

Romeo Community Schools

Financial Statements

June 30, 2017

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Independent Auditors' Report

Management and the Board of Education
Romeo Community Schools
Romeo, 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 Romeo Community Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Romeo Community Schools, as of June 30, 2017, 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.

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2017 on our consideration of Romeo Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Romeo Community 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 Romeo Community Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Saginaw, Michigan
October 17, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Romeo Community Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

This section of Romeo Community Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2017. Please read this 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 Romeo Community Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund, Facilities Bond Fund and Technology Bond Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The format of the annual report is as follows:

Management Discussion and Analysis (MD&A)
(Required Supplementary Information)

Basic Financial Statements
Government-wide Financial Statements
Fund Financial Statements

Notes to the Financial Statements

Budgetary Information for Major Funds
(Required Supplementary Information)

Other Supplementary Information

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

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets 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 revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the School District's net position - the difference between assets 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 revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our

**Romeo Community Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

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 Schools 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 (food services 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 (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

The School District as a Trustee – Reporting the Schools 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 assets and liabilities. 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.

**Romeo Community Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2017:

	Governmental Activities	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Assets		
Current and other assets	\$ 83,986,858	\$ 83,058,481
Capital assets	<u>77,504,926</u>	<u>77,843,196</u>
Total assets	<u>161,491,784</u>	<u>160,901,677</u>
Deferred Outflows of Resources		
Deferred amount on debt refunding	299,689	404,434
Deferred amount relating to net pension liability	<u>10,541,668</u>	<u>9,243,493</u>
Total deferred outflows of resources	<u>10,841,357</u>	<u>9,647,927</u>
Total assets and deferred outflows of resources	<u>172,333,141</u>	<u>170,549,604</u>
Liabilities		
Current liabilities	9,083,321	8,344,711
Long-term liabilities	<u>168,867,352</u>	<u>170,606,724</u>
Total liabilities	177,950,673	178,951,435
Deferred Inflows of Resources		
Deferred amount relating to net pension liability	<u>5,317,313</u>	<u>2,334,675</u>
Total liabilities and deferred inflows of resources	<u>183,267,986</u>	<u>181,286,110</u>
Net Position		
Net investment in capital assets	58,033,410	59,100,180
Restricted	1,787,561	2,605,245
Unrestricted	<u>(70,755,816)</u>	<u>(72,441,931)</u>
Total net position	<u>\$ (10,934,845)</u>	<u>\$ (10,736,506)</u>

Table 1 focuses on the net position. The change in net position (see Table 2) of the School District's governmental activities is discussed later in this section. The School District's net position was (\$10,934,845) at June 30, 2017. Net investment in capital assets totaling \$58,033,410 compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position was unrestricted.

The (\$70,755,816) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position 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 a significant impact on the change in unrestricted net position from year to year. Also impacting the net position in fiscal year 2017 and 2016 was the adoption of GASB 68 and 71, which added a net pension liability to government activities. The net pension liability at June 30, 2017 was \$79,349,119, contributing to a deficit unrestricted net position of (\$70,755,816).

**Romeo Community Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

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

TABLE 2

	Governmental Activities	
	June 30, 2017	June 30, 2016
Revenue		
Program revenue:		
Charges for services	\$ 1,851,997	\$ 1,755,570
Operating grants and contributions	9,294,016	9,837,388
General revenue:		
Property taxes	14,889,948	15,297,828
State aid - unrestricted	33,667,628	33,201,424
Interest and investment earnings	454,025	89,237
Other	1,106,197	1,435,874
Total revenue	<u>61,263,811</u>	<u>61,617,321</u>
Functions/Program Expenses		
Instruction	37,052,470	35,557,484
Supporting services	19,512,581	19,535,699
Food services	1,343,993	1,362,020
Community services	803,905	824,204
Interest on long-term debt	2,749,201	889,003
Total functions/program expenses	<u>61,462,150</u>	<u>58,168,410</u>
Change in net position	(198,339)	3,448,911
Net position - beginning	<u>(10,736,506)</u>	<u>(14,185,417)</u>
Net position - ending	<u>\$ (10,934,845)</u>	<u>\$ (10,736,506)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$61,462,150. Certain activities were partially funded from those who benefited from the programs of \$1,851,997 or by other governments and organizations that subsidized certain programs with grants and contributions of \$9,294,016. We paid for the remaining "public benefit" portion of our governmental activities with \$14,889,948 in taxes, \$33,667,628 in unrestricted State Aid, and \$1,560,222 with our other revenues, i.e., interest and general entitlements.

The School District experienced a decrease in net position of \$198,339. The key reason for the change in net position was the use of the fund balance in the Facilities Bond Fund for capital projects in the voter approved project. Another reason for the change in net position is the increased interest payments in the Debt Service Fund relating to the 2016 Facility Bond

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 this year, the governmental funds reported a combined fund balance of \$75,663,184, which is an increase of \$505,595 from last year. The primary reason for the increase in the combined fund balance is the proceeds from the issuance of Technology and Bus Bonds, along with the General Fund \$976,877 increase in fund balance.

Romeo Community Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

In the General Fund, our principal operating fund, the fund balance increased \$976,877 during 2017. The change in fund balance is mainly due to the reduction in supply expenditures in the Operations & Maintenance and Transportation functions. The General Fund's fund balance is available to fund costs related to allowable school operating purposes.

Our Special Revenue Funds had a net increase of \$42,147 in fund balance. The Food Services Fund increased its fund balance by \$35,226 primarily due to increased revenue from student breakfast and lunch sales, as students have adjusted to the mandated food service health requirements. The Community Services Fund, which includes community facility use services and child care, had an increase in fund balance due to planned service revenue exceeding planned expenditures. Service revenues are planned to exceed expenditures in the Community Services Fund in the event of unexpected costs which would cause the School District to use the fund balance.

Combined, the Debt Service Funds showed a fund balance increase of \$179,206. This modest increase is designed to maintain the fund balance at a moderate level.

The School District collected \$86,583 in voter-approved Sinking Fund millage. This millage is available to fund specific capital projects allowed by state law and approved by the voters.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues 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 actually 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 supplementary information of these financial statements.

There were revisions made to the 2016-2017 General Fund original budget. Budgeted revenue was amended to adjust for an increase in state revenue due to more students attending than originally budgeted.

Budgeted expenditures decreased primarily due to adjustments in instructional staff to align staffing to student enrollment needs.

There were variances between the final budget and actual amounts. Expenditure variations compared to the budget were due to the reduced expenditures in Operations and Maintenance, and Transportation, spending less that was previously planned for. Total instructional and support services expenditures were lower than the amended budget. This was due to the School District closely monitoring expenditures and budgeting conservatively.

**Romeo Community Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2017, the School District had \$77,504,926 invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of \$338,270.

	<u>2017</u>	<u>2016</u>
Land	\$ 461,702	\$ 461,702
Construction in progress	3,952,481	274,182
Buildings and building improvements	94,249,679	93,840,168
Land improvements	5,683,169	5,668,179
Buses and other vehicles	4,469,600	4,412,960
Furniture and equipment	<u>22,623,419</u>	<u>22,581,368</u>
 Total capital assets	 131,440,050	 127,238,559
 Less accumulated depreciation	 <u>(53,935,124)</u>	 <u>(49,395,363)</u>
 Net capital assets	 <u>\$ 77,504,926</u>	 <u>\$ 77,843,196</u>

This year's net reductions are a combination of increased capital assets from construction in progress and the increased accumulated depreciation of capital assets.

Debt

At the end of this year, the School District had \$76,900,000 in bonds outstanding versus \$76,340,000 in the previous year. Those bonds consisted of the following:

	<u>2017</u>	<u>2016</u>
General obligation bonds	<u>\$ 76,900,000</u>	<u>\$ 76,340,000</u>

In the 2017 fiscal year, the School District issued a new technology and bus bond with a par value of \$6,015,000.

The School District's general obligation bond rating is Aa1 by Moody's Investors Service. The School District's rating by Standard & Poor's is A. 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 does not approach the state limit.

Other obligations include accrued compensated absences. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budget 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

**Romeo Community Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

of students that will be enrolled in October 2017. Approximately 75 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, 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 slightly above the estimates used in creating the 2017-2018 budget. Once the final student count and related per-pupil funding is validated, state law requires the School District to amend the budget if actual 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 revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation.

The District plan to continue the improvement projects related to the 2016 Capital Projects Bond which the voters approved. In the fall of 2017 the District will break ground on an addition to the Engineering and Technology Center and become the new Romeo High School. Estimated completion is the fall of 2019.

During 2015-2016 and 2016-2017 fiscal years, the School District settled contracts with all unions for 2017-2018 except the R.A.S.P.A. (teacher assistants). The financial impact of these contract settlements is estimated to be immaterial.

Contacting the District's Financial Management

The financial report is designed to provide our citizens and taxpayers with a general overview of the School District's finances and to show the School District's accountability for the funds it received. If you have questions about this report or need additional information, contact the Business Office.

BASIC FINANCIAL STATEMENTS

Romeo Community Schools
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
Assets	
Cash	\$ 35,792,588
Accounts receivable	27,692
Due from other governmental units	7,736,294
Due from agency fund activities	157,042
Interest receivable	82,873
Inventory	101,496
Investments	39,978,120
Prepaid items	110,753
Capital assets not being depreciated	4,414,183
Capital assets - net of accumulated depreciation	<u>73,090,743</u>
 Total assets	 <u>161,491,784</u>
 Deferred Outflows of Resources	
Deferred amount on debt refunding	299,689
Deferred amount relating to net pension liability	<u>10,541,668</u>
 Total deferred outflows of resources	 <u>10,841,357</u>
 Total assets and deferred outflows of resources	 <u>172,333,141</u>

See Accompanying Notes to the Financial Statements

Romeo Community Schools
Statement of Net Position
June 30, 2017

	Governmental Activities
Liabilities	
Accounts payable	\$ 3,810,050
Due to other governmental units	911,571
Accrued expenditures	766,333
Accrued salaries payable	3,426,449
Unearned revenue	168,918
Noncurrent liabilities	
Net pension liability	79,349,119
Debt due within one year	5,460,000
Debt due in more than one year	84,058,233
Total liabilities	177,950,673
Deferred Inflows of Resources	
Deferred amount relating to net pension liability	5,317,313
Total liabilities and deferred inflows of resources	183,267,986
Net Position	
Net investment in capital assets	58,033,410
Restricted for	
Debt service	385,348
Capital projects	1,402,213
Unrestricted (deficit)	(70,755,816)
Total net position	\$ (10,934,845)

See Accompanying Notes to the Financial Statements

Romeo Community Schools
Statement of Activities
For the Year Ended June 30, 2017

	Program Revenues				
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Net (Expense) Revenue and Changes in Net Position
Functions/Programs					
Governmental activities					
Instruction	\$ 37,052,470	\$ 4,825	\$ 6,126,207	\$ -	\$ (30,921,438)
Supporting services	19,512,581	422,806	2,524,504	-	(16,565,271)
Food services	1,343,993	613,674	643,305	-	(87,014)
Community services	803,905	810,692	-	-	6,787
Interest on long-term debt	2,749,201	-	-	-	(2,749,201)
	<u>\$ 61,462,150</u>	<u>\$ 1,851,997</u>	<u>\$ 9,294,016</u>	<u>\$ -</u>	<u>(50,316,137)</u>
Total governmental activities					
General revenues					
					6,369,217
					8,443,236
					77,495
					33,667,628
					454,025
					832,717
					273,480
					50,117,798
					(198,339)
					(10,736,506)
					(10,934,845)
					\$ (10,934,845)

See Accompanying Notes to the Financial Statements

Romeo Community Schools
Governmental Funds
Balance Sheet
June 30, 2017

	<u>General Fund</u>	<u>Facilities Bond Fund</u>	<u>Technology Bond Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash	\$ 2,108,175	\$ 24,030,257	\$ 5,083,516	\$ 4,570,640	\$ 35,792,588
Accounts receivable	17,189	-	-	10,503	27,692
Due from other funds	218,078	-	-	536,809	754,887
Due from other governmental units	7,736,294	-	-	-	7,736,294
Interest receivable	-	82,873	-	-	82,873
Inventory	84,900	-	-	16,596	101,496
Investments	-	39,978,120	-	-	39,978,120
Prepaid items	110,753	-	-	-	110,753
 Total assets	 <u>\$ 10,275,389</u>	 <u>\$ 64,091,250</u>	 <u>\$ 5,083,516</u>	 <u>\$ 5,134,548</u>	 <u>\$ 84,584,703</u>
Liabilities					
Accounts payable	\$ 695,719	\$ 1,218,722	\$ 1,881,711	\$ 13,898	\$ 3,810,050
Due to other funds	536,809	50,717	-	10,319	597,845
Due to other governmental units	911,571	-	-	-	911,571
Accrued expenditures	1,304	-	-	5,382	6,686
Accrued salaries payable	3,426,449	-	-	-	3,426,449
Unearned revenue	131,518	-	-	37,400	168,918
 Total liabilities	 <u>5,703,370</u>	 <u>1,269,439</u>	 <u>1,881,711</u>	 <u>66,999</u>	 <u>8,921,519</u>

See Accompanying Notes to the Financial Statements

Romeo Community Schools
Governmental Funds
Balance Sheet
June 30, 2017

	<u>General Fund</u>	<u>Facilities Bond Fund</u>	<u>Technology Bond Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance					
Non-spendable					
Inventory	\$ 84,900	\$ -	\$ -	\$ 16,596	\$ 101,496
Prepaid items	110,753	-	-	-	110,753
Restricted for					
Food service	-	-	-	153,264	153,264
Debt service	-	-	-	931,815	931,815
Capital projects	-	62,821,811	3,201,805	3,415,321	69,438,937
Assigned					
Budgeted use of fund balance in subsequent year	379,717	-	-	-	379,717
High school store	-	-	-	8,138	8,138
Community services	-	-	-	542,415	542,415
Unassigned	<u>3,996,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,996,649</u>
 Total fund balance	 <u>4,572,019</u>	 <u>62,821,811</u>	 <u>3,201,805</u>	 <u>5,067,549</u>	 <u>75,663,184</u>
 Total liabilities and fund balance	 <u>\$ 10,275,389</u>	 <u>\$ 64,091,250</u>	 <u>\$ 5,083,516</u>	 <u>\$ 5,134,548</u>	 <u>\$ 84,584,703</u>

See Accompanying Notes to the Financial Statements

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

Total fund balances for governmental funds	\$ 75,663,184
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	4,414,183
Capital assets - net of accumulated depreciation	73,090,743
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	299,689
Deferred inflows of resources resulting from net pension liability	(5,317,313)
Deferred outflows of resources resulting from net pension liability	10,541,668
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(546,467)
Incurred but not reported benefit claims	(213,180)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Net pension liability	(79,349,119)
Compensated absences	(1,710,304)
Bonds payable	(76,900,000)
Bond premium	<u>(10,907,929)</u>
Net position of governmental activities	<u>\$ (10,934,845)</u>

Romeo Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Facilities Bond Fund</u>	<u>Technology Bond Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Local sources	\$ 7,010,119	\$ 352,022	\$ 23,075	\$ 9,967,165	\$ 17,352,381
State sources	40,628,541	-	-	164,782	40,793,323
Federal sources	1,689,798	-	-	595,592	2,285,390
Interdistrict sources	832,717	-	-	-	832,717
	<u>50,161,175</u>	<u>352,022</u>	<u>23,075</u>	<u>10,727,539</u>	<u>61,263,811</u>
Total revenues					
Expenditures					
Current					
Education					
Instruction	31,780,843	-	-	-	31,780,843
Supporting services	17,341,934	-	-	6,018	17,347,952
Food services	-	-	-	1,238,006	1,238,006
Community services	19,259	-	-	721,251	740,510
Intergovernmental payments	7,000	-	-	-	7,000
Capital outlay	185,262	4,173,643	2,571,772	643,603	7,574,280
Debt service					
Principal	-	-	-	5,455,000	5,455,000
Interest and other expenditures	-	-	-	2,832,369	2,832,369
Bond issuance costs	-	-	53,888	24,827	78,715
	<u>49,334,298</u>	<u>4,173,643</u>	<u>2,625,660</u>	<u>10,921,074</u>	<u>67,054,675</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>826,877</u>	<u>(3,821,621)</u>	<u>(2,602,585)</u>	<u>(193,535)</u>	<u>(5,790,864)</u>

See Accompanying Notes to the Financial Statements

Romeo Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Facilities Bond Fund</u>	<u>Technology Bond Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses)					
Proceeds from issuance of bonds	\$ -	\$ -	\$ 4,105,001	\$ 1,910,000	\$ 6,015,001
Premium on issuance of bonds	-	-	192,084	89,374	281,458
Transfers in	150,000	-	-	1,871,198	2,021,198
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,021,198)</u>	<u>(2,021,198)</u>
Total other financing sources (uses)	<u>150,000</u>	<u>-</u>	<u>4,297,085</u>	<u>1,849,374</u>	<u>6,296,459</u>
Net change in fund balance	976,877	(3,821,621)	1,694,500	1,655,839	505,595
Fund balance - beginning	<u>3,595,142</u>	<u>66,643,432</u>	<u>1,507,305</u>	<u>3,411,710</u>	<u>75,157,589</u>
Fund balance - ending	<u>\$ 4,572,019</u>	<u>\$ 62,821,811</u>	<u>\$ 3,201,805</u>	<u>\$ 5,067,549</u>	<u>\$ 75,663,184</u>

See Accompanying Notes to the Financial Statements

Romeo Community Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances - Total governmental funds	\$ 505,595
Total change in net position reported for governmental activities in the statement of activities is different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(4,539,761)
Capital outlay	4,201,491
Expenses are recorded when incurred in the statement of activities.	
Interest	(452,926)
Benefit claims	137,098
Compensated absences	12,377
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	1,848,900
Net change in the deferrals of resources related to the net pension liability	(1,634,782)
Net change between actual pension contributions and the cost of benefits earned net of employee contributions	(49,681)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(6,296,459)
Repayments of long-term debt	5,455,000
Amortization of premiums	719,554
Amortization of deferred amount on debt refunding	<u>(104,745)</u>
Change in net position of governmental activities	\$ <u>(198,339)</u>

See Accompanying Notes to the Financial Statements

Romeo Community Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2017

	<u>Agency Funds</u>
Assets	
Cash	<u>\$ 1,218,214</u>
Liabilities	
Due to other funds	157,042
Due to agency fund activities	<u>1,061,172</u>
Total liabilities	<u>\$ 1,218,214</u>

See Accompanying Notes to the Financial Statements

Romeo Community Schools
Notes to the Financial Statements
June 30, 2017

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Romeo Community Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

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. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The school district does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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

Romeo Community Schools
Notes to the Financial Statements
June 30, 2017

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 government.

Fiduciary fund statements also are 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 used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Facilities Bond Fund – The Facilities Bond Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for new and updated facilities.

Technology Bond Fund – The Technology Bond Capital Projects Fund is used to record bond proceeds or other revenue and the disbursements of invoices specifically designated for acquiring and installing technology equipment and technology infrastructure in school buildings and other facilities, and remodeling, equipping, and re-equipping school buildings and other facilities with respect to the installation of technology equipment and infrastructure.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include Food Services, High School Store, and Community Services Funds. Operating deficits generated by these activities are generally transferred from the General Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Sinking Fund – The Sinking Fund is used to record the sinking fund property tax levy and other revenue and the disbursement of invoices specifically for acquiring new school sites, construction or repair of school buildings.

Bus Bond Fund – The Bus Bond Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring school buses.

Agency Fund – The Agency fund is used to account for assets held by the School District as an agent. The fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Romeo Community Schools
Notes to the Financial Statements
June 30, 2017

Assets, Liabilities and Net Position or Equity

Cash – Cash includes cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. To the extent that cash from various funds has been pooled in an investment, related investment income has been allocated to each fund based on relative participation in the pool.

Investments – Investments are stated at fair value.

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2017, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	17.65040
Commercial personal property	5.65040
Debt Service Funds	4.95000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District’s boundaries.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Macomb and remitted to the School District by May 15.

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

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	20-50 years
Land improvements	20 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-15 years
Software	5 years

Romeo Community Schools
Notes to the Financial Statements
June 30, 2017

Deferred Outflows of Resources - A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce the net pension liability in the following year.

Compensated Absences – The liability for compensated absences reported in the district-wide financial 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 life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Pension – 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. 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 Inflows of Resources - A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Romeo Community Schools
Notes to the Financial Statements
June 30, 2017

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the board of education.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education or Superintendent. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

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, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standard

Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

Upcoming Accounting and Reporting Changes

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

Romeo Community Schools
Notes to the Financial Statements
June 30, 2017

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending June 30, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. The effective date is for the fiscal year ending June 30, 2018.

The School District is evaluating the impact that the above GASBs will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Romeo Community Schools
Notes to the Financial Statements
June 30, 2017

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Added needs	\$ 5,540,429	\$ 5,667,154	\$ 126,725
General administration	578,834	579,257	423
School administration	2,774,753	2,820,115	45,362
Athletic activities	767,905	787,616	19,711
Community Service Fund	865,000	871,251	6,251

District-Wide Deficits

The School District has an unrestricted net position deficit for District-Wide activities in the amount of \$70,755,816 as of June 30, 2017. There are no governmental funds with a deficit.

Compliance - Sinking Funds

The Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, management believes the School District has complied, in all material respects, with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

Compliance - Bond Proceeds

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The following is a summary of the revenue and expenditures in the Facility Bond Fund, Technology Bond Fund, and

Bus Bond Fund from the inception of the funds through the current fiscal year:

	Bus Bond	Technology Bond	Facilities Bond
Revenues	\$ 2,037,935	\$ 4,297,084	\$ 67,466,512
Expenditures	24,827	1,095,279	4,644,701

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$35,792,588	\$ 1,218,214	\$37,010,802
Investments	39,978,120	-	39,978,120
	<u>\$75,770,708</u>	<u>\$ 1,218,214</u>	<u>\$76,988,922</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 21,237,115
Investments in securities, mutual funds, and similar vehicles	55,750,618
Petty cash and cash on hand	<u>1,189</u>
Total	<u>\$ 76,988,922</u>

Romeo Community Schools
Notes to the Financial Statements
June 30, 2017

As of year end, the School District had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund (MILAF + MAX)	\$ 15,772,498	N/A	AAAm	S&P
U.S. Treasury Bonds	<u>39,978,120</u>	N/A	AA +	S&P
	<u>\$ 55,750,618</u>			

Interest rate risk – In accordance with its investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than 9 months.

Credit risk – 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 an office 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.

Concentration of credit risk – The School District’s investment policy places no limit on the amount the School District may invest in any one issuer. The School District policy minimizes concentration of credit risk by requiring diversification of 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. The School District does not have a deposit

policy for custodial credit risk. As of year end, \$21,702,530 of the School District’s bank balance of \$21,952,530 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the School District’s investments were exposed to custodial credit risk.

Note 4 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2017:

- Amounts invested in MILAF + MAX of \$15,772,498. The MILAF + MAX is not registered under Rule 2a-7 under the Investment Company Act of 1940. The money market securities are valued using amortized cost, which generally approximates the current fair value of the security. However, the value is not obtained from a quoted price in an active market. (Level 2 inputs)
- Amounts invested in U.S. treasury bonds of \$39,978,120. The bonds are valued at fair market value using quoted market prices. (Level 1 inputs)

Romeo Community Schools
Notes to the Financial Statements
June 30, 2017

Note 5 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 461,702	\$ -	\$ -	\$ 461,702
Construction-in-progress	<u>274,182</u>	<u>3,891,724</u>	<u>213,425</u>	<u>3,952,481</u>
Total capital assets not being depreciated	<u>735,884</u>	<u>3,891,724</u>	<u>213,425</u>	<u>4,414,183</u>
Capital assets being depreciated				
Buildings and building improvements	93,840,168	409,511	-	94,249,679
Land improvements	5,668,179	14,990	-	5,683,169
Buses and other vehicles	4,412,960	56,640	-	4,469,600
Furniture and equipment	<u>22,581,368</u>	<u>42,051</u>	<u>-</u>	<u>22,623,419</u>
Total capital assets being depreciated	<u>126,502,675</u>	<u>523,192</u>	<u>-</u>	<u>127,025,867</u>
Less accumulated depreciation for				
Buildings and building improvements	31,099,638	1,690,725	-	32,790,363
Land improvements	2,762,461	228,131	-	2,990,592
Buses and other vehicles	1,686,711	428,592	-	2,115,303
Furniture and equipment	<u>13,846,553</u>	<u>2,192,313</u>	<u>-</u>	<u>16,038,866</u>
Total accumulated depreciation	<u>49,395,363</u>	<u>4,539,761</u>	<u>-</u>	<u>53,935,124</u>
Net capital assets being depreciated	<u>77,107,312</u>	<u>(4,016,569)</u>	<u>-</u>	<u>73,090,743</u>
Net capital assets	<u>\$ 77,843,196</u>	<u>\$ (124,845)</u>	<u>\$ 213,425</u>	<u>\$ 77,504,926</u>

Depreciation expense was charged to activities of the School District as follows:

Governmental activities	
Instruction	\$ 2,823,029
Supporting services	1,540,984
Food services	109,970
Community services	<u>65,778</u>
Total governmental activities	<u>\$ 4,539,761</u>

Construction Contracts

The School District has active construction projects as of June 30, 2017. At year end, the School District's commitment with contractors is as follows:

Project	Remaining Construction Commitment at	
	<u>Total Contract</u>	<u>Year End</u>
Amanda Moore secure entrance	\$ 575,221	\$ 355,679
Hamilton Parsons secure entrance	558,350	348,234
Indian Hills secure entrance	1,262,653	958,067
Hevel Elementary secure entrance	57,597	50,261
Barnabo site work	3,942,119	2,534,026
High School renovations and addition	<u>14,653,454</u>	<u>12,850,646</u>
Total	<u>\$ 21,049,394</u>	<u>\$ 17,096,913</u>

Romeo Community Schools
Notes to the Financial Statements
June 30, 2017

Note 6 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

<u>Due From Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
General Fund	Facility Bond Fund	\$ 50,717
General Fund	Nonmajor Governmental Funds	10,319
General Fund	Agency Fund	157,042
Nonmajor Governmental Funds	General Fund	<u>536,809</u>
		<u>\$ 754,887</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	<u>Transfers Out</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Transfers in			
General Fund	\$ -	\$ 150,000	\$ 150,000
Nonmajor governmental funds	<u>-</u>	<u>1,871,198</u>	<u>1,871,198</u>
	<u>\$ -</u>	<u>\$ 2,021,198</u>	<u>\$ 2,021,198</u>

Transfers in from other governmental funds to General Fund were from the Community Services Fund for overhead cost reimbursement. Transfers between nonmajor governmental funds were between debt funds for bond payments.

Note 7 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Student meals	\$ 37,400
Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>131,518</u>
Total	<u>\$ 168,918</u>

Note 8 - Long-Term Debt

The School District issues bonds and contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences.

Long-term obligation activity is summarized as follows:

					Amount Due
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Within One Year</u>
Government obligation bonds	\$ 76,340,000	\$ 6,015,000	\$ 5,455,000	\$ 76,900,000	\$ 5,460,000
Compensated absences	1,722,681	-	12,377	1,710,304	-
Premium on bonds	<u>11,346,024</u>	<u>281,459</u>	<u>719,554</u>	<u>10,907,929</u>	<u>-</u>
Total	<u>\$ 89,408,705</u>	<u>\$ 6,296,459</u>	<u>\$ 6,186,931</u>	<u>\$ 89,518,233</u>	<u>\$ 5,460,000</u>

Romeo Community Schools
Notes to the Financial Statements
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General obligation bonds payable at year end, consists of the following:

2017 Technology and Bus Bonds - \$6,015,000 issued, due in annual installments of \$590,000 to \$1,415,000 through May 1, 2023; interest at 2.00% to 3.00%	\$ 6,015,000
2016 Facilities Bonds - \$56,390,000 issued, due in annual installments of \$500,000 to \$3,800,000 through May 1, 2041; interest at 4.00% to 5.00%	55,225,000
2015 Refunding Bonds - \$14,260,000 issued, due in annual installments of \$2,810,000 to \$3,760,000 through May 1, 2020; interest at 2.00% to 3.00%	8,385,000
Technology Bonds - \$11,900,000 issued, due in annual installments of \$1,250,000 to \$2,075,000 through May 1, 2021; interest at 1.00% to 2.00%	5,300,000
Bus Bonds - \$3,100,000 issued, due in annual installments of \$100,000 to \$925,000 through May 1, 2022; interest at 1.93%	<u>1,975,000</u>
Total general obligation bonded debt	<u>\$ 76,900,000</u>

Future principal and interest requirements for bonded debt are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2018	\$ 5,460,000	\$ 3,322,286	\$ 8,782,286
2019	5,610,000	3,169,796	8,779,796
2020	5,765,000	3,012,972	8,777,972
2021	4,470,000	2,852,000	7,322,000
2022	3,430,000	2,709,000	6,139,000
2023-2027	10,590,000	11,858,700	22,448,700
2028-2032	11,775,000	9,276,250	21,051,250
2033-2037	15,125,000	6,012,500	21,137,500
2038-2042	<u>14,675,000</u>	<u>1,862,500</u>	<u>16,537,500</u>
Total	<u>\$ 76,900,000</u>	<u>\$ 44,076,004</u>	<u>\$ 120,976,004</u>

Deferred Amount on Refunding

The School District issued bonds in 2005 to advance refund and retire previously issued term bonds. The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through the fiscal year.

Deferred amount on refunding activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred amount on refunding	\$ 404,434	\$ -	\$ 104,745	\$ 299,689

Deceased Debt

In prior years, the School District has defeased certain bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements. At year end, \$9,675,000 of bonds outstanding are considered defeased.

Romeo Community Schools
Notes to the Financial Statements
June 30, 2017

Note 9 - Line of Credit

The School District has a revolving line of credit to borrow up to \$3,500,000 to assist with operating cash flow as needed. The line of credit is collateralized by a pledge of anticipated state aid payments from the State of Michigan. Interest is payable monthly and is charged at 70 percent of the bank's daily LIBOR. The interest rate at June 30, 2017 was 1.83%. The line of credit matures on August 22, 2017. As of June 30, 2017, the balance on the line of credit was \$0.

Note 10 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for property, errors and omissions, and medical claims. The School District is uninsured for workers' compensation claims; however, the School District has stop-loss coverage of \$400,000 per occurrence and \$5,000,000 of annual aggregate claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The School District estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the district-wide statements in accrued expenditures.

Changes in the estimated liability for the past two fiscal years were as follows:

	2017	2016
Estimated liability at the beginning of the year	\$ 350,278	\$ 378,455
Estimated claims incurred including changes in estimates	29,776	234,528
Claim payments	(166,874)	(262,705)
Estimated liability end of year	\$ 213,180	\$ 350,278

Note 11 - Pension Plans and Post Employment Benefits

Plan Description

The Michigan Public School Employees' Retirement System (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 board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

The System's financial statements are available at www.michigan.gov/mpsers-cafr.

Romeo Community Schools
Notes to the Financial Statements
June 30, 2017

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 for DB plan members are determined by final average compensation and 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.

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's 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.

Contributions and Funding Status

Employers 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 20 year period

for the plan's 2016 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2016.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	18.95%
Member Investment Plan	3.0 - 7.0	18.95
Pension Plus	3.0 - 6.4	17.73
Defined Contribution	0.0	14.56

Required contributions to the pension plan from the School District were \$7,141,820 for the year ending September 30, 2016.

Net Pension Liability

At June 30, 2017, the School District reported a liability of \$79,349,119 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 rolled forward from September 30, 2015. The School District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2016, the School District's proportionate share percent was 0.3180 percent, which was a decrease of 0.0144 percent since the prior measurement date.

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

For the year ended June 30, 2017, the School District recognized total pension expense of \$6,928,064. The School District's actual contributions for the years ended June 30, 2017, 2016, and 2015 and were approximately \$4,878,000, \$5,188,000, and \$6,060,000, respectively.

Romeo Community Schools
Notes to the Financial Statements
June 30, 2017

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	\$ 988,900	\$ 188,059
Changes in assumptions	1,240,561	-
Net difference between projected and actual earnings on pension plan investments	1,318,782	-
Changes in proportion and differences between Reporting Unit contributions and proportionate share of contributions	321,194	2,732,148
Reporting Unit contributions subsequent to the measurement date	<u>6,672,231</u>	<u>2,397,106</u>
	<u>\$ 10,541,668</u>	<u>\$ 5,317,313</u>

\$6,672,231 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. \$2,397,106 reported as deferred inflows of resources relating to pensions resulting from employer contributions subsequent to the measurement date are 147c revenues received that will be recognized in the year ended June 30, 2018 when the related payments reduce the net pension liability.

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

Plan Year Ended September 30	Amount:
2017	\$ (10,029)
2018	(113,728)
2019	1,240,095
2020	<u>(167,108)</u>
	<u>\$ 949,230</u>

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2015
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of returns:
 - MIP and Basic Plans (Non-Hybrid): 8.0%
 - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5-12.3%, including wage inflation at 3.5%

Romeo Community Schools
Notes to the Financial Statements
June 30, 2017

- 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
- Mortality: RP-2000 Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2020 using projection scale AA (for men, 140% of the table rates for ages 0-79, 133% of the table rates for ages 80-84, and 121.8% of the table rates for ages over 84 were used and for women, 96% of the table rates were used).

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. 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 using generally accepted actuarial procedures, including the experience study. The recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.6273 for non-university employers). The recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report (CAFR) (www.michigan.gov/mpsers-cafr).

Long-Term Expected Return on Plan Assets

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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.9%
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	2.0	0.0
	100.0%	

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

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at

Romeo Community Schools
Notes to the Financial Statements
June 30, 2017

rates equal to the difference between actuarially-determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%
\$ 102,181,692	\$ 79,349,119	\$ 60,099,064

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

Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR. See the 2016 MPSERS CAFR (www.michigan.gov/mpsers-cafr).

Payables to the Pension Plan

There were no significant payables to the pension plan that are not ordinary accruals to the district.

Post-Employment Benefits

In addition to the pension benefits described above, state law requires the School District to provide post-employment healthcare benefits for eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPSERS).

The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the participant contributes up to 2% of their salary, and receives up to a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

For the periods July 1, 2016 through September 30, 2016, and October 1, 2016 through June 30, 2017, the employer contribution rate ranged from 6.40% to 6.83% and 5.69% to 5.91%, respectively.

The School District's actual contributions match the required contributions for the years ended June 30, 2017, 2016, and 2015 and were approximately \$1,774,000, \$1,682,000, and \$1,339,000, respectively.

Romeo Community Schools
Notes to the Financial Statements
June 30, 2017

Unfunded Accrued Liability

During the year ending June 30, 2017, the School District had contributions in the amount of \$3,289,114 to the MPERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 11.70% for the year ending June 30, 2017.

Note 12 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2017.

Note 13 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by cities, villages, and townships within the County. 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

For the fiscal year ended June 30, 2017, the School District's property tax revenues were reduced by \$78,777 under these programs.

There are no significant abatements made by the School District.

REQUIRED SUPPLEMENTARY INFORMATION

Romeo Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 7,414,964	\$ 7,054,635	\$ 7,010,119	\$ (44,516)
State sources	40,176,833	40,748,257	40,628,541	(119,716)
Federal sources	1,935,096	1,703,652	1,689,798	(13,854)
Interdistrict sources	833,917	832,717	832,717	-
	<u>50,360,810</u>	<u>50,339,261</u>	<u>50,161,175</u>	<u>(178,086)</u>
Expenditures				
Instruction				
Basic programs	26,741,856	26,438,596	26,113,689	(324,907)
Added needs	6,249,268	5,540,429	5,667,154	126,725
Supporting services				
Pupil	3,007,869	3,065,272	2,969,951	(95,321)
Instructional staff	2,772,699	2,868,326	2,668,484	(199,842)
General administration	558,323	578,834	579,257	423
School administration	2,820,512	2,774,753	2,820,115	45,362
Business	753,938	750,559	704,603	(45,956)
Operations and maintenance	3,987,945	4,359,237	4,118,951	(240,286)
Pupil transportation services	2,513,207	2,361,082	2,102,977	(258,105)
Central	510,569	627,007	589,980	(37,027)
Athletic activities	790,163	767,905	787,616	19,711
Other	6,952	-	-	-
Community services	19,027	25,329	19,259	(6,070)
Intergovernmental payments	15,000	15,000	7,000	(8,000)
Capital outlay	176,155	187,193	185,262	(1,931)
	<u>50,923,483</u>	<u>50,359,522</u>	<u>49,334,298</u>	<u>(1,025,224)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(562,673)</u>	<u>(20,261)</u>	<u>826,877</u>	<u>847,138</u>

Romeo Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ 1,000	\$ -	\$ -	\$ -
Transfers in	243,073	152,617	150,000	(2,617)
Transfers out	<u>(890)</u>	<u>(499)</u>	<u>-</u>	<u>499</u>
Total other financing sources (uses)	<u>243,183</u>	<u>152,118</u>	<u>150,000</u>	<u>(2,118)</u>
Net change in fund balance	(319,490)	131,857	976,877	845,020
Fund balance - beginning	<u>3,595,142</u>	<u>3,595,142</u>	<u>3,595,142</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,275,652</u>	<u>\$ 3,726,999</u>	<u>\$ 4,572,019</u>	<u>\$ 845,020</u>

Romeo Community Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th)

	June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A. School District's proportion of net pension liability (%)	0.31800%	0.33240%	0.33093%							
B. School District's proportionate share of net pension liability	\$ 79,349,119	\$ 81,198,019	\$ 72,891,862							
C. School District's covered-employee payroll	\$ 26,288,571	\$ 27,651,260	\$ 28,679,893							
D. School District's proportionate share of net pension liability as a percentage of its covered- employee payroll	301.84%	293.65%	254.16%							
E. Plan fiduciary net position as a percentage of total pension liability	63.27%	63.17%	66.20%							

Romeo Community Schools
Required Supplementary Information
Schedule of the School District's Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A. Statutorily required contributions	\$ 4,877,622	\$ 5,188,389	\$ 6,060,184							
B. Contributions in relation to statutorily required contributions	<u>4,877,622</u>	<u>5,188,389</u>	<u>6,060,184</u>							
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
D. School District's covered-employee payroll	\$ 25,892,315	\$ 26,844,402	\$ 28,537,317							
E. Contributions as a percentage of covered-employee payroll	18.84%	19.33%	21.24%							

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

OTHER SUPPLEMENTARY INFORMATION

Romeo Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Special Revenue Funds			Debt Service Funds			Capital Project Funds		Total Nonmajor Governmental Funds	
	Food Services Fund	High School Store Fund	Community Services Fund	Facilities Bond Debt Fund	2015 Refunding Fund	Technology Bond Debt Fund	Bus Bond Debt Fund	Sinking Fund		Bus Bond Fund
Assets										
Cash	\$ 200,983	\$ 8,138	\$ 485	\$ 257,928	\$ 373,390	\$ 229,279	\$ 71,218	\$ 1,416,111	\$ 2,013,108	\$ 4,570,640
Accounts receivable	-	-	10,503	-	-	-	-	-	-	10,503
Due from other funds	-	-	536,809	-	-	-	-	-	-	536,809
Inventory	8,951	7,645	-	-	-	-	-	-	-	16,596
Total assets	\$ 209,934	\$ 15,783	\$ 547,797	\$ 257,928	\$ 373,390	\$ 229,279	\$ 71,218	\$ 1,416,111	\$ 2,013,108	\$ 5,134,548
Liabilities										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,898	\$ -	\$ 13,898
Due to other funds	10,319	-	-	-	-	-	-	-	-	10,319
Accrued expenditures	-	-	5,382	-	-	-	-	-	-	5,382
Unearned revenue	37,400	-	-	-	-	-	-	-	-	37,400
Total liabilities	47,719	-	5,382	-	-	-	-	13,898	-	66,999
Fund Balance										
Non-spendable										
Inventory	8,951	7,645	-	-	-	-	-	-	-	16,596
Restricted for										
Food service	153,264	-	-	-	-	-	-	-	-	153,264
Debt service	-	-	-	257,928	373,390	229,279	71,218	-	-	931,815
Capital projects	-	-	-	-	-	-	-	1,402,213	2,013,108	3,415,321
Assigned	-	8,138	542,415	-	-	-	-	-	-	550,553
Total fund balance	162,215	15,783	542,415	257,928	373,390	229,279	71,218	1,402,213	2,013,108	5,067,549
Total liabilities and fund balance	\$ 209,934	\$ 15,783	\$ 547,797	\$ 257,928	\$ 373,390	\$ 229,279	\$ 71,218	\$ 1,416,111	\$ 2,013,108	\$ 5,134,548

Romeo Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	Special Revenue Funds			Debt Service Funds			Capital Project Funds		Total Nonmajor Governmental Funds	
	Food Services Fund	High School Store Fund	Community Services Fund	Facilities Bond Debt Fund	2015 Refunding Fund	Technology Bond Debt Fund	Bus Bond Debt Fund	Sinking Fund		Bus Bond Fund
Revenues										
Local sources	\$ 642,983	\$ 7,637	\$ 876,553	\$ 1,785,310	\$ 3,240,174	\$ 1,904,182	\$ 1,419,840	\$ 86,583	\$ 3,903	\$ 9,967,165
State sources	47,713	-	-	117,069	-	-	-	-	-	164,782
Federal sources	595,592	-	-	-	-	-	-	-	-	595,592
Total revenues	1,286,288	7,637	876,553	1,902,379	3,240,174	1,904,182	1,419,840	86,583	3,903	10,727,539
Expenditures										
Current										
Education										
Supporting services	-	6,018	-	-	-	-	-	-	-	6,018
Food services	1,238,006	-	-	-	-	-	-	-	-	1,238,006
Community services	-	-	721,251	-	-	-	-	-	-	721,251
Capital outlay	13,056	-	-	-	-	-	-	630,547	-	643,603
Debt service										
Principal	-	-	-	1,165,000	2,115,000	1,250,000	925,000	-	-	5,455,000
Interest and other expenditures	-	-	-	2,350,649	294,350	131,150	56,220	-	-	2,832,369
Bond issuance costs	-	-	-	-	-	-	-	-	24,827	24,827
Total expenditures	1,251,062	6,018	721,251	3,515,649	2,409,350	1,381,150	981,220	630,547	24,827	10,921,074
Excess (deficiency) of revenues over expenditures	35,226	1,619	155,302	(1,613,270)	830,824	523,032	438,620	(543,964)	(20,924)	(193,535)

Romeo Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	Special Revenue Funds			Debt Service Funds			Capital Project Funds		Total Nonmajor Governmental Funds	
	Food Services Fund	High School Store Fund	Community Services Fund	Facilities Bond Debt Fund	2015 Refunding Fund	Technology Bond Debt Fund	Bus Bond Debt Fund	Sinking Fund		Bus Bond Fund
Other Financing Sources (Uses)										
Proceeds from issuance of bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,910,000	\$ 1,910,000
Premium on issuance of bonds	-	-	-	-	-	-	-	-	89,374	89,374
Transfers in	-	-	-	1,871,198	-	-	-	-	-	1,871,198
Transfers out	-	-	(150,000)	-	(690,359)	(449,405)	(731,434)	-	-	(2,021,198)
Total other financing sources (uses)	-	-	(150,000)	1,871,198	(690,359)	(449,405)	(731,434)	-	1,999,374	1,849,374
Net change in fund balance	35,226	1,619	5,302	257,928	140,465	73,627	(292,814)	(543,964)	1,978,450	1,655,839
Fund balance - beginning	126,989	14,164	537,113	-	232,925	155,652	364,032	1,946,177	34,658	3,411,710
Fund balance - ending	<u>\$ 162,215</u>	<u>\$ 15,783</u>	<u>\$ 542,415</u>	<u>\$ 257,928</u>	<u>\$ 373,390</u>	<u>\$ 229,279</u>	<u>\$ 71,218</u>	<u>\$ 1,402,213</u>	<u>\$ 2,013,108</u>	<u>\$ 5,067,549</u>

Romeo Community Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2017

2017 School Technology and Bus Bonds
Original amount of issue: \$6,015,000
Interest rate: 2.00% to 3.00%

Year Ending June 30,	Principal May 1st	Semi-annual Interest Payments		Total Fiscal Year Requirements
		November 1st	May 1st	
2018	\$ 590,000	\$ 93,093	\$ 87,275	\$ 770,368
2019	680,000	81,375	81,375	842,750
2020	780,000	71,175	71,175	922,350
2021	1,195,000	59,475	59,475	1,313,950
2022	1,355,000	41,550	41,550	1,438,100
2023	1,415,000	21,225	21,225	1,457,450
	<u>\$ 6,015,000</u>	<u>\$ 367,893</u>	<u>\$ 362,075</u>	<u>\$ 6,744,968</u>

Romeo Community Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2017

2016 Facilities Bonds
Original amount of issue: \$56,390,000
Interest rate: 4.00% to 5.00%

Year Ending June 30,	Principal May 1st	Semi-annual Interest Payments		Total Fiscal Year Requirements
		November 1st	May 1st	
2018	\$ 500,000	\$ 1,373,125	\$ 1,373,125	\$ 3,246,250
2019	500,000	1,363,125	1,363,125	3,226,250
2020	500,000	1,353,125	1,353,125	3,206,250
2021	1,400,000	1,343,125	1,343,125	4,086,250
2022	1,575,000	1,308,125	1,308,125	4,191,250
2023	1,650,000	1,268,750	1,268,750	4,187,500
2024	1,750,000	1,227,500	1,227,500	4,205,000
2025	1,825,000	1,183,750	1,183,750	4,192,500
2026	1,925,000	1,138,125	1,138,125	4,201,250
2027	2,025,000	1,090,000	1,090,000	4,205,000
2028	2,125,000	1,039,375	1,039,375	4,203,750
2029	2,225,000	986,250	986,250	4,197,500
2030	2,350,000	930,625	930,625	4,211,250
2031	2,475,000	871,875	871,875	4,218,750
2032	2,600,000	810,000	810,000	4,220,000
2033	2,725,000	745,000	745,000	4,215,000
2034	2,875,000	676,875	676,875	4,228,750
2035	3,025,000	605,000	605,000	4,235,000
2036	3,175,000	529,375	529,375	4,233,750
2037	3,325,000	450,000	450,000	4,225,000
2038	3,475,000	366,875	366,875	4,208,750
2039	3,625,000	280,000	280,000	4,185,000
2040	3,775,000	189,375	189,375	4,153,750
2041	3,800,000	95,000	95,000	3,990,000
	<u>\$ 55,225,000</u>	<u>\$ 21,224,375</u>	<u>\$ 21,224,375</u>	<u>\$ 97,673,750</u>

Romeo Community Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2017

2015 Refunding Bonds
Original amount of issue: \$14,260,000
Interest rate: 2.00% to 3.00%

Year Ending June 30,	Principal May 1st	Semi-annual Interest Payments		Total Fiscal Year Requirements
		November 1st	May 1st	
2018	\$ 2,770,000	\$ 125,775	\$ 125,775	\$ 3,021,550
2019	2,805,000	84,225	84,225	2,973,450
2020	2,810,000	42,150	42,150	2,894,300
	<u>\$ 8,385,000</u>	<u>\$ 252,150</u>	<u>\$ 252,150</u>	<u>\$ 8,889,300</u>

2013 Technology Bonds
Original amount of issue: \$11,900,000
Interest rate: 1.00% to 2.00%

Year Ending June 30,	Principal May 1st	Semi-annual Interest Payments		Total Fiscal Year Requirements
		November 1st	May 1st	
2018	\$ 1,275,000	\$ 53,000	\$ 53,000	\$ 1,381,000
2019	1,300,000	40,250	40,250	1,380,500
2020	1,350,000	27,250	27,250	1,404,500
2021	1,375,000	13,750	13,750	1,402,500
	<u>\$ 5,300,000</u>	<u>\$ 134,250</u>	<u>\$ 134,250</u>	<u>\$ 5,568,500</u>

Romeo Community Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2017

2014 Bus Bonds
Original amount of issue: \$3,100,000
Interest rate: 1.93%

Year Ending June 30,	Principal May 1st	Semi-annual Interest Payments		Total Fiscal Year Requirements
		November 1st	May 1st	
2018	\$ 325,000	\$ 19,059	\$ 19,059	\$ 363,118
2019	325,000	15,923	15,923	356,846
2020	325,000	12,786	12,786	350,572
2021	500,000	9,650	9,650	519,300
2022	500,000	4,825	4,825	509,650
	<u>\$ 1,975,000</u>	<u>\$ 62,243</u>	<u>\$ 62,243</u>	<u>\$ 2,099,486</u>