

**NORWAY-VULCAN AREA SCHOOL DISTRICT  
NORWAY, MICHIGAN**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2017**

# NORWAY-VULCAN AREA SCHOOL DISTRICT

Norway, Michigan  
June 30, 2017

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Norway-Vulcan Area School District  
Norway, 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 the Norway-Vulcan Area School District ("the District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain 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 auditors consider internal control relevant to the District'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 District'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 the Norway-Vulcan Area School District as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in conformity 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 on pages 4 through 12 and the schedules relating to the Michigan Public School Employees Retirement System on pages 39 through 40 be presented to supplement the basic financial statements. Such information, although not 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 the District's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

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

## **Report on Summarized Financial Information**

We have previously audited the District's 2016 financial statements, and our report dated October 11, 2016, expressed unmodified opinions on those respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants  
Iron Mountain, Michigan  
October 4, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

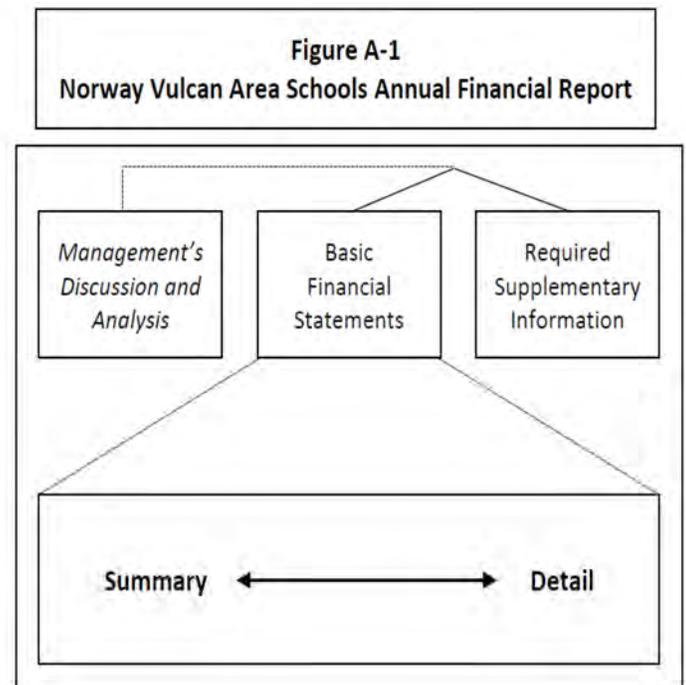
## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Norway Vulcan Area Schools (the "District") annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2017. The intent of this Management Discussion and Analysis (MD & A) is to assist the reader to focus on significant financial issues, provide an overview of the District's financial activity, and identify changes in the District's financial position including its ability to address the next and subsequent years' challenges. It is to be read in conjunction with the District's financial statements, which immediately follows the Report of Independent Certified Public Accountants on these financial statements. This is a requirement of the Governmental Accounting Standards Board (GASB) Statement #34 (GASB 34) "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments."

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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





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

**Figure A-2  
Major Features of District-Wide and Fund Financial Statements**

	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as general education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>❖ Statement of net position</li> <li>❖ Statement of net activities</li> </ul>	<ul style="list-style-type: none"> <li>❖ Balance sheet</li> <li>❖ Statement of revenues, expenditures, and changes in fund balance</li> </ul>	<ul style="list-style-type: none"> <li>❖ Statement of fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and capital maintenance measurement focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, District's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when good or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid



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

## **DISTRICT-WIDE STATEMENTS**

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, consideration must be given to additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

## **FUND FINANCIAL STATEMENTS**

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

- a. Some funds are required by State law and by bond covenants.
- b. The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenue.



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The District has two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of district-wide statements, additional information is provided with the governmental funds statements that explains the relationship (or differences) between them. The following funds are maintained by the District:
  - General Fund – used primarily to account for the general education requirements of the District.
  - Athletic Fund – used to account for revenues and expenditures of the various sports run by the District.
  - Food Service Fund – used to account for revenues and expenditures related to the food service department of the District.
  - Debt Service Fund – used to record the funding and payment of principal and interest on bonded debt.
  - Capital Projects Fund – used to account for financial resources to be used for the acquisition, construction, or improvements of major capital facilities.
- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.



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## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Summary of Net Position (provides a perspective of the District as a whole)

Table A-3

	June 30, 2017	June 30, 2016
Assets		
Current assets	\$ 2,351,375	\$ 2,320,164
Capital assets, net book value	9,396,953	9,754,091
Total Assets	<u>11,748,328</u>	<u>12,074,255</u>
Deferred Outflows		
Cash outflows related to future periods (Pension Plan)	<u>1,094,036</u>	<u>1,014,339</u>
Liabilities		
Current liabilities	531,749	539,796
Long-term liabilities	15,968,267	16,437,891
Total Liabilities	<u>16,500,016</u>	<u>16,977,687</u>
Deferred Inflows		
Cash inflows related to future periods (Pension Plan)	<u>51,049</u>	<u>32,491</u>
Net Position		
Net investment in capital assets	3,855,736	3,824,224
Restricted	289,591	154,999
Unrestricted	<u>(7,854,028)</u>	<u>(7,900,807)</u>
Total Net Position	<u>\$ (3,708,701)</u>	<u>\$ (3,921,584)</u>



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Table A-4

	June 30, 2017	June 30, 2016
<b>Revenues</b>		
Property taxes, levied for general purposes	\$ 1,000,522	\$ 1,012,922
Property taxes, levied for debt service	825,227	755,772
Other taxes	164,246	40,471
State aid not restricted to specific purposes	4,300,539	4,261,186
State aid restricted to specific purposes	448,639	412,433
Interest and other revenues	7,603	17,469
Miscellaneous	101,194	49,701
Operating grants	805,337	782,613
Capital grants	5,477	-
Charges for services	335,201	335,568
<b>Total Revenues</b>	<b>7,993,985</b>	<b>7,668,135</b>
<b>Expenses</b>		
Instruction	4,166,246	4,277,983
Support services	2,191,990	2,151,982
Community services	106,043	118,938
Athletics	222,589	215,159
Food services	371,133	343,843
Other expenditures	17,630	4,650
Interest on debt	118,228	130,905
Depreciation, unallocated	587,243	597,441
<b>Total Expenses</b>	<b>7,781,102</b>	<b>7,840,901</b>
<b>Change in Net Position</b>	<b>212,883</b>	<b>(172,766)</b>
<b>Net Position - July 1</b>	<b>(3,921,584)</b>	<b>(3,748,818)</b>
<b>Net Position - June 30</b>	<b>\$ (3,708,701)</b>	<b>\$ (3,921,584)</b>

**State**

**of Michigan Unrestricted Aid (Net State Foundation Grant)**

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance.
- b. Student Enrollment – Blended at 90 percent of current year’s fall count and 10 percent of current year’s winter count.
- c. The District’s non-homestead levy.




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### Per Student, Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. The Norway Vulcan Area School District's foundation allowance for the 2016-2017 school year was \$7,511 per student.

### Student Enrollment

The District's pupil enrollment for state aid membership for the 2016-2017 fiscal year was 720.67. The District's enrollment decreased somewhat from the prior year's student count. The following summarizes the state aid membership (student enrollments) for the past five years:

	<u>Student FTE</u>
2016-2017	720.67
2015-2016	728.24
2014-2015	725.06
2013-2014	734.48
2012-2013	752.64

### Property Taxes Levied for General Operations (General Fund Non-Homestead)

The District levies 17.9442 mills of property taxes for operations (General Fund) on non-homestead properties. Under Michigan law, the taxable levy is based on taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at a rate of the prior year's CPI increase, or five percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 5 percent of the market value.

The District's non-homestead property tax revenue for the 2016-2017 fiscal year was \$1,000,522. The non-homestead property tax levy decreased by \$12,400 over the prior year. The following summarizes the District's non-homestead property tax levy for the past five years:

	<u>Non-Homestead Tax Levy</u>	<u>Percent Increase From Prior Year</u>
2016-2017	\$ 1,000,522	(1.22)
2015-2016	1,012,922	1.44
2014-2015	998,581	2.53
2013-2014	973,922	1.18
2012-2013	962,605	2.96

Average increase over last five years: 1.38%



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### **Debt Service Fund Levy**

The District's debt service fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties – both homestead and non-homestead. For the fiscal year ended June 30, 2017, the District's debt millage levy was 5.00 mills, which generated revenue of \$825,227.

### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year; its governmental funds reported *combined* fund balances of \$1,829,465, an increase of \$38,903 from last year's ending fund balances of \$1,790,562.

General Fund Budgetary Highlights – over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. General fund budgetary highlights are as follows:

- a. Amendments were made to account for final enrollment counts, staffing assignments and changes, as well as changes in grant funding since the original budget had been adopted.
- b. While the District's final budget for the general fund anticipated that revenues and expenditures would reflect an increase of \$61,674, the actual results of the year show that the increase came in at \$181,297.
- c. Actual revenues were \$6,668,059, which was an increase from the final budget in the amount of \$69,139.
- d. Actual expenditures and transfers out were \$6,486,762 which was \$50,484 under budget.



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## CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – a summary of the District’s net investment in capital assets is as follows:

Table A-5

	Balance as of June 30, 2016	Additions	Deletions	Balance as of June 30, 2017
Capital Assets	\$ 20,931,318	\$ 339,903	\$ (1,005,872)	\$ 20,265,349
Less: Accumulated Depreciation	(11,177,227)	(587,243)	896,074	(10,868,396)
Net Investment in Capital Assets	\$ 9,754,091	\$ (247,340)	\$ (109,798)	\$ 9,396,953

Long-term Debt – a summary of the District’s long-term debt activity is as follows:

Table A-6

	Balance as of 07/01/16	Issued (Additions)	Retired (Deletions)	Balance as of 06/30/17	Due Within One Year
General Obligation Debt Bonds	\$ 6,205,000	\$ -	\$ 630,000	\$ 5,575,000	\$ 645,000
Debt premium	271,557		32,047	239,510	32,047
Compensated absences	152,021	5,086	22,031	135,076	13,457
Total Long Term Obligation	\$ 6,628,578	\$ 5,086	\$ 684,078	\$ 5,949,586	\$ 690,504

## MAJOR ACCOMPLISHMENTS, GOALS, AND PRIORITIES

Goals for next year are to continue implementing integration of technology and improved test scores. Our accomplishments were another successful year of iPad roll-out, continued staff training on technology, and continued growth in student reading scores.

## CONTACTING THE SCHOOL DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District’s citizens, taxpayers, customers, and creditors with a general overview of the School District’s finances and to demonstrate the School District’s accountability for the money it receives. If you have questions about this report or need additional information, contact:

Norway Vulcan Area Schools  
 School Business Office  
 300 Section Street  
 Norway, MI 49870

## **BASIC FINANCIAL STATEMENTS**

**NORWAY-VULCAN AREA SCHOOL DISTRICT**  
Norway, Michigan  
Statement of Net Position  
June 30, 2017  
(With summarized financial information as of June 30, 2016)

	Governmental Activities	
	2017	2016
<b>ASSETS</b>		
Cash and investments	\$ 1,253,987	\$ 1,367,419
Receivables		
Accounts	12,963	9,419
Due from other governments	1,065,449	920,462
Prepaid items and inventories	18,976	22,864
Capital assets		
Land	6,000	6,000
Construction work in progress	1,254	-
Buildings and improvements	18,009,645	17,997,665
Site improvements	726,136	687,981
Furniture and equipment	1,271,368	1,988,726
Vehicles	250,946	250,946
Less: Accumulated depreciation	(10,868,396)	(11,177,227)
<b>TOTAL ASSETS</b>	<b>11,748,328</b>	<b>12,074,255</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to pension plan	1,094,036	1,014,339
<b>LIABILITIES</b>		
Accounts payable	36,584	31,847
Accrued payroll liabilities	448,427	472,879
Accrued interest payable	23,296	25,396
Unearned revenues	23,442	9,674
Long-term obligations		
Due within one year	690,504	677,249
Due in more than one year	5,259,082	5,951,329
Net pension liability	10,018,681	9,809,313
<b>TOTAL LIABILITIES</b>	<b>16,500,016</b>	<b>16,977,687</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to pension plan	51,049	32,491
<b>NET POSITION (DEFICIT)</b>		
Net investment in capital assets	3,855,736	3,824,224
Restricted for		
Food service	35,158	48,645
Debt service	204,787	106,354
Capital projects	49,646	-
Unrestricted (Deficit)	(7,854,028)	(7,900,807)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ (3,708,701)</b>	<b>\$ (3,921,584)</b>

The notes to the basic financial statements are an integral part of this statement.

**NORWAY-VULCAN AREA SCHOOL DISTRICT**

Norway, Michigan

Statement of Activities

For the Year Ended June 30, 2017

(With summarized financial information for the year ended June 30, 2016)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
					2017	2016
<b>Governmental Activities</b>						
Instruction	\$ 4,166,246	\$ 50,740	\$ 465,786	\$ -	\$ (3,649,720)	\$ (3,778,942)
Support services	2,191,990	24,545	79,919	-	(2,087,526)	(2,045,138)
Community services	106,043	83,500	15,695	-	(6,848)	(28,865)
Athletic activities	222,589	63,194	9,754	5,477	(144,164)	(153,196)
Food service	371,133	113,222	234,183	-	(23,728)	16,417
Other expenditures	17,630	-	-	-	(17,630)	(4,650)
Interest on debt	118,228	-	-	-	(118,228)	(130,905)
Depreciation - unallocated	587,243	-	-	-	(587,243)	(597,441)
<b>Total Governmental Activities</b>	<b>\$ 7,781,102</b>	<b>\$ 335,201</b>	<b>\$ 805,337</b>	<b>\$ 5,477</b>	<b>(6,635,087)</b>	<b>(6,722,720)</b>
<b>General Revenues</b>						
Property taxes, levied for general purposes					1,000,522	1,012,922
Property taxes, levied for debt service					825,227	755,772
Other taxes					164,246	40,471
State aid - unrestricted					4,300,539	4,261,186
State aid - restricted					448,639	412,433
Interest and investment earnings					7,603	17,469
Miscellaneous					101,194	49,701
<b>Total General Revenues</b>					<b>6,847,970</b>	<b>6,549,954</b>
Change in net position					212,883	(172,766)
Net position (deficit) - July 1					(3,921,584)	(3,748,818)
Net position (deficit) - June 30					<b>\$ (3,708,701)</b>	<b>\$ (3,921,584)</b>

The notes to the basic financial statements are an integral part of this statement.

**NORWAY-VULCAN AREA SCHOOL DISTRICT**

Norway, Michigan

Balance Sheet

Governmental Funds

June 30, 2017

(With summarized financial information as of June 30, 2016)

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds	
					2017	2016
<b>ASSETS</b>						
Cash and investments	\$ 297,369	\$ 224,425	\$ 732,093	\$ 100	\$ 1,253,987	\$ 1,367,419
Receivables						
Accounts	7,006	-	4,500	1,457	12,963	9,419
Due from other funds	-	3,658	296,801	40,707	341,166	425,893
Due from other governments	1,063,589	-	-	1,860	1,065,449	920,462
Inventories	-	-	-	1,140	1,140	8,467
Prepaid items	16,084	-	-	1,752	17,836	14,397
<b>TOTAL ASSETS</b>	<b>\$ 1,384,048</b>	<b>\$ 228,083</b>	<b>\$ 1,033,394</b>	<b>\$ 47,016</b>	<b>\$ 2,692,541</b>	<b>\$ 2,746,057</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 31,028	\$ -	\$ 149	\$ 5,407	\$ 36,584	\$ 31,847
Accrued payroll liabilities	461,884	-	-	-	461,884	488,081
Due to other funds	341,166	-	-	-	341,166	425,893
Unearned revenues	18,131	-	-	5,311	23,442	9,674
<b>Total Liabilities</b>	<b>852,209</b>	<b>-</b>	<b>149</b>	<b>10,718</b>	<b>863,076</b>	<b>955,495</b>
<b>Fund Balances</b>						
<b>Nonspendable</b>						
Prepaid items and inventories	16,084	-	-	2,892	18,976	22,864
<b>Restricted</b>						
Food service	-	-	-	35,158	35,158	48,645
Debt service	-	228,083	-	-	228,083	131,750
Capital projects	-	-	83,429	-	83,429	275,133
<b>Committed</b>						
Capital projects	-	-	949,816	-	949,816	976,025
<b>Unassigned</b>						
General fund	515,755	-	-	-	515,755	336,413
Special revenue fund	-	-	-	(1,752)	(1,752)	(268)
<b>Total Fund Balances</b>	<b>531,839</b>	<b>228,083</b>	<b>1,033,245</b>	<b>36,298</b>	<b>1,829,465</b>	<b>1,790,562</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,384,048</b>	<b>\$ 228,083</b>	<b>\$ 1,033,394</b>	<b>\$ 47,016</b>	<b>\$ 2,692,541</b>	<b>\$ 2,746,057</b>

(Continued)

**NORWAY-VULCAN AREA SCHOOL DISTRICT**

Balance Sheet (Continued)

Governmental Funds

June 30, 2017

(With summarized financial information as of June 30, 2016)

	2017	2016
<u>Reconciliation to the Statement of Net Position</u>		
Total Fund Balances as shown on previous page	\$ 1,829,465	\$ 1,790,562
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,396,953	9,754,091
The District's proportionate share of its pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements		
Net pension liability	(10,018,681)	(9,809,313)
Deferred outflows of resources	1,094,036	1,014,339
Deferred inflows of resources	(51,049)	(32,491)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds, notes and loans payable	(5,575,000)	(6,205,000)
Compensated absences	(121,619)	(136,819)
Accrued interest on long-term obligations	(23,296)	(25,396)
Premium on issued debt	(239,510)	(271,557)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 13)	<u>\$ (3,708,701)</u>	<u>\$ (3,921,584)</u>

The notes to the basic financial statements are an integral part of this statement.

**NORWAY-VULCAN AREA SCHOOL DISTRICT**

Norway, Michigan

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2017

(With summarized financial information for the year ended June 30, 2016)

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds	
					2017	2016
<b>Revenues</b>						
Local sources	\$ 1,201,258	\$ 877,242	\$ 60,965	\$ 169,224	\$ 2,308,689	\$ 2,197,128
State sources	5,142,780	-	-	32,710	5,175,490	5,084,712
Federal sources	160,086	-	-	213,681	373,767	366,752
Other local sources	123,456	-	-	-	123,456	6,328
Other sources	40,479	2,368	-	4,738	47,585	13,215
<b>Total Revenues</b>	<b>6,668,059</b>	<b>879,610</b>	<b>60,965</b>	<b>420,353</b>	<b>8,028,987</b>	<b>7,668,135</b>
<b>Expenditures</b>						
Instruction	4,010,891	-	-	-	4,010,891	4,126,222
Support services	2,161,189	-	-	-	2,161,189	2,090,752
Community services	108,888	-	-	-	108,888	116,866
Athletic activities	-	-	-	223,698	223,698	210,882
Food service	-	-	-	368,684	368,684	343,149
Bookstore	-	-	-	-	-	164
Capital outlay	-	-	316,577	-	316,577	58,094
Debt service						
Principal of debt	-	630,000	-	-	630,000	605,000
Interest	-	152,375	-	-	152,375	172,375
Non-program						
Intergovernmental payments	-	-	-	-	-	3,578
Adjustments and refunds	16,880	902	-	-	17,782	1,047
<b>Total Expenditures</b>	<b>6,297,848</b>	<b>783,277</b>	<b>316,577</b>	<b>592,382</b>	<b>7,990,084</b>	<b>7,728,129</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>370,211</b>	<b>96,333</b>	<b>(255,612)</b>	<b>(172,029)</b>	<b>38,903</b>	<b>(59,994)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	37,699	151,215	188,914	153,302
Transfers out	(188,914)	-	-	-	(188,914)	(153,302)
<b>Total Other Financing Sources (Uses)</b>	<b>(188,914)</b>	<b>-</b>	<b>37,699</b>	<b>151,215</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>181,297</b>	<b>96,333</b>	<b>(217,913)</b>	<b>(20,814)</b>	<b>38,903</b>	<b>(59,994)</b>
<b>Fund Balances - July 1</b>	<b>350,542</b>	<b>131,750</b>	<b>1,251,158</b>	<b>57,112</b>	<b>1,790,562</b>	<b>1,850,556</b>
<b>Fund Balances - June 30</b>	<b>\$ 531,839</b>	<b>\$ 228,083</b>	<b>\$ 1,033,245</b>	<b>\$ 36,298</b>	<b>\$ 1,829,465</b>	<b>\$ 1,790,562</b>

(Continued)

**NORWAY-VULCAN AREA SCHOOL DISTRICT**  
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)  
Governmental Funds  
For the Year Ended June 30, 2017  
(With summarized information for the year ended June 30, 2016)

	2017	2016
<u>Reconciliation to the Statement of Activities</u>		
Net Change in Fund Balances from previous page	\$ 38,903	\$ (59,994)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay reported in governmental fund statements	\$ 334,426	
Capital assets donated to the District	5,477	
Depreciation expense reported in the statement of activities	<u>(587,243)</u>	
Amount in which depreciation is greater than capital outlay	(247,340)	(551,920)
In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the gain (or loss) on the disposal is reported.	(109,798)	-
Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. The accrual of these benefits (increased) decreased by:	15,200	(1,136)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities. The amount of long-term debt principal payments is:	630,000	605,000
Governmental funds report the effect of premiums when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	32,047	32,047
Change in the net pension liability and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan	(148,229)	(206,186)
Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid. In the statement of activities interest is reported as it accrues.	<u>2,100</u>	<u>9,423</u>
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see page 14)	<u>\$ 212,883</u>	<u>\$ (172,766)</u>

The notes to the basic financial statements are an integral part of this statement.

**NORWAY-VULCAN AREA SCHOOL DISTRICT**  
Norway, Michigan  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund - Budgetary Basis  
For the Year Ended June 30, 2017  
(With summarized actual information for the year ended June 30, 2016)

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>Revenues</b>					
Local sources	\$ 1,144,867	\$ 1,195,916	\$ 1,201,258	\$ 5,342	\$ 1,209,141
State sources	5,063,558	5,096,179	5,142,780	46,601	5,054,921
Federal sources	140,828	162,659	160,086	(2,573)	156,389
Other local sources	65,327	106,467	123,456	16,989	-
Other sources	-	37,699	40,479	2,780	7,992
<b>Total Revenues</b>	<b>6,414,580</b>	<b>6,598,920</b>	<b>6,668,059</b>	<b>69,139</b>	<b>6,428,443</b>
<b>Expenditures</b>					
Instruction	3,907,017	3,999,137	4,010,891	(11,754)	4,126,222
Support services	2,200,555	2,210,070	2,161,189	48,881	2,090,752
Community services	118,090	114,116	108,888	5,228	116,866
Non-program	2,500	22,736	16,880	5,856	3,578
<b>Total Expenditures</b>	<b>6,228,162</b>	<b>6,346,059</b>	<b>6,297,848</b>	<b>48,211</b>	<b>6,337,418</b>
<b>Excess of Revenues Over Expenditures</b>	<b>186,418</b>	<b>252,861</b>	<b>370,211</b>	<b>117,350</b>	<b>91,025</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	4,383
Transfers out	(165,380)	(191,187)	(188,914)	2,273	(148,919)
<b>Total Other Financing Sources (Uses)</b>	<b>(165,380)</b>	<b>(191,187)</b>	<b>(188,914)</b>	<b>2,273</b>	<b>(144,536)</b>
<b>Net Change in Fund Balance</b>	<b>21,038</b>	<b>61,674</b>	<b>181,297</b>	<b>119,623</b>	<b>(53,511)</b>
<b>Fund Balance - July 1</b>	<b>350,542</b>	<b>350,542</b>	<b>350,542</b>	<b>-</b>	<b>404,053</b>
<b>Fund Balance - June 30</b>	<b>\$ 371,580</b>	<b>\$ 412,216</b>	<b>\$ 531,839</b>	<b>\$ 119,623</b>	<b>\$ 350,542</b>

The notes to the basic financial statements are an integral part of this schedule.

**NORWAY-VULCAN AREA SCHOOL DISTRICT**

Norway, Michigan

Statement of Net Position

Fiduciary Funds

June 30, 2017

(With summarized financial information as of June 30, 2016)

	Private Purpose Trust Funds		Agency Funds	
	2017	2016	2017	2016
<b>ASSETS</b>				
Cash and cash equivalents	\$ 560,043	\$ 567,790	\$ 94,321	\$ 78,771
<b>LIABILITIES</b>				
Due to student organizations	-	-	\$ 94,321	\$ 78,771
<b>NET POSITION</b>				
Restricted for scholarships	537,956	545,703		
Restricted for post retirement	22,087	22,087		
<b>TOTAL NET POSITION</b>	<u>\$ 560,043</u>	<u>\$ 567,790</u>		

The notes to the basic financial statements are an integral part of this statement.

**NORWAY-VULCAN AREA SCHOOL DISTRICT**

Norway, Michigan

Statement of Changes in Net Position

Fiduciary Funds

For the Year Ended June 30, 2017

(With summarized financial information for the year ended June 30, 2016)

	Private Purpose Trust Funds	
	2017	2016
ADDITIONS		
Gifts and contributions	\$ 17,061	\$ 24,585
Investment earnings	7,967	10,060
TOTAL ADDITIONS	<u>25,028</u>	<u>34,645</u>
DEDUCTIONS		
Scholarships awarded	<u>32,775</u>	<u>38,975</u>
Change in net position	(7,747)	(4,330)
Net Position - July 1	<u>567,790</u>	<u>572,120</u>
Net Position - June 30	<u>\$ 560,043</u>	<u>\$ 567,790</u>

The notes to the basic financial statements are an integral part of this statement.

## NORWAY-VULCAN AREA SCHOOL DISTRICT

Norway, Michigan

Notes to Basic Financial Statements

June 30, 2017

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Norway-Vulcan Area School District ("the District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

1. Reporting Entity

The Norway-Vulcan Area School District is organized as a common school district. The District, governed by a seven member elected school board, operates grades K through 12 and is comprised of all or parts of two taxing districts.

In accordance with GAAP, the basic financial statements are required to include the District (the primary government) and any separate component units that have a significant operational or financial relationship with the District. The District has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

2. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District reports no business-type activities.

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

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. The District has no proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

GENERAL FUND

This is the District's main operating fund. It accounts for all financial resources not accounted for and reported in another fund.

DEBT SERVICE FUND

This fund is used to account for financial resources to be used to account for resources for, and for the payment of general long term debt and related interest.

CAPITAL PROJECTS FUND

This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or other capital assets.

**NORWAY-VULCAN AREA SCHOOL DISTRICT**  
Norway, Michigan  
Notes to Basic Financial Statements  
June 30, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Additionally, the government reports the following fund:

The *private-purpose trust funds* are used to account for resources legally held in trust for scholarship awards, as well as post-retirement fund.

The District accounts for assets held as an agent for various student and parent organizations in an *agency fund*.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Property taxes are recognized as revenue in the fiscal year for which taxes have been levied. Tuition, grants, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the District.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

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

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

b. Accounts Receivable

Accounts receivable are recorded at gross amount with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

**NORWAY-VULCAN AREA SCHOOL DISTRICT**

Norway, Michigan

Notes to Basic Financial Statements

June 30, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

c. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” and “due to other funds” on the balance sheet.

d. Inventories

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

e. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items, and are accounted for on the consumption method.

Prepaid items of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

f. Capital Assets

Capital assets, which include property, plant, machinery and equipment, are reported in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 - 50 years
Site improvements	6 - 18 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

g. Compensated Absences

The District’s policy allows teachers upon termination of employment due to retirement or death to be paid out the sick days accumulated. The sick days are paid on a sliding scale based on the number of sick days accumulated, compensated at the highest rate they are eligible to receive. To qualify, a teacher must have a minimum of 7 years of service with the District. Non-instructional employees and support personnel received benefits based on the number of sick days accumulated. The benefits range from \$10 to \$30 per day for each sick day accumulated. With 20 years of service to the District, the retiree will be eligible for \$25 per year for each year of service upon retirement. All sick leave is accrued when incurred in the district-wide financial statements. A short-term liability (10%) is recorded in the governmental funds in the fund financial statements.

**NORWAY-VULCAN AREA SCHOOL DISTRICT**  
Norway, Michigan  
Notes to Basic Financial Statements  
June 30, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

h. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. This item is related to the District's proportionate share of the Michigan Public School Employees' Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. This item is related to the deferred inflow related to Michigan Public School Employees' Retirement System pension plan.

i. 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 bond. Issuance costs are expensed during the current period.

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

j. Pensions

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

k. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.

**NORWAY-VULCAN AREA SCHOOL DISTRICT**

Norway, Michigan

Notes to Basic Financial Statements

June 30, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- Committed fund balance - Amounts that are constrained for specific purposes by action of the Board of Education. These constraints can only be removed or changed by the Board of Education using the same action that was used to create them.
- Assigned fund balance - Amounts that are constrained for specific purposes by action of District management. The Board of Education has authorized the financial manager to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The District has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

DISTRICT-WIDE STATEMENTS

Equity is classified as net position and displayed in three components:

- Net investment in capital assets - Amount of capital assets, net of accumulated depreciation and capital related deferred outflows of resources, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- Restricted net position - Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - Net position that is neither classified as restricted nor as net investment in capital assets.

5. 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

6. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

**NORWAY-VULCAN AREA SCHOOL DISTRICT**

Norway, Michigan

Notes to Basic Financial Statements

June 30, 2017

**NOTE B - STEWARDSHIP AND COMPLIANCE**

1. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue funds. All annual appropriations lapse at fiscal year-end.

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

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.

2. Excess of Expenditures Over Budget Appropriations

The District actual expenditures and budgeted expenditures have been shown on an activity basis. The approved budgets were done on an activity level. The total actual expenditures for the following activities exceed the final amended budget allocations.

Fund	Activity	Excess
General Fund	Instruction	
	Middle school	\$ 6,908
	High School	27,771
	Support Services	
	Board of Education	147

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2017.

**NORWAY-VULCAN AREA SCHOOL DISTRICT**  
 Norway, Michigan  
 Notes to Basic Financial Statements  
 June 30, 2017

**NOTE C - DETAILED NOTES ON ALL FUNDS**

1. Cash and Investments

The District maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed in the financial statements as "Cash and investments."

Invested cash consists of deposits and investments are restricted by Michigan Statutes to the following:

Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days' notice or, if not so payable, shall have maturity dates not more than five years after the purchase dates.

Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.

Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

External Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The carrying amount of the District's cash and investments totaled \$1,908,351 on June 30, 2017 as summarized below:

Petty cash funds	\$ 250
Deposits with financial institutions	1,908,101
	\$ 1,908,351

Reconciliation to the basic financial statements:

Cash and investments	\$ 1,253,987
Fiduciary funds Statement of Net Position	
Private purpose trust funds	560,043
Agency funds	94,321
	\$ 1,908,351

Deposits and investments of the District are subject to various risks. Presented below is a discussion of the specific risks and the District's policy related to the risk.

**NORWAY-VULCAN AREA SCHOOL DISTRICT**  
Norway, Michigan  
Notes to Basic Financial Statements  
June 30, 2017

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District does not have an additional custodial credit risk policy.

Deposits with financial institutions within the State of Michigan are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Michigan are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member.

As of June 30, 2017, \$1,491,868 of the District's deposits with financial institutions were in excess of federal depository insurance limits and uncollateralized.

Fair Value Measurements

The District implemented GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ending June 30, 2017. The 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 observable inputs; Level 3 inputs are significant unobservable inputs.

The District currently has no investments that are subject to fair value measurement.

2. Property Taxes

The District's property taxes are levied on July 1 and December 1 based on taxable valuation of property as of the preceding December 31, the lien date. Taxes are collected and remitted to the District by the tax collecting units within the District. Assessed values are established annually by the various governmental units within the District and are equalized by the State of Michigan. Property taxes are considered delinquent on March 1 of the following year at which time they are turned over to the County Treasurers for collection. The County Treasurers reimburse the District for delinquent property taxes within two to three months after March 1.

Property taxes are recognized as revenue in the General and Debt Service funds on a levy year basis. The 2016 levy amounts are recognized as current property tax revenue to the extent that they are collected during the year or within sixty days after year end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues in the year collected.

**NORWAY-VULCAN AREA SCHOOL DISTRICT**  
Norway, Michigan  
Notes to Basic Financial Statements  
June 30, 2017

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

3. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 6,000	\$ -	\$ -	\$ 6,000
Construction work in progress	-	1,254	-	1,254
Total capital assets, not be depreciated	<u>6,000</u>	<u>1,254</u>	<u>-</u>	<u>7,254</u>
Capital assets, being depreciated:				
Buildings and improvements	17,997,665	13,480	1,500	18,009,645
Site improvements	687,981	38,155	-	726,136
Furniture and equipment	1,988,726	287,014	1,004,372	1,271,368
Vehicles	250,946	-	-	250,946
Subtotals	<u>20,925,318</u>	<u>338,649</u>	<u>1,005,872</u>	<u>20,258,095</u>
Less accumulated depreciation for:				
Buildings and improvements	8,866,384	384,944	429	9,250,899
Site improvements	571,464	31,959	-	603,423
Furniture and equipment	1,574,040	149,715	895,645	828,110
Vehicles	165,339	20,625	-	185,964
Subtotals	<u>11,177,227</u>	<u>587,243</u>	<u>896,074</u>	<u>10,868,396</u>
Total capital assets, being depreciated, net	<u>9,748,091</u>	<u>(248,594)</u>	<u>(109,798)</u>	<u>9,389,699</u>
Governmental activities capital assets, net	<u>\$ 9,754,091</u>	<u>\$ (247,340)</u>	<u>\$ (109,798)</u>	<u>9,396,953</u>
Less related long-term debt outstanding				<u>5,541,217</u>
Net investment in capital assets				<u>\$ 3,855,736</u>

The District's capital assets are shared by many governmental functions. Accordingly, it was not considered practical to allocate the depreciation expense of \$587,243 to functions.

**NORWAY-VULCAN AREA SCHOOL DISTRICT**  
 Norway, Michigan  
 Notes to Basic Financial Statements  
 June 30, 2017

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

4. Interfund Receivable, Payables, and Transfers

Interfund receivables and payables at June 30, 2017 were as follows:

	Interfund Receivables	Interfund Payables
Cash Advances and Operating Accounts		
General Fund	\$ -	\$ 341,166
Debt Service Fund	3,658	-
Capital Projects Fund	296,801	-
Special Revenue Funds		
Athletic Activity	2,724	-
Food Service	37,983	-
Totals	<u>\$ 341,166</u>	<u>\$ 341,166</u>

Interfund transfers for the year ended June 30, 2017 were as follows:

	Transfer to:			
	Capital Projects Fund	Athletic Activity Fund	Food Service Fund	Total
Transfers from:				
General fund	<u>\$ 37,699</u>	<u>\$ 150,750</u>	<u>\$ 465</u>	<u>\$ 188,914</u>

Transfers are used to move unrestricted revenues collected in the general fund from the sale of capital assets to finance the purchase of capital assets from the capital projects fund. Transfers are used to move unrestricted revenues collected in the general fund to finance the athletic programs and expenditures accounted for in another fund in accordance with budgetary authorizations. Transfer from general fund to the food service fund is for accounts receivable at year-end.

5. Long-term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2017:

	Outstanding 7/1/16	Issued	Retired	Outstanding 6/30/17	Due Within One Year
<b>Governmental activities:</b>					
General Obligation Debt					
Bonds	\$ 6,205,000	\$ -	\$ 630,000	\$ 5,575,000	\$ 645,000
Debt premium	271,557	-	32,047	239,510	32,047
Compensated absences	152,021	5,086	22,031	135,076	13,457
Governmental activities long-term obligations	<u>\$ 6,628,578</u>	<u>\$ 5,086</u>	<u>\$ 684,078</u>	<u>\$ 5,949,586</u>	<u>\$ 690,504</u>

Total interest paid during the year on long-term debt totaled \$152,375.

**NORWAY-VULCAN AREA SCHOOL DISTRICT**

Norway, Michigan

Notes to Basic Financial Statements

June 30, 2017

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

General Obligation Bonds

\$4,980,000 issued 2/14/13; \$375,000 to \$510,000 due annually through 2025; interest 2.0% to 3.0%	\$ 3,490,000
\$2,535,000 issued 3/10/15; \$245,000 to \$280,000 due annually through 2025; interest 2.0% to 2.5%	2,085,000
	<u>\$ 5,575,000</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$5,575,000 on June 30, 2017 are detailed below:

Year Ended June 30	Principal	Interest	Total
2018	\$ 645,000	\$ 139,775	\$ 784,775
2019	655,000	126,875	781,875
2020	670,000	113,775	783,775
2021	685,000	100,375	785,375
2022	700,000	82,525	782,525
2023-2025	2,220,000	126,875	2,346,875
	<u>\$ 5,575,000</u>	<u>\$ 690,200</u>	<u>\$ 6,265,200</u>

**NOTE D - OTHER INFORMATION**

1. Pension Plan

a. Plan Description

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

**NORWAY-VULCAN AREA SCHOOL DISTRICT**

Norway, Michigan

Notes to Basic Financial Statements

June 30, 2017

**NOTE D - OTHER INFORMATION (Continued)**

**Benefits Provided**

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

A DB member plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. 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.

b. Contributions and Funded 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 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%	14.56%

Required contributions to the pension plan from the District were \$901,732 for the year ended September 30, 2016.

**NORWAY-VULCAN AREA SCHOOL DISTRICT**  
 Norway, Michigan  
 Notes to Basic Financial Statements  
 June 30, 2017

**NOTE D - OTHER INFORMATION (Continued)**

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

**Proportionate Share of District's Net Pension Liability**

At June 30, 2017, the District reported a liability of \$10,018,681 for its proportionate share of the MPERS 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 2015. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2016, the District's proportion was .04015635 percent, which was a decrease of .00000456 percent from its proportion measured as of September 30, 2015.

**Pension Expense**

For the year ended June 30, 2017, the District recognized pension expense of \$1,009,320.

**Deferred Outflows and Inflows Related to Pensions**

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

	Deferred Outflows Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 124,859	\$ 23,745
Changes in assumptions	156,634	-
Net difference between projected and actual earnings on pension plan investments	166,510	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	168,193	27,304
Employer contributions subsequent to the measurement date	477,840	-
<b>Total</b>	<b>\$ 1,094,036</b>	<b>\$ 51,049</b>

\$477,840 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. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**NORWAY-VULCAN AREA SCHOOL DISTRICT**

Norway, Michigan

Notes to Basic Financial Statements

June 30, 2017

**NOTE D - OTHER INFORMATION (Continued)**

**Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)**

Plan Year Ended September 30,	Amount
2017	\$ 133,312
2018	120,217
2019	277,788
2020	33,830

**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 Return:	
- 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%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

**NORWAY-VULCAN AREA SCHOOL DISTRICT**  
 Norway, Michigan  
 Notes to Basic Financial Statements  
 June 30, 2017

**NOTE D - OTHER INFORMATION (Continued)**

Notes:

- Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension 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.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.6273 for non-university employers 1.2456 for university employers
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2016 MPERS Comprehensive Annual Financial Report ([www.michigan.gov/mpsers-cafr](http://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 %	.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)%
Total	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 provided through non-university employers only). 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 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.

**NORWAY-VULCAN AREA SCHOOL DISTRICT**  
 Norway, Michigan  
 Notes to Basic Financial Statements  
 June 30, 2017

**NOTE D - OTHER INFORMATION (Continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

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

	1% Decrease (Non-Hybrid/Hybrid)* 7.0%/6.0%	Current Single Discount Rate (Non-Hybrid/Hybrid)* 8.0%/7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0%/8.0%
District's proportionate share of the net pension liability	\$ 12,901,539	\$ 10,018,681	\$ 7,588,154

\* University employers provide non-hybrid plans only. For 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.

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

**Payable to the Pension Plan**

At June 30, 2017, the District reported a payable of \$144,759 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

2. Other Post-Employment Benefits

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the Premium Subsidy plan, a defined benefit postemployment healthcare plan, which is funded by employers on a cash disbursement basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Plan participants contribute 3 percent of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that cover up to 80 percent of cost.

Plan members enrolled on or after September 4, 2012 participate in the Personal Healthcare Fund. This defined contribution other postemployment benefits plan includes a required 2 percent employee contribution into a personal tax-deferred account, which is matched by an additional 2 percent employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund option. Effective February 1, 2013, these members are no longer required to make the 3 percent employee contribution. Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 are pending a Supreme Court resolution.

The District's contributions to MPSERS for other postemployment benefits are not separately identified

**NORWAY-VULCAN AREA SCHOOL DISTRICT**  
Norway, Michigan  
Notes to Basic Financial Statements  
June 30, 2017

and are included in the contribution amounts disclosed above.

**NOTE D - OTHER INFORMATION (Continued)**

3. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The District completes an annual review of its insurance coverage to ensure adequate coverage.

4. Contingencies

a. The District participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

b. From time to time, the District is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position or results of operations.

5. Upcoming Accounting Pronouncements

In June 2015, the GASB issued two new standards addressing accounting and financial reporting for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. The District will, after adoption of GASB No. 75, recognize on the face of the financial statements its net OPEB liability. GASB No. 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB No. 75 is effective one year later. The District is currently evaluating the impact these standards will have on the financial statements when adopted.

**REQUIRED SUPPLEMENTARY INFORMATION**

**NORWAY-VULCAN AREA SCHOOL DISTRICT**  
Norway, Michigan  
Schedule of Proportionate Share of the Net Pension Liability (Asset)  
Michigan Public School Employees' Retirement System  
Last 10 Fiscal Years\*

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
6/30/15	0.03904000%	\$ 8,598,116	\$ 3,325,005	258.59%	66.20%
6/30/16	0.04016091%	9,809,313	3,330,168	294.56%	63.17%
6/30/17	0.04015635%	10,018,681	3,372,059	297.11%	63.01%

Schedule of Contributions  
Michigan Public School Employees' Retirement System  
Last 10 Fiscal Years\*

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/15	\$ 606,242	\$ 606,242	\$ -	\$ 3,325,005	18.23%
6/30/16	774,756	774,756	-	3,330,168	23.26%
6/30/17	901,732	901,732	-	3,372,059	26.74%

\* The amounts presented for each fiscal year were determined as of September 30 that occurred within the fiscal year. The District implemented GASB 68 for the year ended June 30, 2015. Information for prior years is not available.

See Notes to Required Supplementary Information.

**NORWAY-VULCAN AREA SCHOOL DISTRICT**  
Norway, Michigan  
Notes to Required Supplementary Information  
June 30, 2017

**Changes of benefit terms:** There were no changes of benefit terms in 2016.

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

## **SUPPLEMENTARY INFORMATION**

**NORWAY-VULCAN AREA SCHOOL DISTRICT**

Norway, Michigan

Detail Schedule of General Fund Revenues

Budget and Actual

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Local sources</b>				
Taxes	\$ 1,006,067	\$ 1,015,772	\$ 1,011,585	\$ (4,187)
Interest and penalties	750	5,795	6,396	601
Tuition	41,800	50,350	50,325	(25)
Interest income	1,250	656	1,113	457
Community schools charges	70,000	80,383	87,073	6,690
Rentals	15,000	17,785	21,079	3,294
Donations and contributions	1,500	500	300	(200)
Miscellaneous revenue	8,500	24,675	23,387	(1,288)
<b>Total local sources</b>	<b>1,144,867</b>	<b>1,195,916</b>	<b>1,201,258</b>	<b>5,342</b>
<b>State sources</b>				
Unrestricted grants	4,321,473	4,346,511	4,349,631	3,120
Restricted grants	742,085	749,668	793,149	43,481
<b>Total state sources</b>	<b>5,063,558</b>	<b>5,096,179</b>	<b>5,142,780</b>	<b>46,601</b>
<b>Federal sources</b>				
Title I	90,548	108,113	105,800	(2,313)
Title II	32,108	37,482	37,222	(260)
After school snack	950	-	-	-
Flowthrough	17,222	17,064	17,064	-
<b>Total federal sources</b>	<b>140,828</b>	<b>162,659</b>	<b>160,086</b>	<b>(2,573)</b>
<b>Other local revenue</b>				
Special Education Millage from ISD	60,327	94,772	94,772	-
Payments received from other districts	5,000	11,695	28,684	16,989
<b>Total other local revenue</b>	<b>65,327</b>	<b>106,467</b>	<b>123,456</b>	<b>16,989</b>
<b>Other sources</b>				
Sale of property	-	37,699	40,479	2,780
<b>Total Revenues</b>	<b>\$ 6,414,580</b>	<b>\$ 6,598,920</b>	<b>\$ 6,668,059</b>	<b>\$ 69,139</b>

**NORWAY-VULCAN AREA SCHOOL DISTRICT**

Norway, Michigan

Detail Schedule of General Fund Expenditures and Other Financing Uses

Budget and Actual

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Instruction</b>				
Elementary school	\$ 1,202,035	\$ 1,190,597	\$ 1,177,585	\$ 13,012
Middle school	1,002,895	939,719	946,627	(6,908)
High school	1,037,771	1,072,909	1,100,680	(27,771)
Pre-kindergarten	23,819	37,292	37,292	-
Summer school	-	13,244	13,244	-
Special education	406,381	494,586	494,581	5
Compensatory education	234,116	250,790	240,882	9,908
<b>Total instruction</b>	<b>3,907,017</b>	<b>3,999,137</b>	<b>4,010,891</b>	<b>(11,754)</b>
<b>Support services</b>				
Guidance	94,346	94,363	93,911	452
Health	750	-	-	-
Speech	66,174	67,891	67,891	-
Social work	74,910	76,128	76,098	30
Other pupil services support	-	3,009	3,009	-
School improvement	4,300	3,519	3,318	201
Library	37,888	36,246	35,846	400
Staff supervision	2,886	2,884	2,884	-
Board of education	31,580	36,240	36,387	(147)
Executive administration	243,661	242,847	242,342	505
Office of principals	460,404	460,368	455,077	5,291
Graduation	2,400	2,400	1,741	659
Business services	106,870	107,531	103,480	4,051
Insurance	31,754	24,969	24,969	-
Operation and maintenance	556,009	562,179	544,055	18,124
Pupil transportation	244,197	230,492	218,205	12,287
Communications	5,000	3,000	2,848	152
Workshops	14,550	5,776	5,270	506
Technical support	185,361	215,463	209,093	6,370
Central support	37,515	34,765	34,765	-
<b>Total support services</b>	<b>2,200,555</b>	<b>2,210,070</b>	<b>2,161,189</b>	<b>48,881</b>
<b>Community services</b>				
Community schools	9,926	10,768	7,750	3,018
Community services	1,443	2,863	2,861	2
Daycare	102,613	89,433	87,225	2,208
Non public schools pupils	3,608	9,502	9,502	-
Other	500	1,550	1,550	-
<b>Total community services</b>	<b>118,090</b>	<b>114,116</b>	<b>108,888</b>	<b>5,228</b>
<b>Non-Program</b>				
Prior year adjustments	2,500	22,736	16,880	5,856
<b>Total Expenditures</b>	<b>6,228,162</b>	<b>6,346,059</b>	<b>6,297,848</b>	<b>48,211</b>
<b>Other financing uses</b>				
Transfer to athletics	165,380	153,023	150,750	2,273
Transfer to food service	-	465	465	-
Transfer to capital projects	-	37,699	37,699	-
<b>Total other financing uses</b>	<b>165,380</b>	<b>191,187</b>	<b>188,914</b>	<b>2,273</b>
<b>Total Expenditures and Other Financing Uses</b>	<b>\$ 6,393,542</b>	<b>\$ 6,537,246</b>	<b>\$ 6,486,762</b>	<b>\$ 50,484</b>

**NORWAY-VULCAN AREA SCHOOL DISTRICT**

Norway, Michigan

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2017

(With summarized financial information as of June 30, 2016)

	Athletic Activity	Food Service	Total Nonmajor Governmental Funds	
			2017	2016
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 100	\$ 100	\$ 100
Receivables				
Accounts	931	526	1,457	1,274
Due from other funds	2,724	37,983	40,707	53,903
Due from other governments	-	1,860	1,860	2,013
Inventories	-	1,140	1,140	8,467
Prepaid items	1,752	-	1,752	268
<b>TOTAL ASSETS</b>	<b>\$ 5,407</b>	<b>\$ 41,609</b>	<b>\$ 47,016</b>	<b>\$ 66,025</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 5,407	\$ -	\$ 5,407	\$ 4,663
Unearned revenues	-	5,311	5,311	4,250
<b>Total Liabilities</b>	<b>5,407</b>	<b>5,311</b>	<b>10,718</b>	<b>8,913</b>
<b>Fund Balances</b>				
<b>Nonspendable</b>				
Prepaid items and inventories	1,752	1,140	2,892	8,735
<b>Restricted for</b>				
Food service	-	35,158	35,158	48,645
Unassigned	(1,752)	-	(1,752)	(268)
<b>Total Fund Balances</b>	<b>-</b>	<b>36,298</b>	<b>36,298</b>	<b>57,112</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,407</b>	<b>\$ 41,609</b>	<b>\$ 47,016</b>	<b>\$ 66,025</b>

**NORWAY-VULCAN AREA SCHOOL DISTRICT**

Norway, Michigan

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2017

(With summarized financial information for the year ended June 30, 2016)

	Athletic Activity	Food Service	Total Nonmajor Governmental Funds	
			2017	2016
<b>Revenues</b>				
Local sources	\$ 63,194	\$ 106,030	\$ 169,224	\$ 171,694
State sources	9,754	22,956	32,710	29,791
Federal sources	-	213,681	213,681	216,691
Other sources	-	4,738	4,738	4,047
<b>Total Revenues</b>	<b>72,948</b>	<b>347,405</b>	<b>420,353</b>	<b>422,223</b>
<b>Expenditures</b>				
Athletic activities	223,698	-	223,698	210,882
Food services	-	368,684	368,684	343,149
Bookstore activities	-	-	-	164
<b>Total Expenditures</b>	<b>223,698</b>	<b>368,684</b>	<b>592,382</b>	<b>554,195</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(150,750)</b>	<b>(21,279)</b>	<b>(172,029)</b>	<b>(131,972)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	150,750	465	151,215	148,919
Transfers out	-	-	-	(4,383)
<b>Total Other Financing Sources (Uses)</b>	<b>150,750</b>	<b>465</b>	<b>151,215</b>	<b>144,536</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(20,814)</b>	<b>(20,814)</b>	<b>12,564</b>
<b>Fund Balances - July 1</b>	<b>-</b>	<b>57,112</b>	<b>57,112</b>	<b>44,548</b>
<b>Fund Balances - June 30</b>	<b>\$ -</b>	<b>\$ 36,298</b>	<b>\$ 36,298</b>	<b>\$ 57,112</b>

**NORWAY-VULCAN AREA SCHOOL DISTRICT**

Norway, Michigan

Schedule of Changes in Assets and Liabilities

Pupil Activity Funds

For the Year Ended June 30, 2017

	Balance 7/1/16	Additions	Deletions	Balance 6/30/17
<b>ASSETS</b>				
Cash	\$ 78,771	\$ 91,656	\$ 76,106	\$ 94,321
<b>LIABILITIES</b>				
Due to student organizations				
Elementary school				
Elementary school	\$ 1,824	\$ 1,556	\$ 373	\$ 3,007
School store	7,459	23,473	16,670	14,262
Community Schools	232	-	232	-
Middle school				
Middle school	3,138	1,025	2,251	1,912
Junior high student council	926	1,556	1,013	1,469
SADD	125	-	-	125
School store	1,275	-	1,275	-
Class of 2021	672	1,433	675	1,430
Class of 2022	1,853	165	1,067	951
Class of 2023	150	2,547	138	2,559
Class of 2024	100	308	92	316
High School				
General Account	6,019	1,707	2,942	4,784
NHS Help Desk & Store	619	912	951	580
Quiz Bowl	231	60	60	231
Art Club	1,415	598	327	1,686
Vocal Music	688	-	-	688
Student Council	3,803	10,438	9,211	5,030
Students Against Drunk Driving	738	-	-	738
Key Club	1,927	1,758	2,164	1,521
Annual/Yearbook	2,368	2,650	2,859	2,159
Drama	1,939	1,141	1,407	1,673
Band	101	1,612	1,612	101
School Store	(1,407)	1,633	2,291	(2,065)
Spanish Club	210	-	-	210
Campus College Tour	1,795	5,214	4,649	2,360
NVEA Scholarship Fund	870	2,357	1,500	1,727
NVAS Student Class Projects	121	-	-	121
Class of 2017	1,925	1,182	3,107	-
Class of 2018	1,337	5,572	6,181	728
Class of 2019	1,321	-	51	1,270
Class of 2020	1,838	-	172	1,666
Athletics				
NHS Football	145	8,222	5,585	2,782
NHS Boys Basketball	597	230	-	827
NHS Girls Basketball	934	43	844	133
Cross Country	411	-	-	411
NHS Volleyball	183	580	43	720
Cheerleaders	612	2,626	1,149	2,089
Athletics	3,496	8,039	4,970	6,565
NHS Golf	(405)	405	-	-
Unclassified				
Central Office	500	-	-	500
Special Interest	14,427	75	-	14,502
Library	315	72	70	317
Employee Flower Fund	1,091	210	175	1,126
Surplus Fund	10,853	2,257	-	13,110
<b>TOTAL LIABILITIES</b>	\$ 78,771	\$ 91,656	\$ 76,106	\$ 94,321

**ADDITIONAL INDEPENDENT AUDITORS' REPORT  
FOR BASIC FINANCIAL STATEMENTS**

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

To the Board of Education  
Norway-Vulcan Area School District  
Norway, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Norway-Vulcan Area School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Norway-Vulcan Area School District's basic financial statements, and have issued our report thereon dated October 4, 2017.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## **Purpose of this Report**

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



Certified Public Accountants  
Iron Mountain, Michigan  
October 4, 2017