Liabilities		
Current liabilities	6.0	5.6
Long-term liabilities	35.2	36.3
Net pension liability	<u>-</u>	<u>-</u>
Total liabilities	41.2	41.9
Deferred Inflows of Resources - Deferred inflows related to pensions	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>41.2</u>	<u>41.9</u>
Net Assets		
Invested in capital assets - Net of related debt	(2.3)	(2.2)
Restricted	0.3	0.4
Unrestricted	<u>(20.3)</u>	<u>(19.3)</u>
Total net assets	<u>\$ (22.3)</u>	<u>\$ (21.1)</u>

The above analysis focuses on the net position (see Table I). The change in net position of the School District's governmental activities is discussed below (see Table 2). The School District's net deficit was \$22.3 million at June 30, 2017. Net investment in capital assets, totaling (\$2.3 million), compares the original cost less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limits the School District's ability to use that net position for day-to-day operations.

Parchment School District

Management's Discussion and Analysis (Continued)

The \$22.3 net deficit represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year. Without GASB No. 68, total net deficit would be \$1.3 million. This balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have an impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities, which shows the changes in net position for fiscal years 2017 and 2016 (see Table 2).

TABLE 2

	Governmental Activities	
	2017	2016
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.8	\$ 0.7
Operating grants and contributions	5.1	4.7
Capital grants and contributions	-	-
General revenue:		
Property taxes	2.8	2.9
State foundation allowance	11.0	11.0
Other	-	0.3
Total revenue	19.7	19.6
Functions/Program Expenses		
Instruction	10.2	9.3
Support services	6.7	6.7
Athletics	0.3	0.3
Food services	0.8	0.8
Community services	0.5	0.4
Interest on long-term debt	1.3	1.0
Debt issuance costs	-	0.3
Depreciation (unallocated)	1.1	1.1
Total functions/program expenses	20.9	19.9
Decrease in Net Assets	(1.2)	(0.3)
Net Assets - Beginning of year	(21.1)	(20.8)
Net Assets - End of year	<u>\$ (22.3)</u>	<u>\$ (21.1)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$20.9 million. Certain activities were fully funded from those who benefited from the programs (\$0.8 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5.1 million). We paid for the remaining "public benefit" portion of our governmental activities with \$2.8 million in taxes and \$11.0 million in state foundation allowance.

Parchment School District

Management's Discussion and Analysis (Continued)

The School District experienced a decrease in net position. The key reasons for the decrease in net position were caused by the School District's desire to continue current educational programming levels in an ongoing effort to improve student achievement while costs have gone up. This educational programming required an increase in expenses, while the revenue sources increased at a lower level. Declining enrollment was also a factor.

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

The School District's Funds

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

As the School District completed the year, the governmental funds reported a combined fund balance of \$1.6 million, which is a decrease of approximately \$470,000 from last year. The primary reasons for the decrease are as follows:

- The Qualified Zone Academy Bond (QZAB) was issued and approved by the Board of Education to maintain and improve the School District's facilities by taking advantage of new technologies and capabilities in energy savings features, which caused an increase in fund balance in the prior year, although the funds were spent down in the current year.
- In the General Fund, our principal operating fund, the fund balance decreased approximately \$358,000 to approximately \$1.0 million. The change is mainly due to rising educational costs while revenue has risen at a lower rate. The General Fund fund balance is available to fund costs related to allowable school operating purposes.

Combined, the debt service funds showed a fund balance decrease of approximately \$65,000 from the prior year. This was due in part to the millage rates being decreased to reflect increasing taxable values and comply with new legislative mandates in order to adjust the debt service funds balances and reduce utilization of the School Loan Revolving Fund. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service funds fund balances are reserved since they can only be used to pay debt service obligations.

The Capital Projects Fund balance (including the Capital Improvement Fund and the QZAB Capital Projects Fund) decreased approximately \$4,600 as the School District's capital improvement plan was implemented to maintain present facilities needs and planned projects and QZAB project was completed.

Parchment School District

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

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

Revisions made to the 2016-2017 General Fund original budget included a slight increase in all revenue. Budgeted expenditures were increased slightly due to planned facility operations and management.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2017, the School District had approximately \$33.7 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment, net of depreciation. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$1,078,000, or 3.1 percent, from last year.

	<u>2017</u>	<u>2016</u>
Land	\$ 166,778	\$ 166,778
Buildings and building improvements	46,073,531	46,073,531
Buses and other vehicles	1,223,629	1,223,629
Furniture and equipment	<u>6,334,995</u>	<u>6,289,716</u>
Total capital assets	53,798,933	53,753,654
Less accumulated depreciation	<u>(20,125,197)</u>	<u>(19,001,737)</u>
Net capital assets	<u>\$ 33,673,736</u>	<u>\$ 34,751,917</u>

We anticipate capital additions for the 2017-2018 fiscal year will be slightly higher than the 2016-2017 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Parchment School District

Management's Discussion and Analysis (Continued)

Debt

At the end of this year, the School District had \$34.4 million in bonds outstanding versus \$36.3 million in the previous year - a change of 5.2 percent. These bonds and other long-term liabilities consisted of the following:

	2017	2016
General obligation bonds	\$ 34,440,000	\$ 36,315,000
Premium on bonds	723,143	761,711
School loan revolving fund	1,290,774	286,638
Other obligations	848,902	920,942
Total	<u>\$ 37,302,819</u>	<u>\$ 38,284,291</u>

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below this statutorily imposed limit.

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

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2017-2018 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2018 fiscal year is 10 percent and 90 percent of the February 2017 and October 2017 student counts, respectively. The 2017-2018 budget was adopted in June 2017 based on an estimate of students that will be enrolled in October 2017. Approximately 71 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot assess additional property tax revenue for general operations. As a result, school district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2017-2018 school year, we anticipate that the fall student count will be stable compared to the estimates used in creating the 2017-2018 budget. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual school district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to school districts.

Parchment School District

Statement of Net Position June 30, 2017

	Primary Government Governmental Activities
Assets	
Cash and cash equivalents (Note 3)	\$ 2,213,575
Receivables (Note 4)	2,564,043
Inventories	40,826
Prepaid costs and other assets	88,358
Restricted assets - Cash and investments (Note 8)	462,335
Capital assets - Net (Note 5)	33,673,736
Total assets	39,042,873
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 7)	877,639
Deferred outflows related to pensions (Note 10)	4,521,036
Total deferred outflows of resources	5,398,675
Total assets and deferred outflows of resources	44,441,548
Liabilities	
Accounts payable	221,787
Accrued payroll-related liabilities	1,439,695
State aid anticipation note (Note 11)	1,906,000
Accrued interest	198,114
Due to other governmental units	195,385
Noncurrent liabilities (Note 7):	
Due within one year	2,096,579
Due in more than one year	35,206,240
Net pension liability (Note 10)	24,595,831
Total liabilities	65,859,631
Deferred Inflows of Resources - Deferred inflows related to pensions (Notes 1 and 10)	861,201
Total liabilities and deferred inflows of resources	66,720,832
Net Position	
Net investment in capital assets	(2,289,430)
Restricted	303,544
Unrestricted	(20,293,398)
Total net position	<u>\$ (22,279,284)</u>

Parchment School District

Statement of Activities Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenue		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Primary government - Governmental activities:				
Instruction	\$ 10,213,067	\$ -	\$ 4,529,560	\$ (5,683,507)
Support services	6,697,617	106,154	28,836	(6,562,627)
Athletics	294,824	39,899	-	(254,925)
Food services	822,504	226,613	558,828	(37,063)
Community services	452,689	441,388	-	(11,301)
Payments to other public schools	31,438	-	-	(31,438)
Interest	1,285,743	-	-	(1,285,743)
Depreciation expense (unallocated) (Note 5)	1,124,120	-	-	(1,124,120)
Total primary government	\$ 20,922,002	\$ 814,054	\$ 5,117,224	(14,990,724)
General revenue:				
Taxes:				
Property taxes - Levied for general purposes				905,810
Property taxes - Levied for debt service				1,848,380
State aid not restricted to specific purposes				10,982,410
Loss on the sale of capital assets				(882)
Other				81,548
Total general revenue				13,817,266
Change in Net Position				(1,173,458)
Net Position - Beginning of year				(21,105,826)
Net Position - End of year				\$ (22,279,284)

Parchment School District

Governmental Funds Balance Sheet June 30, 2017

	General Fund	2016 Debt	Nonmajor Funds	Total Governmental Funds
Assets				
Cash (Note 3)	\$ 2,083,124	\$ -	\$ 130,451	\$ 2,213,575
Receivables (Note 4)	2,561,105	-	2,938	2,564,043
Due from other funds (Note 6)	178,705	81,326	116,762	376,793
Inventories	19,050	-	21,776	40,826
Prepaid costs and other assets	23,634	-	64,724	88,358
Restricted assets - Cash and investments (Note 8)	81,326	1,003	380,006	462,335
Total assets	\$ 4,946,944	\$ 82,329	\$ 716,657	\$ 5,745,930
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 219,926	\$ -	\$ 30,587	\$ 250,513
Accrued payroll and other liabilities	1,439,695	-	-	1,439,695
State aid anticipation note (Note 11)	1,906,000	-	-	1,906,000
Due to other governmental units	195,385	-	-	195,385
Due to other funds (Note 6)	198,088	-	149,979	348,067
Total liabilities	3,959,094	-	180,566	4,139,660
Deferred Inflows of Resources -				
Unavailable revenue (Note 4)	3,971	-	-	3,971
Total liabilities and deferred inflows of resources	3,963,065	-	180,566	4,143,631
Fund Balances				
Nonspendable:				
Inventory	19,050	-	21,776	40,826
Prepaid costs and other assets	23,634	-	64,724	88,358
Restricted - Debt service	-	82,329	378,093	460,422
Assigned:				
Capital projects (nonbonded)	-	-	116,762	116,762
Budgeted use of fund balance in subsequent year	119,438	-	-	119,438
Unassigned	821,757	-	(45,264)	776,493
Total fund balances	983,879	82,329	536,091	1,602,299
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,946,944	\$ 82,329	\$ 716,657	\$ 5,745,930

Parchment School District

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2017

Fund Balance Reported in Governmental Funds	\$	1,602,299
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of capital assets	\$	53,798,933
Accumulated depreciation	<u>(20,125,197)</u>	33,673,736
Deferred outflows related to pension payments made subsequent to the measurement date		1,962,848
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:		
Bonds, note payable, and capital lease payable, including premiums, and school bond loan fund principal and accrued interest	(36,857,819)	
Compensated absences	<u>(445,000)</u>	(37,302,819)
Accrued interest payable is not included as a liability in governmental funds		(198,114)
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds		3,971
Deferred charges on bond refunding		877,639
Deferred outflow related to pensions		2,558,188
Net pension obligations do not present a claim on current financial resources and are not reported as fund liabilities		(24,595,831)
Deferred inflows related to pension investment returns and changes in assumptions are not reported in the governmental funds		<u>(861,201)</u>
Net Position of Governmental Activities	\$	<u>(22,279,284)</u>

Parchment School District

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2017

	General Fund	2016 Debt	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	\$ 1,552,046	\$ 1,682,546	\$ 452,275	\$ 3,686,867
State sources	13,370,497	-	28,264	13,398,761
Federal sources	300,440	-	530,564	831,004
Intergovernmental	2,034,972	-	-	2,034,972
Total revenue	17,257,955	1,682,546	1,011,103	19,951,604
Expenditures				
Current:				
Instruction	9,931,355	-	-	9,931,355
Support services	6,444,693	-	-	6,444,693
Athletics	288,893	-	-	288,893
Food services	-	-	808,847	808,847
Community services	440,931	-	-	440,931
Debt service:				
Principal	107,040	1,675,000	200,000	1,982,040
Interest	8,289	868,894	407,374	1,284,557
Capital outlay	5,165	-	192,547	197,712
Payments to other public schools	31,438	-	-	31,438
Total expenditures	17,257,804	2,543,894	1,608,768	21,410,466
Excess of Revenue Over (Under)				
Expenditures	151	(861,348)	(597,665)	(1,458,862)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	108	-	-	108
Transfers in (Note 6)	-	-	359,000	359,000
Transfers out (Note 6)	(359,000)	-	-	(359,000)
School Loan Revolving Fund proceeds (Note 7)	-	863,126	125,848	988,974
Total other financing (uses) sources	(358,892)	863,126	484,848	989,082
Net Change in Fund Balances	(358,741)	1,778	(112,817)	(469,780)
Fund Balances - Beginning of year	1,342,620	80,551	648,908	2,072,079
Fund Balances - End of year	\$ 983,879	\$ 82,329	\$ 536,091	\$ 1,602,299

Parchment School District

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ (469,780)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (1,124,120)	
Capitalized capital outlay	<u>46,929</u>	(1,077,191)

Governmental funds report proceeds from sale of assets as revenue; in the statement of activities, these are recorded net of carrying value of the disposed assets (990)

Revenue is reported in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end (28,916)

School Loan Revolving Fund proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of activities (988,974)

Underwriter's discount/premium reported as expenditures/revenue in the funds and amortized in the statement of activities (8,239)

Repayment of bond principal, capital lease liability, and notes payable are expenditures in the governmental funds, but not in the statement of activities (where they reduce long-term debt) 1,982,040

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid (1,186)

Revenue in support of pension contributions made subsequent to measurement date (165,023)

Change in pension expense related to deferred items (380,199)

Compensated absences are recorded when earned in the statement of activities. In the current year, more was paid out than was earned (35,000)

Change in Net Position of Governmental Activities **\$ (1,173,458)**

Parchment School District

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2017

	<u>Agency Funds</u>
Assets	
Cash and investments (Note 3)	\$ 117,402
Receivables (Note 4)	<u>1,899</u>
Total assets	<u>\$ 119,301</u>
Liabilities	
Accounts payable	\$ 1,070
Due to student activities	89,505
Due to other funds (Note 6)	<u>28,726</u>
Total liabilities	<u>\$ 119,301</u>

Parchment School District

Notes to Financial Statements June 30, 2017

Note I - Summary of Significant Accounting Policies

The accounting policies of Parchment School District (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

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

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenue are reported instead as general revenue.

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

Parchment School District

Notes to Financial Statements June 30, 2017

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the School District's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the School District's policy to spend funds in this order: committed, assigned, and unassigned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenue not meeting this definition is classified as a deferred inflow of resources. For this purpose, the School District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

Parchment School District

Notes to Financial Statements June 30, 2017

Note I - Summary of Significant Accounting Policies (Continued)

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

The School District reports the following major governmental funds:

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

2016 Debt Service Fund - The 2016 Series Debt Service Fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on the 2016 bond issue.

Additionally, the School District reports the following fund types:

Capital Improvement Fund - The Capital Improvement Fund is used to account for proceeds of specifically designated resources for construction of major capital projects extending beyond one year. The fund is retained until the purpose for which the fund was created has been accomplished.

Qualified Zone Academy Bond Capital Project Fund - The Qualified Zone Academy Bond Fund (QZAB) is used to record revenue from bond issuance and disbursement of invoices specifically designated to maintain and improve the School District's facilities with new technologies and capabilities in energy savings.

Special Revenue Fund - The special revenue fund is used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's special revenue fund includes the Food Service Fund. Revenue sources for the Food Service Fund include sales to customers and dedicated grants from state and federal sources. Any operating deficit generated by this fund's activities is the responsibility of the General Fund.

Debt Service Funds - The 1998 Series Debt Service Fund, 2007 Series Debt Service Fund, and QZAB Debt Service Fund are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on the respective bond issues.

Agency Fund - The School District presently maintains an agency fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students. The fund is custodial in nature and does not involve measurement of results of operations.

Assets, Liabilities, and Net Position or Equity

Cash - Cash include cash on hand, demand deposits, and cash management funds.

Parchment School District

Notes to Financial Statements June 30, 2017

Note I - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

All accounts and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1 for approximately 50 percent of the taxes and on December 1 for the remainder of the property taxes. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

Inventories and Prepaid Costs - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed. United States Department of Agriculture Commodities inventory received by the Food Service Fund is recorded as inventory until used. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

Restricted Assets - The unspent property tax revenue and related interest of the debt service funds require amounts to be set aside for future bond payments. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000, or the State of Michigan's bid threshold for related items purchased in a group, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

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

Buildings and building additions	20 to 50 years
Land improvements	10 to 20 years
Buses and other vehicles	5 to 10 years
Furniture and other equipment	5 to 10 years

Note I - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - The liability for compensated absences reported in the district-wide statements consists of earned but unused accumulated vacation and sick leave benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included.

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures. In the case of a debt defeasance, the difference between amounts transferred to the bond escrow agent and the principal balance of debt defeased is reported as deferred charges in the district-wide financial statements and amortized over the term of the related debt.

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 are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

Note I - Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three types of these items. The first item arises only under a modified accrual basis of accounting, and is therefore only reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from grant funds that are not collected during the period of availability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second and third items arise only under a full accrual basis of accounting, and therefore are only reported in the government-wide statement of net position. Deferred inflows at June 30, 2017 under the full accrual basis of accounting include \$783,258 for funding received through state appropriations for contributions to the MPSERS pension plan after the measurement date and \$77,943 related to the pension plan described in Note 10.

Fund Balance - Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are comprised of the following - nonspendable, restricted, committed, assigned, and unassigned.

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the Board of Education for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- **Assigned:** Intent to spend resources on specific purposes expressed by the Board of Education, superintendent, or assistant superintendent, who are authorized by resolution approved by the Board of Education to make assignments
- **Unassigned:** Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

Parchment School District

Notes to Financial Statements June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Comparative Data/Reclassifications - Comparative data is not included in the School District's financial statements.

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

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund, special revenue funds, and debt retirement funds, except that capital outlay costs and capital lease costs are budgeted by function. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The budget categories are different from the basic financial statements due to capital outlay being budgeted functionally. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the functional level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The School District changed budgeted amounts during the year in response to more accurate state aid information.

Parchment School District

Notes to Financial Statements June 30, 2017

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the School District incurred expenditures in the General Fund which were in excess of the amounts budgeted, as follows:

	Budget	Actual
Instruction - Added needs	\$ 1,773,723	\$ 1,785,200
Support services - Business services	357,885	380,841
Support services - Operations and maintenance	1,512,188	1,619,124
Support services - Pupil transportation	650,952	669,191
Community services	415,575	440,931
Debt service	104,141	115,329
Payments to other public schools	22,500	31,438

Note 3 - Deposits and Investments

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

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

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District's deposit balance of \$2,926,273 had \$2,639,628 of bank deposits (checking accounts) that were uninsured and uncollateralized. The School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have an investment policy for custodial credit risk. At June 30, 2017, the School District had no U.S. agency notes which were uninsured and unregistered and held by a counterparty.

Parchment School District

Notes to Financial Statements June 30, 2017

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The School District's policy does not address ways to minimize interest rate risk. The School District currently holds no investments subject to interest rate risk.

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

Note 4 - Receivables and Unavailable/Unearned Revenue

Receivables as of year end for the School District's individual major funds and the nonmajor funds consist of the following:

	General Fund	Nonmajor Funds	Total	Agency Fund
Receivables:				
Due from other governmental units	\$ 2,502,792	\$ 2,938	\$ 2,505,730	\$ -
Other receivables	58,313	-	58,313	1,899
Total receivables	<u>\$ 2,561,105</u>	<u>\$ 2,938</u>	<u>\$ 2,564,043</u>	<u>\$ 1,899</u>

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned and unavailable revenue are as follows:

	Governmental Funds	
	Deferred Inflow - Unavailable	Liability - Unearned
Grant funds earned but not received within 60 days after year end	<u>\$ 3,971</u>	<u>\$ -</u>

Parchment School District

Notes to Financial Statements June 30, 2017

Note 5 - Capital Assets

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

Governmental Activities	Balance July 1, 2016	Additions/ Transfers	Disposals/ Transfers	Balance June 30, 2017
Capital assets not being depreciated - Land	\$ 166,778	\$ -	\$ -	\$ 166,778
Capital assets being depreciated:				
Buildings and improvements	46,073,531	-	-	46,073,531
Furniture and equipment	6,289,716	46,929	1,650	6,334,995
Buses and other vehicles	1,223,629	-	-	1,223,629
Subtotal	53,586,876	46,929	1,650	53,632,155
Accumulated depreciation:				
Buildings and improvements	13,507,590	746,925	-	14,254,515
Furniture and equipment	4,906,306	222,039	660	5,127,685
Buses and other vehicles	587,841	155,156	-	742,997
Subtotal	19,001,737	1,124,120	660	20,125,197
Net capital assets being depreciated	34,585,139	(1,077,191)	990	33,506,958
Net capital assets	\$ 34,751,917	\$ (1,077,191)	\$ 990	\$ 33,673,736

Depreciation expense of \$1,124,120 was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			Total
	General Fund	Nonmajor Governmental Funds	Agency Fund	
General Fund	\$ -	\$ 149,979	\$ 28,726	\$ 178,705
2016 Debt Fund	81,326	-	-	81,326
Nonmajor Governmental Funds	116,762	-	-	116,762
Total	\$ 198,088	\$ 149,979	\$ 28,726	\$ 376,793

Interfund balances represent routine and temporary cash flow assistance until amounts are transferred from cash accounts.

Parchment School District

Notes to Financial Statements June 30, 2017

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Transferred To</u>	<u>Fund Transferred From General Fund</u>
Nonmajor governmental funds	<u>\$ 359,000</u>

Interfund transfers from the General Fund are to provide support to the Capital Improvement Fund and the QZAB Debt Service Fund.

Note 7 - Long-term Debt

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

Long-term debt activity can be summarized as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds	\$36,315,000	\$ -	\$ 1,875,000	\$34,440,000	\$ 1,960,000
Issuance premiums	761,711	-	38,568	723,143	38,568
Total bonds payable	37,076,711	-	1,913,568	35,163,143	1,998,568
Capital lease payable	10,942	-	10,942	-	-
2015 installment purchase agreement	500,000	-	96,098	403,902	98,011
School Loan Revolving Fund	284,786	988,974	-	1,273,760	-
School Loan Revolving Fund accrued interest	1,852	15,162	-	17,014	-
Employee compensated absences	410,000	35,000	-	445,000	-
Total governmental activities	<u>\$38,284,291</u>	<u>\$ 1,039,136</u>	<u>\$ 2,020,608</u>	<u>\$37,302,819</u>	<u>\$ 2,096,579</u>

At June 30, 2017, the School District had deferred outflows of \$877,639 related to deferred charges on bond refundings.

Parchment School District

Notes to Financial Statements June 30, 2017

Note 7 - Long-term Debt (Continued)

Total interest expense for the year was approximately \$1,285,000. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2018	\$ 2,058,011	\$ 1,196,720	\$ 3,254,731
2019	2,124,961	1,130,769	3,255,730
2020	2,206,951	1,046,250	3,253,201
2021	2,298,979	956,848	3,255,827
2022	2,290,000	862,150	3,152,150
2023-2027	9,490,000	2,793,773	12,283,773
2028-2032	8,745,000	1,466,853	10,211,853
2033-2036	5,630,000	470,450	6,100,450
Total	<u>\$ 34,843,902</u>	<u>\$ 9,923,813</u>	<u>\$ 44,767,715</u>

Governmental Activities

General obligation bonds consist of the following:

\$19,130,000 serial bonds due in annual installments of \$1,130,000 from May 1, 2019 through May 1, 2036; interest ranging from 5.00 to 5.15 percent	\$ 7,910,000
\$2,835,000 Qualified Zone Academy Bonds; interest is not charged on the bond; annual escrow deposits of \$189,000 are required to be placed into a restricted cash account starting in September 2015 until September 2029, at which point a principal payment of \$2,835,000 will be required	2,835,000
\$19,780,000 refunding bonds due in annual installments of \$310,000 to \$1,475,000 through May 1, 2036; interest ranging from 2.63 to 5.00 percent	18,725,000
\$5,590,000 refunding bonds due in annual installments of \$585,000 to \$675,000 through May 1, 2025; interest ranging from 1.25 to 2.90 percent	<u>4,970,000</u>
Total bonded debt	<u>\$ 34,440,000</u>
\$500,000 installment purchase agreement due in annual installments of \$98,011 to \$103,979 through July 1, 2020; interest at 1.99 percent	<u>\$ 403,902</u>

Parchment School District

Notes to Financial Statements June 30, 2017

Note 7 - Long-term Debt (Continued)

School Loan Revolving Fund - The School Loan Revolving Fund payable represents notes payable to the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board in accordance with Section 9 of Act No. 92 of the Public Acts of 2005, as amended. Interest rates went into effect beginning on October 1, 2005 pursuant to Public Act 92. Interest, at a rate ranging from 3.340 percent to 3.432 percent, has been assessed for the year ended June 30, 2017. Repayment is required when the millage rate necessary to cover the annual bonded debt service falls below 7 mills. The School District is required to levy mills and repay to the State any excess of the amount levied over the bonded debt service requirements. The balance of outstanding principal and accrued interest is \$1,273,760 and \$17,014, respectively, at June 30, 2017.

Note 8 - Restricted Assets

The balances for the restricted asset accounts are as follows:

	<u>Governmental Activities</u>
Debt Service Funds	\$ 381,009
General Fund - For debt service payments	<u>81,326</u>
Total restricted assets	<u>\$ 462,335</u>

Note 9 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for health, general liability, and automobile and property damage claims and participates in the Michigan Association of School Boards - School Employers' Trust/School Employers' Group (risk pool) for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

Parchment School District

Notes to Financial Statements June 30, 2017

Note 10 - Michigan Public School Employees' Retirement System

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

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

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

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

The range of rates is as follows:

School District

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

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The School District's required and actual contributions to the plan for the year ended June 30, 2017 were \$2,353,989, which includes the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual contributions include an allocation of \$783,258 revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the year ended June 30, 2017.

Parchment School District

Notes to Financial Statements June 30, 2017

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Benefits Provided - Benefit provisions of the defined benefit pension plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan.

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

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

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

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

Net Pension Liability, Deferrals, and Pension Expense - At June 30, 2017, the School District reported a liability of \$24,595,831 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015, which used updated procedures to roll forward the estimated liability to September 30, 2016. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2016, the School District's proportion was 0.098584 percent.

Parchment School District

Notes to Financial Statements June 30, 2017

Note 10 - Michigan Public School Employees' Retirement System (Continued)

For the year ended June 30, 2017, the School District recognized pension expense of \$2,764,364, inclusive of payments to fund the MPSERS UAAL Stabilization Rate. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 306,529	\$ (58,293)
Changes of assumptions	384,537	-
Net difference between projected and actual earnings on pension plan assets	408,783	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	1,458,339	(19,650)
The School District's contributions subsequent to the measurement date	<u>1,962,848</u>	<u>-</u>
Total	<u>\$ 4,521,036</u>	<u>\$ (77,943)</u>

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

Years Ending June 30	Amount
2018	\$ 613,765
2019	581,610
2020	985,148
2021	<u>299,722</u>
Total	<u>\$ 2,480,245</u>

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

Parchment School District

Notes to Financial Statements June 30, 2017

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Actuarial Assumptions - The total pension liability as of September 30, 2016 is based on the results of an actuarial valuation date of September 30, 2015 and rolled forward:

Actuarial cost method	Entry age normal cost actuarial cost method
Investment rate of return	7.00 to 8.00 percent, net of investment expenses based on the groups
Salary increases	3.50 - 12.3 percent, including wage inflation of 3.5 percent
Mortality basis	RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost-of-living pension adjustments	3 percent annual noncompounded for MIP members

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

Discount Rate - The discount rate used to measure the total pension liability was 7.00-8.00 percent depending on the plan option. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Parchment School District

Notes to Financial Statements June 30, 2017

Note 10 - Michigan Public School Employees' Retirement System (Continued)

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.0 %	5.9 %
Private equity pools	18.0	9.2
International equity pools	16.0	7.2
Fixed-income pools	10.5	0.9
Real estate and infrastructure pools	10.0	4.3
Real return, opportunistic, and absolute pool	15.5	6.0
Short-term investment pools	2.0	-
Total	100.0 %	

On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent. As a result, the actuarial computed employer contributions and the net pension liability will increase for the measurement period ended September 30, 2017.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the School District calculated using the discount rate of 7.0 - 8.0 percent. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower (6.0 - 7.0 percent) or 1.00 percentage point higher (8.0 - 9.0 percent) than the current rate:

1.00 Percent Decrease (6.0 - 7.0 Percent)	Current Discount Rate (7.0 - 8.0 Percent)	1.00 Percent Increase (8.0 - 9.0 Percent)
\$31,973,240	\$24,595,831	\$18,628,896

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

Parchment School District

Notes to Financial Statements June 30, 2017

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Payable to the Pension Plan - At June 30, 2017, the School District reported a payable of \$329,867 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

Postemployment Benefits Other Than Pensions (OPEB) - Under the MPSERS act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 6.4 percent to 6.83 percent of covered payroll for the period from July 1, 2016 to September 30, 2016 and from 5.69 percent to 5.91 percent of covered payroll for the period from October 1, 2016 through June 30, 2017, dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit, or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 403B account.

The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2017, 2016, and 2015 were approximately \$499,000, \$462,000, and \$216,000, respectively. In addition, a portion ranging from 35-100 percent of the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate is considered a contribution to the retiree healthcare plan.

Note 11 - State Aid Anticipation Notes

On August 22, 2016, the School District borrowed \$1,906,000 at 1.2 percent interest in state aid anticipation note. The note, plus interest, is due on August 21, 2017. The note was repaid in full subsequent to June 30, 2017.

Note 12 - Subsequent Events

On August 20, 2017, the School District borrowed \$2,063,000 at 1.49 percent interest in state aid anticipation note. The note, plus interest, is due in August 2018.

Parchment School District

Notes to Financial Statements June 30, 2017

Note 13 - Contingent Liabilities

The School District has been notified of possible property tax receipts received in excess of the proper amounts over a period of time from 1995 to 2006. While it is possible that the School District could be required to repay amounts up to approximately \$315,000, the actual amount it will be required to pay is not known and could be less than the maximum amount in the notification.

Note 14 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the MPSERS plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2018.

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

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that 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. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2021.

Required Supplemental Information

Parchment School District

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Over (Under) <u>Final Budget</u>
Revenue				
Local sources	\$ 1,515,000	\$ 1,515,000	\$ 1,552,046	\$ 37,046
State sources	13,055,706	13,270,750	13,370,497	99,747
Federal sources	297,000	289,500	300,440	10,940
Intergovernmental	<u>2,059,620</u>	<u>2,059,620</u>	<u>2,034,972</u>	<u>(24,648)</u>
Total revenue	16,927,326	17,134,870	17,257,955	123,085
Expenditures				
Current:				
Instruction:				
Basic program	8,080,405	8,287,871	8,151,320	(136,551)
Added needs	1,713,944	1,773,723	1,785,200	11,477
Support services:				
Pupil	1,053,510	1,071,385	1,039,987	(31,398)
Instructional staff	623,976	674,379	632,608	(41,771)
General administration	539,320	531,070	490,898	(40,172)
Building administration	1,537,813	1,577,688	1,536,917	(40,771)
Business services	352,585	357,885	380,841	22,956
Operations and maintenance	1,534,791	1,512,188	1,619,124	106,936
Pupil transportation	648,952	650,952	669,191	18,239
Information management	107,427	107,427	75,127	(32,300)
Athletics	295,372	306,872	288,893	(17,979)
Food services	25,000	25,000	-	(25,000)
Community services	408,575	415,575	440,931	25,356
Debt service	104,141	104,141	115,329	11,188
Payments to other public schools	<u>22,500</u>	<u>22,500</u>	<u>31,438</u>	<u>8,938</u>
Total expenditures	17,048,311	17,418,656	17,257,804	(160,852)
Other Financing Sources (Uses)				
Proceeds from sale of assets	-	-	108	108
Transfers out	<u>(359,000)</u>	<u>(359,000)</u>	<u>(359,000)</u>	<u>-</u>
Net Change in Fund Balance	(479,985)	(642,786)	(358,741)	284,045
Fund Balance - Beginning of year	<u>1,342,620</u>	<u>1,342,620</u>	<u>1,342,620</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 862,635</u></u>	<u><u>\$ 699,834</u></u>	<u><u>\$ 983,879</u></u>	<u><u>\$ 284,045</u></u>

Parchment School District

Required Supplemental Information Schedule of Parchment School District's Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System Determined as of the Plan Year Ended September 30

	2016	2015	2014
School District's proportion of the net pension liability	0.09858 %	0.09212 %	0.09026 %
School District's proportionate share of the net pension liability	\$ 24,595,831	\$ 22,501,121	\$ 19,880,838
School District's covered employee payroll	8,609,722	7,741,770	7,303,819
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	285.68 %	290.65 %	272.20 %
Plan fiduciary net position as a percentage of the total pension liability	63.01 %	62.92 %	66.20 %

Parchment School District

Required Supplemental Information Schedule of Parchment School District's Contributions Michigan Public School Employees' Retirement System Determined as of the Year Ended June 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 2,353,989	\$ 2,263,612	\$ 1,677,124
Contributions in relation to the statutorily required contribution	2,353,989	2,263,612	1,677,124
Contribution deficiency (excess)	-	-	-
School District's covered employee payroll	8,314,056	8,289,516	7,662,472
Contributions as a percentage of covered employee payroll	28.31 %	27.31 %	21.89 %

Parchment School District

Note to Pension Required Supplemental Information Schedules Year Ended June 30, 2017

Benefit Changes - There were no changes of benefit terms for the plan year ended September 30, 2016.

Changes in Assumptions - There were no changes of benefit assumptions for the plan year ended September 30, 2016.

Other Supplemental Information

Parchment School District

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2017

	Special	Debt Service Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	Revenue Funds						
	Food Service	1998 Debt	2007 Debt	QZAB Debt	Capital Improvement	QZAB Capital Project Fund	
Assets							
Cash and cash equivalents	\$ 130,451	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130,451
Receivables	2,938	-	-	-	-	-	2,938
Due from other funds	-	-	-	-	116,762	-	116,762
Inventories	21,776	-	-	-	-	-	21,776
Prepaid costs and other assets	64,724	-	-	-	-	-	64,724
Restricted assets	-	2,006	-	378,000	-	-	380,006
Total assets	\$ 219,889	\$ 2,006	\$ -	\$ 378,000	\$ 116,762	\$ -	\$ 716,657
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 30,587	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,587
Due to other funds	148,066	1,913	-	-	-	-	149,979
Total liabilities	178,653	1,913	-	-	-	-	180,566
Fund Balances							
Nonspendable:							
Inventory	21,776	-	-	-	-	-	21,776
Prepaid costs and other assets	64,724	-	-	-	-	-	64,724
Restricted - Debt service	-	93	-	378,000	-	-	378,093
Assigned - Capital projects (nonbonded)	-	-	-	-	116,762	-	116,762
Unassigned	(45,264)	-	-	-	-	-	(45,264)
Total fund balances	41,236	93	-	378,000	116,762	-	536,091
Total liabilities and fund balances	\$ 219,889	\$ 2,006	\$ -	\$ 378,000	\$ 116,762	\$ -	\$ 716,657

Parchment School District

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2017

	Special	Debt Service Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	Revenue Funds				Capital Improvement	QZAB Capital Project Fund	
	Food Service	98 Debt	2007 Debt	QZAB Debt			
Revenue							
Local sources	\$ 226,671	\$ 225,594	\$ 1	\$ -	\$ -	\$ 9	\$ 452,275
State sources	28,264	-	-	-	-	-	28,264
Federal sources	530,564	-	-	-	-	-	530,564
Total revenue	785,499	225,594	1	-	-	9	1,011,103
Expenditures							
Current - Food services	808,847	-	-	-	-	-	808,847
Debt service:							
Principal	-	-	200,000	-	-	-	200,000
Interest	-	395,500	11,874	-	-	-	407,374
Capital outlay	17,907	-	-	-	174,515	125	192,547
Total expenditures	826,754	395,500	211,874	-	174,515	125	1,608,768
Excess of Expenditures Over Revenue	(41,255)	(169,906)	(211,873)	-	(174,515)	(116)	(597,665)
Other Financing Sources							
Transfers in	-	-	-	189,000	170,000	-	359,000
School Loan Revolving Fund proceeds	-	125,848	-	-	-	-	125,848
Total other financing sources	-	125,848	-	189,000	170,000	-	484,848
Net Change in Fund Balances	(41,255)	(44,058)	(211,873)	189,000	(4,515)	(116)	(112,817)
Fund Balances - Beginning of year	82,491	44,151	211,873	189,000	121,277	116	648,908
Fund Balances - End of year	\$ 41,236	\$ 93	\$ -	\$ 378,000	\$ 116,762	\$ -	\$ 536,091

Parchment School District

Other Supplemental Information Schedule of Bonded Indebtedness Year Ended June 30, 2017

June 30	1998 Debt Principal	QZAB Capital Project Fund Principal	2016 Debt - Series A Principal	2016 Debt - Series B Principal
2018	\$ -	\$ -	\$ 1,360,000	\$ 600,000
2019	1,130,000	-	310,000	585,000
2020	1,130,000	-	385,000	590,000
2021	1,130,000	-	460,000	605,000
2022	1,130,000	-	535,000	625,000
2023	1,130,000	-	620,000	635,000
2024	1,130,000	-	705,000	655,000
2025	1,130,000	-	795,000	675,000
2026	-	-	975,000	-
2027	-	-	1,040,000	-
2028	-	-	1,085,000	-
2029	-	-	1,130,000	-
2030	-	2,835,000	1,180,000	-
2031	-	-	1,230,000	-
2032	-	-	1,285,000	-
2033	-	-	1,340,000	-
2034	-	-	1,385,000	-
2035	-	-	1,430,000	-
2036	-	-	1,475,000	-
Total principal	\$ 7,910,000	\$ 2,835,000	\$ 18,725,000	\$ 4,970,000
Principal payments due	May 15	September 15	May 1	May 1
Interest payments due	May 1 and November 1	NA	May 1 and November 1	May 1 and November 1
Interest rate	5.00% to 5.15%	0%	2.63% to 5.00%	1.25% to 2.90%
Original issue	\$ 19,130,000	\$ 2,835,000	\$ 19,780,000	\$ 5,590,000