

Comprehensive Annual Financial Report

**Fiscal Year Ended
June 30, 2017**

**Prepared by:
Business Office
Christine Thomas-Hill, Executive Director
of Finance and Operations
Traverse City Area Public Schools
Traverse City, Michigan**

**TRAVERSE CITY AREA PUBLIC SCHOOLS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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October 4, 2017

To the Board of Education and the Citizens of Traverse City Area Public Schools,

State law requires that school districts publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants using generally accepted auditing standards as defined by the Comptroller of the United States in the publication *Government Auditing Standards*. These financial statements are required to be filed by November 1 of each year for the immediately preceding fiscal year.

Pursuant to this requirement, we are proud to issue this Comprehensive Annual Financial Report (CAFR) of the Traverse City Area Public Schools (the District) for the year ended June 30, 2017. A CAFR differs from traditional financial reports in that it is more comprehensive in scope and contains statistical information that includes financial and non-financial data presented over multiple (primarily ten) years. This is the thirteenth year our district has issued its financial report in this format. It is important to note that we, as management, are responsible for the financial information contained in this CAFR. We assume full responsibility for the completeness and reliability of all the information presented herein.

The format of this CAFR is designed to meet the needs of a broad spectrum of readers of financial reports and is divided into three major sections:

Introductory Section - The introductory section introduces the reader to the report and includes this transmittal letter, the organizational chart of the District, and a list of Trustees elected to the Board of Education and other officials of the District.

Financial Section - The financial section consists of the independent auditor's report, management's discussion and analysis, the basic financial statements, and the combining and individual fund statements and schedules.

Statistical Section - The statistical section contains financial and other information that differ from financial statements in that they present accounting and non-accounting data, cover several years, and are designed to reflect social and economic data as well as financial and fiscal trends which help the reader gain a more thorough understanding of the District as a whole.

This transmittal letter is designed to introduce the reader to the District by providing high-level information of the District and the environment in which it exists and should be read in conjunction with Management's Discussion and Analysis presented in the financial section of the CAFR.

DISTRICT PROFILE

The District's history dates back to 1853 when it was first organized as an "ungraded" school system, serving approximately 3 square miles. Through the years, the District grew through numerous annexations, most of which took place from 1956 through 1979, to encompass its current size of approximately 300 square miles. In 1979, the Board of Education changed the District's name from the School District of Traverse City to Traverse City Area Public Schools (TCAPS). As of the October 2016 count day, the District served close to 10,000 K-12 students plus 441 Preschool, 130 GSRP (Great Start Readiness Program), and 72 ECSE (Early Childhood Special Education) children.

The District is organized under Section 380.401 of the Revised School Code of Michigan. Its purpose is to educate those students who reside within its borders and any students outside its borders who choose to attend the District through the "schools of choice" program. As of September 1, 2016, the District operated ten traditional kindergarten through fifth grade elementary schools, one Montessori kindergarten through sixth grade elementary school, two traditional sixth through eighth grade middle schools, two traditional ninth through twelfth grade high schools, and an alternative high school.

To meet the needs of TCAPS' parents and students, the District offers a number of educational options including traditional K-12 education, Montessori curriculum, gifted and talented programming, early childhood programming, international programming, homeschool partnerships, self-directed online options, early college opportunities, dual enrollment and advanced placement options that result in college credit, a full range of interscholastic and intramural athletic programs, an off campus education program for expelled students (one of a very few such programs in Michigan), and special education programs. Beginning with the 2016/2017 fiscal year, the District started the Northern Michigan Partnership, which offers opportunities for students who are homeschooled to take non-core classes K-12. On an ancillary basis, the District also offered pay for service before and after school "extended day" programs to approximately 1,187 students. The District consistently performs above statewide and regional averages in terms of test scores, is recognized for its high participation and high success rates relative to Advanced Placement scores, and is nationally and internationally known for its extraordinary fine and performing arts programs.

The District is located in the northwest corner of Michigan's Lower Peninsula and, as noted above, covers approximately 300 square miles. The area is known for its beautiful geography with numerous lakes, hills, and abundant farm and otherwise undeveloped land. The most notable aspect of the District's geography is that it surrounds Grand Traverse Bay, which is a well-defined bay with a 20 mile peninsula dividing its east and west side (appropriately named East Bay and West Bay). This area is very recognizable on any Michigan map.

The most recent statistics, published in February 2017 (based on June 30, 2016 data) by the Michigan Department of Education in their *Bulletin 1014: Michigan Public School Districts Ranked by Selected Financial Data*, ranked the District as the 19th largest out of 839 school districts in the State of Michigan in terms of student population. Under the school funding system established in Michigan in 1994, schools are funded on a per-pupil "foundation" basis. The Traverse City Area Public Schools District operates on what is known as the "base" (lowest) foundation per student, which was \$7,511 in fiscal 2017. The District ranks 540th in total general fund revenues per student of \$9,265, including state categorical and federal program revenue in addition to the base foundation allowance.

Spending priorities can be seen in the chart below that shows the District focuses its limited resources on basic instruction (293rd in the state for basic programs), instructional support (366th), and teacher salaries (170th) and fewer resources on Fiscal Services (695th), and General Administration (826th). Expenditures for Operations and Maintenance (396th) reflect the challenges associated with being in a district that is spread over a large geographic area. Of the twenty largest school districts in the state in terms of student population, Traverse City Area Public Schools is the largest (by a wide margin) in terms of square miles.

		<u>Per Pupil</u>	<u>State Rank</u>
General fund revenues	- All sources	\$ 9,265	540
General fund expenditures	- Basic programs	4,960	293
	- Added needs	883	611
	- Instructional support	768	366
	- Fiscal services	75	695
	- Operations and maintenance	917	396
	- General Administration	57	826
	- Total expenditures	9,326	462
		<u>Amount</u>	<u>State Rank</u>
Salary information	- Average teacher salary	\$ 60,599	170

Source: Michigan Department of Education Bulletin 1014 database, compiled by TCAPS Business Office

Data such as that noted above helps show our stakeholders that the limited resources available to us are directed properly. Additionally, in spite of the tough economic climate faced by many schools in Michigan, our District has the honor of being rated “AA-/Stable” by Standard and Poor’s Ratings Services (May 2016) and “Aa3” by Moody’s Investors Services (March 2017). Such high ratings in these very difficult financial times serve as independent verification of the District’s commitment to fiscal responsibility.

DISTRICT INITIATIVES

Program/Curriculum Initiatives

TCAPS continues to be focused on our instructional priorities, aligning all district work with this emphasis. The District recognizes that we operate in an ever-changing world and we are committed to providing our learners with the skill set they will need to be successful. Specific initiatives include:

- Offering non-core classes to homeschool students in the region through our Northern Michigan Partnership at Interlochen Community School;
- Piloting, evaluating, and selecting new curriculum and providing professional development for staff in Math (K-5) and English language arts (K-11);
- Updating science and social studies curriculum (6-12);
- Increased focus and opportunities in STEM (Science, Technology, Engineering, and Math);
- Offering new and creative programs in the area of math, science, foreign language, and writing;
- The creation of an Early College program in which students can receive both a high school diploma and an Associate’s degree in five years;
- Expanding advanced placement and dual enrollment opportunities; and
- International program, partnerships with schools in China and other countries.

MIExcel Blueprint for Acceleration

The Blueprint for Rapid Acceleration is an opportunity for the organization (the District) to create urgency and leverage systemic support for the dramatic improvement and sustainability of student and teacher performance. It is designed to create a stronger systemic focus on and support of high quality teaching and high levels of student learning. The Blueprint at its core is about designing and strengthening school systems as learning organizations for acceleration.

Systems/drivers we have installed or are actively installing:

- Talent Management
- Communications Driver
- Performance Management Driver
- Leadership Network
- Principals Leverage District Systems
- Instructional Infrastructure
- Problem Solving Driver
- Intense Student Support Network

As a district, we strive to implement these systems in a culture anchored in collective responsibility, collegiality, collaboration, and professionalism while providing a safe, orderly, and respectful environment for students.

Strategic Financial Planning/Best Practices in School Budgeting

The District continues to work closely with the Government Finance Officers Association (GFOA) on Strategic Financial Planning (SFP). SFP is a process of directing resources to a district's instructional priorities to positively impact student achievement. TCAPS has joined the first cohort of 35 school districts from 21 states across the United States to implement the Best Practices in School Budgeting. The budget process is outlined on the GFOA's Best Practices and Smarter School Spending website (www.gfoa.org/school-budgeting); it is organized into five major steps:

1. Plan and Prepare - The budget must be centered on student success with the funding allocated accordingly.
2. Set Instructional Priorities - A district should arrive at a focused set of instructional priorities that promote its student learning goals by analyzing implementation feasibility, cost-effectiveness, and, most importantly, net academic achievement.
3. Pay for Priorities - The Smarter School Spending website provides districts with thirty-one of the most powerful ways for districts to save money including a tool to narrow options to the most impactful.
4. Implement the Plan - Action planning entails documenting staff responsibilities and a time line for implementing the instructional priorities and methods for funding them.
5. Ensure Sustainability - Set up systems to monitor the implementation of the instructional priorities and budget to ensure that the district is following through in its intentions.

Strategic Financial Planning offers a new approach for school districts. It starts with identifying the District's instructional priorities over the next three to five years so the District can make decisions about tradeoffs needed to fund those instructional priorities. GFOA has developed screening tools to help districts identify those opportunities to redirect resources. In working with GFOA to identify instructional priorities, the District began looking at innovative approaches to analyzing the academic return on investment (AROI) on various curriculum throughout the District in order to balance the budget without the need for a traditional approach such as budget reductions. In addition, the District is analyzing many opportunities to enhance annual revenues with innovative approaches to programming and extracurricular offerings.

In support of the District's commitment to the SFP process, a TCAPS 20/20 Roadmap has been created to communicate our focus on students and student achievement in the face of declining revenue, declining student population, and aging facilities. The District will continue to analyze and evaluate programming and make the necessary adjustments in conjunction with the SFP process. It is imperative to maintain a structurally balanced budget while providing a highly reliable school system.

Lean Principles (Continuous Improvement)

TCAPS continues to embrace the use of Lean Principles District-wide, emphasizing the importance of continuous improvement throughout the school system. Lean thinking seeks to change the focus of management by reviewing the flow of processes or services across departments and eliminating waste (i.e. human effort, paperwork, etc.). The goal is to alter the way people think about process flow and persevere in adopting improvements as the organization moves toward a long-term perspective of how services are delivered throughout the District. The District has been successful in implementing lean practices/principles within the support services and continues to expand the improvements throughout the organization.

Capital Planning

TCAPS's maintains a well-defined capital infrastructure plan. This capital plan has been in place for a number of years and calls for a structured, multi-year approach to deal with the District's infrastructure needs. The capital planning process includes a periodic evaluation of each site to determine "critical needs" projects and, once identified, those projects are prioritized and scheduled to properly maintain our aging infrastructure. The main tenet of this plan is to sell bonds over the course of multiple years in such a manner that it would keep the millage rate for debt service consistent at 3.1 mills. Since 2004, proceeds from previously authorized bonds have been used for the following:

- Complete reconstruction of four elementary facilities;
- Partial reconstruction and additions to other elementary buildings;
- Classroom upgrades and additions at the secondary level;
- Site improvements and parking lot upgrades at elementary and secondary facilities;
- Renovation and system upgrades to a high school auditorium;
- Implementation of integrated security and building access systems at all buildings;
- Completion of an integrated fiber/wireless system - the backbone for the District's technology needs;
- Creation of a data center to house and protect the District's technology;
- Capital improvements to physical education and athletic facilities;
- Capital improvements to operational and administrative facilities;
- Replacement of outdated educational and operational equipment; and
- Replacement of approximately 10 buses each year.

All projects to date that have been funded by these bond proceeds have been completed on schedule and within budget.

INTERNAL CONTROL STRUCTURE

The District makes internal financial control a priority. A comprehensive internal control framework has been designed to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. The system of controls that has been established relies on a combination of sound internal control practices such as separation of critical duties, computerized budgetary spending controls on the financial accounting system, financial review by budget managers at the site, department, and district level, and reconciliation of bank accounts and liability accounts on a regular basis.

As is sound general practice, the cost of instituting internal controls should not outweigh the benefits received from such controls. The control structure, therefore, is designed to provide reasonable, rather than absolute, assurance that the District's financial statements are free from material misstatements. Independent auditors review the District's internal control structure annually. Because of internal controls, the District is able to assert that, to the best of its knowledge and belief, this financial report is complete and reliable in all material respects.

BUDGETARY CONTROL

The District adopts an annual budget for its funds that acts as an initial operating plan for the year, in accordance with the State of Michigan Uniform Budgeting and Accounting Act. This budget is established prior to the fiscal year beginning and is amended at various times throughout the year to reflect changes in expectations and assumptions. Major changes that lead to budget amendments include changes to assumptions for state revenue, student enrollment, staffing, and federal and state programs. Annual appropriations lapse at year-end.

The District ensures that budgets are not exceeded by establishing "appropriations" for individual budget managers. If a purchase order exceeds appropriations, that transaction will be denied and returned to the originator. Additionally, all large purchases (those in excess of \$11,709 for fiscal 2017) must contain three informal competitive quotes and be approved on-line by the District's Purchasing Coordinator and the Associate Superintendent of Finance and Operations. Finally, any transaction exceeding the State of Michigan threshold required for sealed bids (\$23,417 for fiscal 2017) must be formally approved by the Board of Education. Both the quote and bid thresholds are indexed for inflation.

The level by which expenditures may not exceed appropriations has been determined by the State to be at the function level. The District has always taken this requirement seriously and continues to place a high level of importance on this requirement when managing the budget.

The District's 2017 fund balance and projected 2018 revenues are sufficient to meet the 2018 budget as presented to the Board in a public budget hearing in June of 2017.

INDEPENDENT AUDIT

This financial report has been subject to an audit conducted by the licensed Certified Public Accounting firm of Maner Costerisan. Management has certified to the firm that all records have been made available for their review and that management is not aware of any outstanding issues that would have a material impact on this report. Maner Costerisan has issued an unmodified opinion that the financial information contained in this CAFR accurately reflects the District's year-end financial condition.

ECONOMIC CONDITION AND OUTLOOK OF LOCAL AND REGIONAL ECONOMY

Traverse City Area Public Schools is located in Northwestern Lower Michigan and is spread over Grand Traverse County and small portions of Benzie and Leelanau Counties. The economy of Northwest Lower Michigan is varied and relies on numerous industries including tourism, other service industries and health care. The local economy remains relatively strong, with tourism still playing an important role in the region's economic growth and development. Festivals are held throughout the year that entice more people to the area. Two of the largest are the National Cherry Festival, which celebrated its 91st anniversary in 2017, and the Traverse City Film Festival, which celebrated its 13th year in 2017. Already well-known for its cherry industry and award-winning wineries, the greater Traverse City area is now gaining recognition for the increase and variety of eateries and micro-brew establishments. In addition, Traverse City was designated a Coast Guard City in 2010, one of only sixteen cities to be so designated in the United States. The recognitions, attractions and activities draw a variety of visitors to the region and help support the local economy.

The region's overall population continues to grow at a modest pace as the region continues to gain some national recognition. The area remains attractive to retirees. People who move to this area routinely do so for "quality of life" reasons, desiring a vibrant community that offers a variety of amenities and services and the recreational opportunities the area's natural resources provides. Recognition of the Grand Traverse region continues: *National Geographic* identified the area's beaches as being among the "21 Best Beaches in the World" in January 2017; *Conde Nast Traveler* identified Traverse City as one of "The Most Beautiful Towns in America" in January 2016 and *Midwest Living Magazine* recognized the Traverse City community as its "Greatest Midwest Town" in March 2016. The 2015 Northwest Michigan CEDS (Comprehensive Economic Development Strategy) Report noted that the majority of the region's growth between years 2000-2010 was among population groups aged 55 and above, while the region lost population in nearly all age groups 45 and under during the same time period.

Growth in the older population is a major factor driving this region's economy so it follows that demand for healthcare and related services is expected to increase. The Health Care and Social Assistance services are expected to continue as one of the fastest growing industries over the coming years. The 2015 Northwest Michigan CEDS report noted that "by 2023, health care employment is projected to grow by 21%" so it is understandable that Munson Healthcare (the parent organization for twelve affiliated hospitals and facilities in northern Michigan) remains the region's largest employer.

During fiscal year ended June 30, 2017, the area's major employers and their approximate number employed were as follows:

<u>Employer</u>	<u>Approximate Number Employed</u>
Munson Medical Center	3,100
Traverse City Area Public Schools	1,237
Hagerty Insurance	685
Meijer	600
Traverse Bay Area Intermediate School District	573
Northwestern Michigan College	530
Grand Traverse Resort and Spa	500
Interlochen Center for the Arts	475
Grand Traverse County Government	450
Britten Banners	410

Sources: Michigan Manufacturers Directory, Michigan Economic Development Council, Grand Traverse County Planning Department and individual employers.

Property values have stabilized after 3 years of moderate declines. We are aware that values in 2017 have increased (which will be reflected in next year's CAFR), and are expected to continue to increase over the course of the near and mid-term future.

Ad Valorem Taxable Value Growth History

2007	3,979,593,883	
2008	4,209,202,387	5.77%
2009	4,352,822,664	3.41%
2010	4,271,136,099	-1.88%
2011	4,193,127,769	-1.83%
2012	4,191,562,238	-0.04%
2013	4,296,078,899	2.49%
2014	4,386,730,079	2.11%
2015	4,456,916,037	1.60%
2016	4,554,857,384	2.20%

Compiled by TCAPS Business Office

While property values do not impact general fund revenues of the District (as noted earlier, districts in Michigan are state funded institutions, funded on a per-pupil foundation allowance), they do impact the District's ability to raise funds for infrastructure needs. Property values have improved over recent years and the capital plan is designed with flexibility to handle fluctuations. As such, the District is able to adjust priorities in order to allow for the proper amount of bonds to be sold that will keep the District's millage rate at the amount promised to taxpayers.

AWARD FOR EXCELLENCE IN FINANCIAL REPORTING

The Association of School Business Officials, International (ASBO) awarded a Certificate of Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended June 30, 2016.

In order to be awarded a Certificate of Excellence, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to the program's standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Excellence is valid for a period of one year. We believe our current report continues to conform to the program's requirements and are submitting it to ASBO to determine its eligibility for another certificate for the year ended June 30, 2017.

ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the hard work and dedication of the members of the Business Office. We would like to express appreciation to all the members of the business office for their assistance with this report and their commitment to the District throughout the year. You are truly an impressive staff! Special appreciation for the compilation of this report is expressed to Wes Souden, Director of Business Services, Sandy Low, Director of Finance, and Michele Greenan, Executive Assistant.

Finally, we express our gratitude to the Board of Education for their support of, and commitment to, the responsible financial management of the District.

Respectfully submitted,

Paul A. Soma
Superintendent

Christine Thomas-Hill
Executive Director, Finance and Operations

One Page Strategic Plan

Reach Higher: Every Person, Every Time!



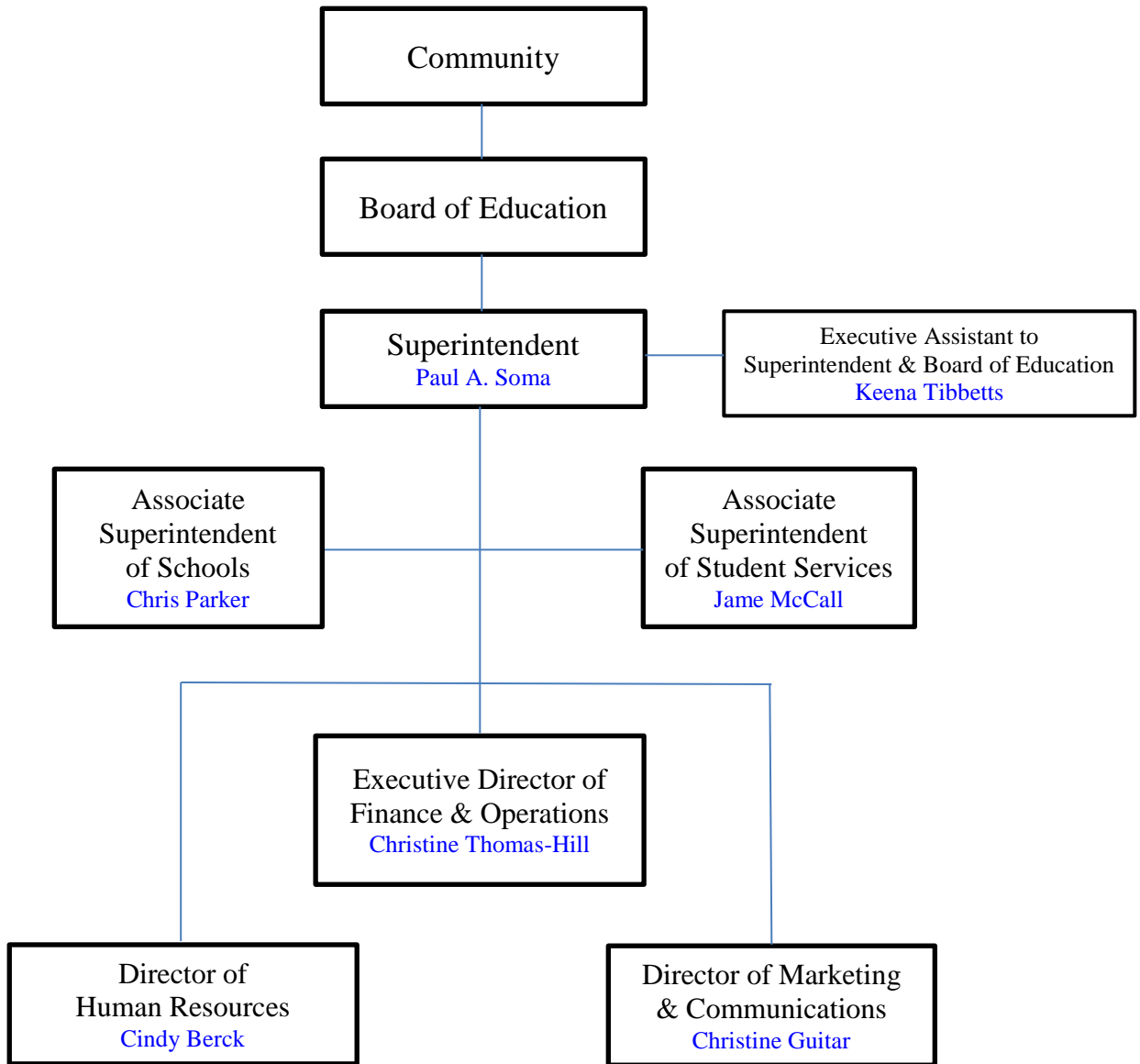
Core Values	Purpose	Focus Areas	
<p>Vision Statement Every learner will reach his or her potential in an engaging, inspiring, and challenging environment.</p> <p>Mission Statement Through actively engaged local and global communities, Traverse City Area Public Schools will inspire students to achieve:</p> <ul style="list-style-type: none"> • Academic excellence, • Productive citizenship, • Global competency, and • Healthy and innovative skills for life-long learning. <p>Instructional Core Commitment TCAPS will continuously improve instructional practice while engaging all students in meaningful and challenging work that is focused on rich content.</p> <p>Global Competency Commitment TCAPS' graduates will be able to learn, adapt, live and work well in our global economy and society.</p> <p>Continuous Improvement Commitment TCAPS will sustain an environment of continuously improving the processes that add value to our core mission.</p>	<p>Value Proposition Families choose TCAPS because we engage each student in the most inspiring, supportive, and challenging learning experience.</p> <p>Goals TCAPS will become a destination district. Families and organizations will choose to move to the Traverse City area to be a part of TCAPS.</p> <ol style="list-style-type: none"> 1. TCAPS provides the strongest academic and extracurricular programming; any time, any place, any way. 2. TCAPS students achieve the highest student performance per educational dollar invested. 3. All community members have a genuine and dynamic relationship with TCAPS. <p>TCAPS Learner Outcomes</p> <ul style="list-style-type: none"> • Problem Solving • Self-Motivation • Strong Communication • Community Contributor • Adaptability / Innovation • Learn from Experiences and Practice Resiliency 	<p>Accountability</p> <ul style="list-style-type: none"> - 100% Graduation Rate - 100% Literacy Rate - Top 5% Performance Nationally - 100% Employee Retention - Annual Positive Enrollment Growth - 100% Community, Parent, and Student Engagement and Satisfaction <p>FOCUS AREAS</p> <p>1. Instructional Effectiveness</p> <p>A. TCAPS will develop innovative programs to leverage current success and meet the future needs of our students: International Baccalaureate, Sci-Ma-Tech Academy for Primary, Fine Arts Academy for Primary, Montessori, USCG Virtual School, and Writers' Academy.</p> <p>B. All TCAPS' teachers will achieve mastery level performance.</p> <p>C. All students will have the opportunity for a quality preschool experience.</p> <p>D. All students will read at or above grade level.</p> <p>E. All students will graduate and enroll in post-secondary education.</p>	<p>2. Resource Support</p> <p>A. We will create fiscal and operational support systems to drive entrepreneurial, non-traditional, and creative district initiatives.</p> <p>B. We will provide fiscal and operational support for current, successful district initiatives.</p> <p>C. We will align ongoing, and comprehensive capital planning to support any time, any place, any way teaching and learning.</p> <p>D. We will ensure positive employee morale.</p> <p>E. We will ensure all staff positively impact student achievement.</p> <p>3. Community Connections</p> <p>A. We will provide immediate, client-centered service.</p> <p>B. We will develop avenues that build a sense of inclusion of TCAPS within the community.</p> <p>C. We will embrace local talent and resources.</p> <p>D. We will increase the number, depth, and breadth of community-based service learning opportunities.</p>



Traverse City Area Public Schools

Great Community, Great Schools

Organizational Chart



TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Principal Officials

Board of Education

Erik J. Falconer	President	December, 2018
Sue Kelly	Vice President	December, 2018
Doris E. Ellery	Secretary	December, 2020
Scott C. Hardy	Treasurer	December, 2018
Kelly J. Clark	Trustee	December, 2018
Jan M. Geht	Trustee	December, 2020
Jane Klegman	Trustee	December, 2020

District Executive Team

Paul A. Soma	Superintendent
Chris Parker	Associate Superintendent of Schools
Jame McCall	Associate Superintendent of Student Services
Christine Thomas-Hill	Executive Director of Finance and Operations
Cindy Berck	Director of Human Resources
Christine Guitar	Director of Marketing and Communications

Official Issuing Report

Christine Thomas-Hill	Executive Director of Finance and Operations
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Department Issuing Report

Business Office



**The Certificate of Excellence in Financial Reporting
is presented to**

Traverse City Area Public Schools

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

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



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona', written over a thin horizontal line.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso', written over a thin horizontal line.

John D. Musso, CAE, RSBA
Executive Director

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Traverse City Area Public Schools

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 Traverse City Area Public Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Traverse City Area Public Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Traverse City Area Public Schools as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 Traverse City Area Public Schools' basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information and the schedule of expenditures of federal awards are the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The additional supplementary information and the schedule of expenditures of federal awards have 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 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 additional supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

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

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 Traverse City Area Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Traverse City Area Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

Maney Costeiran PC

October 4, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the Comprehensive Annual Financial Report for Traverse City Area Public Schools (the District) presents our discussion and analysis of the District’s financial performance during the year ended June 30, 2017. Please read it in conjunction with the transmittal letter found on pages 9 through 17 and the District’s financial statements, which immediately follow this analysis.

OVERVIEW OF THE FINANCIAL STATEMENTS

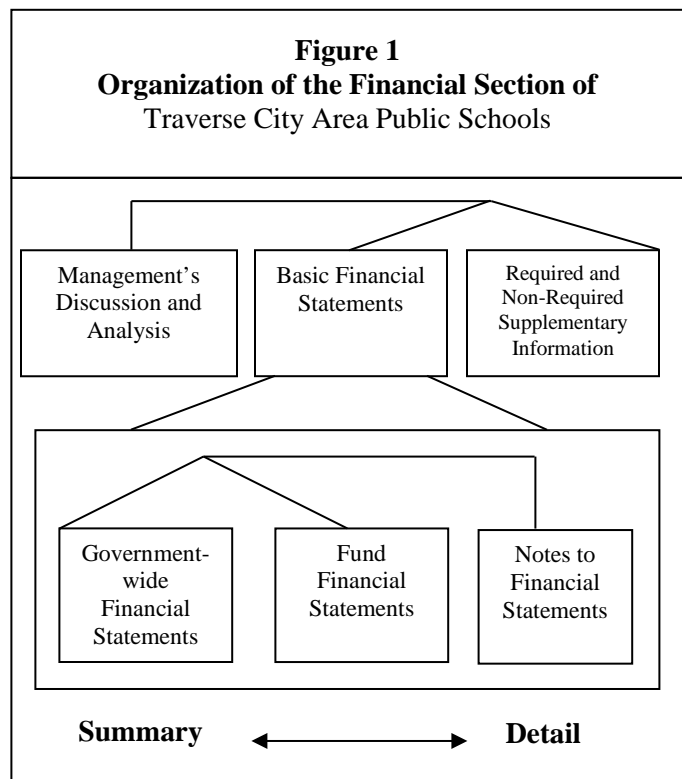
This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required and non-required supplementary information.

Government-wide and fund financial statements present two different views of the District:

The first two statements are *government-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 government-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.



The notes to the financial statements 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. This section is followed by a section of non-required supplementary information. Figure 1 illustrates how the various parts of this annual report are arranged and relate to one another.

Figure 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 operational and capital activities	Instances in which the District administers resources on behalf of someone else, such as student activities fund
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resource 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, Traverse City Area Public School's funds do not currently contain capital assets, although they can
Type of inflow-outflow information	All revenues and expenses during the 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

Figure 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 management's discussion and analysis highlights the structure and contents of each of the statements.

GOVERNMENT-WIDE STATEMENTS

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

The two government-wide statements report the District's *net position* and how they have changed. Net position - the difference between the District's assets, deferred outflows of resources, 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 is an indicator of whether its financial position is improving or deteriorating, respectively.

The difference between revenues and expenses represents the District's operating results for the year. It should be noted that the District's goal is not simply to generate profits, as may be the case for a commercial entity. To assess the overall health of the District, one must consider many other factors, such as quality of education provided, safety of the students, enrollment trends and the physical condition of school buildings and other facilities, just to name a few.

The statement of net position and statement of activities report the governmental activities for the school district, which encompass all of the school district's services, including instruction, supporting services (includes athletics), community services, food services, and childcare. Unrestricted state aid (foundation allowance revenue), property taxes, and state and federal grants finance most of these activities.

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. Some funds are required by state law and by bond covenants. The District establishes other funds to help it control and manage money for particular purposes (e.g., Child Care Fund) or to show that it is properly using certain revenues (e.g., Food Services Fund).

The District has two kinds of funds:

- Governmental funds - All of the District's basic services are included in governmental funds, which generally focus on how cash (and assets that can be readily converted to cash) flow in and out and the balances left at year-end that are available for spending. These balances are reported using the modified accrual basis of accounting. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the school district's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information with the governmental fund statements that explains the relationship (or differences) between them.
- Fiduciary funds - The District is the Trustee, or fiduciary, for assets that belong to others, such as 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 only by those to whom the assets belong. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Recall that the statement of net position provides the perspective of the school district as a whole. Figure 3 provides a summary of the District's net position as of June 30, 2017 and 2016. The District's combined net position as of June 30, 2017 totaled (\$30,098,323), which was an increase over the June 30, 2016 net position of (\$31,160,279).

Figure 3
Traverse City Area Public Schools' Net Position

	2017	2016	Change
Current and other assets	\$ 45,959,960	\$ 54,448,269	\$ (8,488,309)
Capital assets	139,435,364	143,271,932	(3,836,568)
Total assets	185,395,324	197,720,201	(12,324,877)
Deferred outflows of resources	21,683,066	19,047,562	2,635,504
Long-term liabilities outstanding	72,791,868	84,851,615	(12,059,747)
Other liabilities	12,154,694	14,501,605	(2,346,911)
Net pension liability	147,184,105	144,159,119	3,024,986
Total liabilities	232,130,667	243,512,339	(11,381,672)
Deferred inflows of resources	5,046,046	4,415,703	630,343
Net position:			
Net investment in capital assets	93,414,229	90,095,597	3,318,632
Restricted	1,269,843	1,175,922	93,921
Unrestricted	(124,782,395)	(122,431,798)	(2,350,597)
Total net position	\$ (30,098,323)	\$ (31,160,279)	\$ 1,061,956

- A large portion of the District's net position reflects its investment in capital assets (e.g., land, buildings and improvements, furniture, and equipment, net of accumulated depreciation), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to students and hence these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are in use and are not available to liquidate these liabilities.
- An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. This balance is restricted for debt service.
- The remaining balance of net position is unrestricted and may be used to meet the District's obligations for normal operations in its various funds.

Total net position was (\$30,098,323) at June 30, 2017 which is a 3.4% increase from the June 30, 2016 balance of (\$31,160,279). The District is able to report positive balances in two of the three categories of net position. Net investment in capital assets increased primarily as a result of the District paying down debt associated with those assets in excess of depreciation expense. This explains approximately \$3.6 million of the increase noted. This was partially offset by the sale of capital assets not fully depreciated, the District adding capital assets with general funds (i.e., not “capital project funds”), and investment earning within the capital projects funds. Restricted assets increased as a result of property taxes exceeding debt payments in the debt service fund. The decrease in the unrestricted net position was a result of the increase in the net pension liability, combined with a decrease in the fund balance of several funds.

Figure 4 shows the change in net position resulting from the District’s government-wide activities for both fiscal years:

Figure 4
Changes in Traverse City Area Public Schools Net Position

	2017	2016	Change
Revenue:			
Program revenues:			
Charges for services	\$ 8,416,163	\$ 7,967,606	\$ 448,557
Operating grants	8,070,545	8,490,800	(420,255)
General revenues:			
Property taxes	46,012,918	45,198,921	813,997
State aid - unrestricted	48,811,418	44,619,923	4,191,495
Other	3,278,771	3,035,707	243,064
Total revenues	<u>114,589,815</u>	<u>109,312,957</u>	<u>5,276,858</u>
Expenses:			
Instruction	57,716,952	55,520,571	2,196,381
Support services	40,163,580	38,769,671	1,393,909
Community services	3,592,029	3,286,091	305,938
Food services	4,835,049	4,930,308	(95,259)
Intergovernmental expenditures	2,329,778	2,192,058	137,720
Interest on long-term debt	2,249,605	2,113,909	135,696
Unallocated depreciation	2,640,866	2,651,801	(10,935)
Total expenses	<u>113,527,859</u>	<u>109,464,409</u>	<u>4,063,450</u>
Change in net position	<u>\$ 1,061,956</u>	<u>\$ (151,452)</u>	<u>\$ 1,213,408</u>

As shown in Figure 4 above, total revenues increased by \$5,276,858 or approximately 4.83%, while total expenses increased by \$4,063,450 or approximately 3.71%. The increase in total revenues is the result of increases across all categories except for operating grants.

The increase in charges for services is the result of tuition received from international exchange students to attend the District’s high schools, increases in childcare revenue, as well as increases in LEAP (Learning, Enrichment, and Athletic Program) revenue from expanded programs. The charges for services were slightly offset by a small decrease in food service revenue.

The decrease in operating grants is the result of smaller state allocations in At Risk and Great Start Readiness Program (GSRP) which was partially offset with a one-time spend of federal Title II carry over funds.

The increase in property tax revenue is the result of small increases in taxable value for the 2016 tax year (which is reflected in the 2017 fiscal year).

The state aid unrestricted increase is mainly the result of pension related items for section 147c funding, as well as an increase of approximately \$300,000 from the increase in per pupil foundation coupled with our decline in enrollment.

Other revenue increased as a result of recognizing proceeds from the sale of capital assets and an increase in investment earning.

The \$4,063,450 increase in total expenses is largely the result of an increase in the retirement cost paid by the District to the State retirement system, contract settlements, increased health insurance costs, and pension related items.

DISTRICT GOVERNMENTAL ACTIVITIES

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

As the District completed this year, the governmental funds reported a combined fund balance of \$34.05 million, which is a \$6.16 million decrease from the prior year. The decrease is the result of bond expenditures exceeding revenues in the 2014 and 2016 capital projects fund by \$1.33 million and \$3.71 million, respectively. This was in addition to excess expenditures over revenue in the general fund of \$0.94 million, as well as expenditures exceeding revenues in the other nonmajor governmental funds of \$0.17 million. Further detail of these changes follows:

- Major capital project fund balances, in total, decreased by \$5.04 million. This decrease is the result of expenditures of approximately \$5.11 million for capital projects. These capital projects are part of the District's long-range capital plan. The District raised approximately \$27.56 million from a 2016 fiscal year sale and approximately \$13.50 million from a sale that occurred in fiscal year 2014. These sales were authorized by bond proposals that appeared on ballots during the 2004 and 2007 elections. Projects completed or nearly completed over the past ten years with funds from these sales include: re-build of Long Lake Elementary School, construction of a technology data center, complete renovation of Cherry Knoll Elementary School, site and/or building additions to Blair Elementary School, Central High School, West Senior High School, Traverse City High School, East Middle School and West Middle School, fuel island upgrade at the transportation facility, District-wide security upgrades, and the annual purchasing of buses, technology, instructional equipment, and operational equipment.

- The general fund balance decreased by approximately \$940,000. Although the final budget for the 2017 fiscal year had a shortfall of \$2.05 million, after our normal expected positive variance was taken into account, the District was projected to draw approximately \$350,000 from fund balance. Included in the budgeted revenue was the sale of District cell tower leases for approximately \$700,000. Due to unforeseen circumstances, the closing was delayed into the 2017/2018 fiscal year.
- Nonmajor governmental fund balance saw a slight decrease of approximately \$173,000. This decrease was the result of a decrease in the special revenue funds of approximately \$172,000 coupled with an increase of approximately \$72,000 in the debt service funds and a decrease of approximately \$73,000 in the nonmajor capital projects funds. The decrease in the special revenue fund is the result of a planned use of fund balance in the childcare program offset by an increase in the food service programs. The decrease in nonmajor capital funds was an investment into the District's facilities. The increase in debt service is the result of revenues exceeding expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its budget as it attempts to deal with numerous changes in expected revenues and expenditures. Under normal circumstances, the District adjusts its budget to reflect changes in a wide variety of federal and state programs, many of which are not finalized until well after the District's original budget is required to be adopted. Additionally, the District aligns its budget with actual staffing and student numbers once they become known in the fall. Toward the end of the fiscal year, the District reviews the status of the budget and a final amendment is made in the spring to reflect changes that may have occurred since the prior adopted budget. The District amended its budget on two occasions in the 2017 fiscal year.

A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements. Highlights of changes to the general fund original budget as compared to the final budget are as follows:

- Budgeted revenues were increased \$1,892,270 which was largely the result of recognizing additional local, federal and state program revenues, and recognizing the impact of 47 more students over the original budget. The impact of these changes from our original budget to our amended budget is as follows:
 1. The increase in local revenue of approximately \$92,000 was the result of adjusting for actual property tax values in relation to the state and local portions of the foundation allowance by \$354,000, recognizing local grants and other miscellaneous revenue of \$44,000, and decreasing the international tuition revenue by \$286,000. The District's foundation allowance is comprised of local and state portions. For every increase and/or decrease in the local amount based on property values, there is an equal and opposite change in state revenues related to the foundation. As such, changes made to District revenues related to the per pupil foundation allowance are reflected in both local and state line items. Therefore, the amount per pupil, as well as estimated property values, contributes to the fluctuations that occur in these revenue sources.
 2. State revenues increased by approximately \$546,000. This increase is the result of accounting for actual allocations and carryover in state grants (i.e.: GSRP and At Risk) of \$492,000. The remaining increase of \$54,000 was from an increase of 47 students over the original budget combined with the adjustment for actual property taxes values in relation to the state portion of the per pupil foundation allowance mentioned earlier.

3. The federal revenue increase of approximately \$859,000 was the result of accounting for actual allocations in the current year and carryover from the prior fiscal year.
 4. The increase in intergovernmental revenues of approximately \$396,000 is primarily the result of reinstating the budget of \$320,000 from the Traverse Bay Area Intermediate School District and increasing the miscellaneous local grants by \$91,000. These increases were offset by \$15,000 from modifications to prior period adjustments and the projected revenue from operating Kingsley Area Schools' transportation.
- Budgeted expenditures were increased \$2,009,979 from the original to amended budget. This was predominantly the result of recognizing additional federal and state programs during the year, coupled with adjustments to other accounts throughout the district that aligned year-end expenditure expectations with the most current information available. As noted above, state and federal restricted programs increased by approximately \$1,351,000 in total from the original to the final budget. Additionally, accounting for miscellaneous local grants increased budgeted expense by \$164,000. The remaining increase of approximately \$495,000 was the result of minor adjustments across all accounts.

Highlights of the final amendment in comparison to actual results included the following:

- The \$1,848,569 negative revenue variance is the result of deferring approximately \$1.08 million more than budgeted in federal, state, and local restricted revenues (i.e., grants). This variance is an expected outcome in that federal programs, restricted state programs, and local grants are budgeted in their full amounts and any remaining program budget is "carried over" to the next fiscal year. The District does not lose these funds. \$700,000 is the result of not being able to recognize the sale of the cell tower leases in fiscal year 2017. The remaining negative variance of approximately \$70,000 is a result of funds budgeted but not received on various other line items mostly from local sources.
- The \$2,842,869 positive variance in expenditures is the result of not spending all federal, state and local program dollars (which, as stated above, are carried over to the next year), coupled with a positive general fund variance in general fund unrestricted expenditure line items. Specifically:
1. Approximately \$1.08 million of the positive variance is the result of federal, state and local program carryovers. These restricted grants are budgeted at their full amount during the fiscal year. Because most of these grants do not have the same fiscal year as the District, any amount remaining at June 30 is simply rolled over into the new fiscal year. Approximately \$1.05 million of the fluctuation noted in instruction and instructional staff support functions is due to federal and state programming carryover, while the remaining \$30,000 is spread throughout the various other line items.
 2. The remaining positive budget variance of approximately \$1.76 million represents approximately 1.83% of general fund budgeted expenditures. This variance is consistent with the District's conservative spending practices. The District makes a concerted effort to stretch dollars throughout the year by spending only what is needed and being very cautious in regard to replacing staff. This variance is also reflective of our adherence to the Michigan Uniform Budget and Accounting Act, which makes it a violation if school districts in Michigan overspend their formally adopted budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had approximately \$262.1 million invested in a broad range of capital assets including land, buildings, furniture, and equipment. This amount represents a net increase (including additions less disposals) of approximately \$2.29 million, or 0.88% percent, from last year and is the result of the District's ongoing bond projects which are funded with proceeds from fiscal 2014 and 2016 bond sales. An increase of \$6.13 million in accumulated depreciation offset the noted \$2.29 million increase in capital assets resulting in a decrease in total capital assets of \$3.84 million, from approximately \$143.27 million to \$139.43 million (a 2.68% decrease).

Figure 5
Changes in Traverse City Area Public Schools Capital Assets

	2017			2016
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 3,169,925	\$ -	\$ 3,169,925	\$ 3,169,925
Construction in process	915,977	-	915,977	688,421
Land improvements	10,933,998	4,165,443	6,768,555	6,796,685
Building and additions	199,132,187	82,154,092	116,978,095	119,308,702
Machinery and equipment	38,038,957	29,874,196	8,164,761	9,974,637
Transportation equipment	9,903,770	6,465,719	3,438,051	3,333,562
Total	<u>\$ 262,094,814</u>	<u>\$ 122,659,450</u>	<u>\$ 139,435,364</u>	<u>\$ 143,271,932</u>

This year's addition of approximately \$5.32 million included equipment, technology, building renovations, land improvements, and buses. More detailed information regarding the District's capital asset activity can be found in Note 3 to the basic financial statements.

Long-Term Debt

At year-end the District had \$71,467,567 in general obligation bonds and \$1,324,301 in other long-term debt outstanding. The combined total reflects a decrease of \$12,059,747, or 14.2%, from the previous fiscal year. This change was the result of the District's payments on prior bonds in the current year. The District has an aggressive pay down schedule on all bonds issued after 2001. All new bonds (exclusive of refunding bonds) issued since that time have been issued with maturities of 10 years.

More detailed information about the District's long-term liabilities is presented in Note 4 to the basic financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of three factors that could significantly affect the financial health of the District in the future: the outcome of the District's Strategic Financial Planning (SFP) initiative, staffing challenges, and the future of state funding for public education. In addition, declining enrollment has been a difficult variable for public school districts to deal with throughout the State of Michigan, therefore districts are forced to explore innovative opportunities to attract students.

The first factor that could significantly impact the financial health of the District is the current state of our Strategic Financial plan and the target goal identified by the Board of Education for the fund balance. Over many years, the District has been fortunate to use fund balance strategically to offset major challenges in public school funding. This has allowed the District to continue to focus on instructional priorities and limit the amount of reductions or changes to programs as much as possible. At the end of this fiscal year, TCAPS' Board of Education emphasized their desire to achieve a structurally balanced budget and decided that one time sources of revenue, such as property sales, be used to build fund balance back up over the next three years. Based on assumptions and projections, the District believes it can achieve a three year structurally balanced budget and increase the fund balance to approximately 8.4% by fiscal 2020.

The second factor that could significantly impact the financial health of the school system is the ability to attract and retain employees with specialized skill sets. A rebounding regional and state economy has led to fewer job seekers on the market. During a presentation by Networks Northwest at the Board Finance and Operations Committee meeting on February 1, 2017, regional demographics and challenges were discussed. Networks Northwest Chief Operating Officer highlighted demographic information for the region, with a focus on population (age cohorts), workforce, and jobs. Some highlights of the presentation include:

- There are a number of trends affecting jobs in the region and state.
- A quarter of a million jobs were lost in the state over the last 15 years.
- There appears to be a direct correlation between jobs and student enrollment; those who are in the workforce are more likely to have children in the household than those who are out of the workforce.
- Our region and West Michigan are the only two growth areas (population-wise) within the state.
- Grand Traverse County is the population center of the region, the epicenter for a larger commuter web.
- Our median hourly wage is 83% of the national average.
- The percentage increase in jobs is far less than the percentage increase in population.
- In general, we are seeing significant population declines up to about age 60 and then you see increases occur in the above age 60 cohorts.
- For employers, school districts, service delivery entities, etc. things are changing significantly.
- The core workforce age (typically ages 25-55) overall shows significant decreases while seeing continued increases in those cohorts (age 55+) who are typically out of the workforce and far less likely to have school-aged children in the households.
- Michigan is an older state in the nation and this region is older than the state. That affects our school enrollment, our communication tactics (millage elections, etc.), etc.

This information was focused on the immediate five-county area (Grand Traverse, Leelanau, Antrim, Benzie, and Kalkaska). In general, issue areas affecting population growth in this region include affordable housing, availability of childcare providers, wages, and transportation (central job center with people travelling from outside the area to get to their jobs). Creativity with the District's open part-time positions is crucial, and incentives are becoming increasingly important to supplement recruiting efforts. This is becoming particularly important in the Early Childhood programs offered in the District as we are aware of the high demand for before and after school programming, preschool, and summer camp opportunities as less opportunities exist in the region for childcare. For public schools, it is no longer an option to recruit based on a defined benefit pension option to counter higher pay in the private sector. This has contributed to the difficult task of attracting qualified candidates within many sectors of the workforce. It is typically more cost effective to retain employees rather than recruit and train new employees, so it will be important to increase inventiveness as it relates to recruiting and retaining employees in various groups within the district.

It is unknown if the State will provide future increases to schools that keep up with the rate of inflation, particularly on the state foundation allowance, instead of supplementing with categorical funding which restrict the District on the use of funds. Unless the State finds a way to navigate these challenges without negatively impacting the School Aid Fund, including a resolution to the funding inequities that are inherent in the system, the District will have to continue to find a way to absorb inflationary and normal cost increases associated with budget line items or continue to be creative with innovative programming to enhance our revenue opportunities.

One factor that could positively impact TCAPS is the recent addition of a homeschool program at the Interlochen Community School, which was closed as a traditional elementary school in June 2016 due to low enrollment. The homeschool partnership, which is named the Northern Michigan Partnership, provides non-core instruction to the region's homeschool population for additional shared time revenue for the services provided K-12. This new program was started in January of 2017 with a total of 63 students participating. The excitement around this program continues to grow and the expectation is that the program will serve approximately 120-180 students in the 2017/2018 fiscal year. With the increase in enrollment and the new cap on shared time services being limited to .75 full time equivalency (FTE) per student, TCAPS may see a total FTE increase in this program of approximately 60 FTE which will positively impact our budget. In addition to the positive budget impact, this partnership is providing public school programming to nearly 200 students within the region who do not currently have any involvement in the public school system. This initiative offers the students a variety of program enhancements that they might not otherwise have access to.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Traverse City Area Public Schools, at 412 Webster Street, Traverse City, MI 49686. We can be reached by phone at (231) 933-1735.

BASIC FINANCIAL STATEMENTS

TRAVERSE CITY AREA PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental activities
ASSETS:	
Cash and cash equivalents	\$ 7,496,774
Receivables:	
Accounts receivable	593,504
Interest receivable	16,792
Taxes receivable	80,607
Intergovernmental	10,584,780
Inventories	129,254
Prepays	1,139,190
Restricted cash and cash equivalents	25,919,059
Capital assets not being depreciated	4,085,902
Capital assets, net of accumulated depreciation	<u>135,349,462</u>
TOTAL ASSETS	<u>185,395,324</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Related to pensions	<u>21,683,066</u>
LIABILITIES:	
Accounts payable	1,070,775
Accrued salaries and related items	6,966,659
Accrued retirement	2,644,637
Accrued interest	320,059
Unearned revenue	1,152,564
Noncurrent liabilities:	
Due within one year	13,187,157
Due in more than one year	59,604,711
Net pension liability	<u>147,184,105</u>
TOTAL LIABILITIES	<u>232,130,667</u>
DEFERRED INFLOWS OF RESOURCES:	
Related to pensions	494,673
Related to state aid funding for pension	<u>4,551,373</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,046,046</u>
NET POSITION:	
Net investment in capital assets	93,414,229
Restricted for debt service	1,269,843
Unrestricted	<u>(124,782,395)</u>
TOTAL NET POSITION	<u>\$ (30,098,323)</u>

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

TRAVERSE CITY AREA PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net position
Governmental activities:				
Instruction	\$ 57,716,952	\$ 1,056,231	\$ 3,704,172	\$ (52,956,549)
Support services	40,163,580	1,911,478	1,538,251	(36,713,851)
Community services	3,592,029	3,111,957	215,533	(264,539)
Intergovernmental	2,329,778	-	3,730	(2,326,048)
Food services	4,835,049	2,336,497	2,608,859	110,307
Interest on long-term debt	2,249,605	-	-	(2,249,605)
Unallocated depreciation*	2,640,866	-	-	(2,640,866)
Total governmental activities	<u>\$ 113,527,859</u>	<u>\$ 8,416,163</u>	<u>\$ 8,070,545</u>	<u>(97,041,151)</u>
General revenues:				
Property taxes, levied for general purposes				31,830,413
Property taxes, levied for debt service				14,182,505
Investment earnings				138,609
State sources - unrestricted				48,811,418
Traverse Bay Area ISD				2,038,122
Other				<u>1,102,040</u>
Total general revenues				<u>98,103,107</u>
CHANGE IN NET POSITION				1,061,956
NET POSITION, beginning of year				<u>(31,160,279)</u>
NET POSITION, end of year				<u><u>\$ (30,098,323)</u></u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

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

**TRAVERSE CITY AREA PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>General fund</u>	<u>2016 Capital projects fund</u>	<u>2014 Capital projects fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
ASSETS					
ASSETS:					
Cash and cash equivalents	\$ 4,467,361	\$ -	\$ -	\$ 3,029,413	\$ 7,496,774
Receivables:					
Property taxes receivable	46,573	-	-	34,034	80,607
Accounts receivable	540,364	-	-	53,140	593,504
Interest	-	16,792	-	-	16,792
Intergovernmental	10,457,205	-	-	127,575	10,584,780
Due from other funds	254,981	-	15,890	533,041	803,912
Inventories	70,227	-	-	59,027	129,254
Prepaid items	1,139,190	-	-	-	1,139,190
Restricted cash and cash equivalents	-	22,628,104	3,290,955	-	25,919,059
TOTAL ASSETS	<u>\$ 16,975,901</u>	<u>\$ 22,644,896</u>	<u>\$ 3,306,845</u>	<u>\$ 3,836,230</u>	<u>\$ 46,763,872</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 772,189	\$ 163,158	\$ 84,322	\$ 51,106	\$ 1,070,775
Accrued salaries and related items	6,966,659	-	-	-	6,966,659
Accrued retirement	2,644,637	-	-	-	2,644,637
Due to other funds	331,159	206,749	51,080	214,924	803,912
Unearned revenue	1,063,257	-	-	89,307	1,152,564
TOTAL LIABILITIES	<u>11,777,901</u>	<u>369,907</u>	<u>135,402</u>	<u>355,337</u>	<u>12,638,547</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	44,727	-	-	32,087	76,814
FUND BALANCES:					
Nonspendable:					
Inventories	70,227	-	-	59,027	129,254
Prepaid items	1,139,190	-	-	-	1,139,190
Restricted:					
Capital projects - bond proceeds	-	22,274,989	3,171,443	-	25,446,432
Debt service - general obligated debt	-	-	-	1,589,902	1,589,902
Food service - basic programs	-	-	-	697,342	697,342

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

	<u>General fund</u>	<u>2016 Capital projects fund</u>	<u>2014 Capital projects fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
FUND BALANCES (Concluded):					
Assigned:					
Building carryover	\$ 656,345	\$ -	\$ -	\$ -	\$ 656,345
Department carryover	200,305	-	-	-	200,305
Severance pay	1,324,301	-	-	-	1,324,301
Subsequent year expenditures	1,620,915	-	-	126,136	1,747,051
Capital projects funds	-	-	-	741,514	741,514
Community service	-	-	-	234,885	234,885
Unassigned	141,990	-	-	-	141,990
TOTAL FUND BALANCES	<u>5,153,273</u>	<u>22,274,989</u>	<u>3,171,443</u>	<u>3,448,806</u>	<u>34,048,511</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 16,975,901</u>	<u>\$ 22,644,896</u>	<u>\$ 3,306,845</u>	<u>\$ 3,836,230</u>	<u>\$ 46,763,872</u>
Total governmental fund balances					\$ 34,048,511
Amounts reported for governmental activities in the statement of net position are difference because:					
Deferred outflows of resources - related to pensions				\$ 21,683,066	
Deferred inflows of resources - related to pensions				(494,673)	
Deferred inflows of resources - related to state pension funding				<u>(4,551,373)</u>	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:					16,637,020
The cost of the capital assets is				262,094,814	
Accumulated depreciation is				<u>(122,659,450)</u>	
					139,435,364
Long-term liabilities are not due and payable in the current period and are not reported in the funds:					
Bonds payable					(71,467,567)
Net pension liability					(147,184,105)
Compensated absences and termination benefits					(1,324,301)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid					(320,059)
Unavailable revenue at June 30, 2017, expected to be collected after September 1, 2017					<u>76,814</u>
Net position of governmental activities					<u><u>\$ (30,098,323)</u></u>

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

TRAVERSE CITY AREA PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	<u>General fund</u>	<u>2016 Capital projects fund</u>	<u>2014 Capital projects fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
REVENUES:					
Local sources:					
Property taxes	\$ 31,844,987	\$ -	\$ -	\$ 14,173,916	\$ 46,018,903
Tuition	1,056,231	-	-	2,698,755	3,754,986
Investment earnings	65,440	59,618	10,015	3,536	138,609
Food sales and community service	-	-	-	2,139,981	2,139,981
Other	2,513,301	-	-	667,208	3,180,509
Total local sources	35,479,959	59,618	10,015	19,683,396	55,232,988
State sources	52,219,420	-	-	444,648	52,664,068
Federal sources	2,060,213	-	-	2,393,659	4,453,872
Intergovernmental revenues	2,622,009	-	-	-	2,622,009
Total revenues	92,381,601	59,618	10,015	22,521,703	114,972,937
EXPENDITURES:					
Current:					
Instruction	57,462,857	-	-	-	57,462,857
Supporting services	35,938,445	-	-	-	35,938,445
Food service activities	-	-	-	4,798,847	4,798,847
Community service activities	95,433	-	-	3,452,215	3,547,648
Intergovernmental expenditures	63,796	-	-	-	63,796
Capital outlay	-	3,770,410	1,339,069	239,961	5,349,440

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

	<u>General fund</u>	<u>2016 Capital projects fund</u>	<u>2014 Capital projects fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
EXPENDITURES (Concluded):					
Debt service:					
Principal repayment	\$ -	\$ -	\$ -	\$ 11,915,000	\$ 11,915,000
Interest	-	-	-	2,270,949	2,270,949
Other	-	500	500	17,917	18,917
	<u>93,560,531</u>	<u>3,770,910</u>	<u>1,339,569</u>	<u>22,694,889</u>	<u>121,365,899</u>
Total expenditures					
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,178,930)</u>	<u>(3,711,292)</u>	<u>(1,329,554)</u>	<u>(173,186)</u>	<u>(6,392,962)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of capital assets	225,658	-	-	10,547	236,205
Transfers in	140,178	-	-	129,821	269,999
Transfers out	<u>(129,821)</u>	<u>-</u>	<u>-</u>	<u>(140,178)</u>	<u>(269,999)</u>
	<u>236,015</u>	<u>-</u>	<u>-</u>	<u>190</u>	<u>236,205</u>
Total other financing sources (uses)					
NET CHANGE IN FUND BALANCES	<u>(942,915)</u>	<u>(3,711,292)</u>	<u>(1,329,554)</u>	<u>(172,996)</u>	<u>(6,156,757)</u>
FUND BALANCES:					
Beginning of year	<u>6,096,188</u>	<u>25,986,281</u>	<u>4,500,997</u>	<u>3,621,802</u>	<u>40,205,268</u>
End of year	<u>\$ 5,153,273</u>	<u>\$ 22,274,989</u>	<u>\$ 3,171,443</u>	<u>\$ 3,448,806</u>	<u>\$ 34,048,511</u>

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

TRAVERSE CITY AREA PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Net change in fund balances total governmental funds	\$ (6,156,757)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(8,591,576)
Capital outlay	5,319,614
Book value of capital assets disposed of during the year	(564,606)
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	341,403
Accrued interest payable, end of the year	(320,059)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items are as follows:	
Payments on debt	11,915,000
Amortization of bond premium	281,046
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Unavailable revenue, beginning of the year	(82,799)
Unavailable revenue, end of the year	76,814
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences and termination benefits, beginning of the year	1,188,002
Accrued compensated absences and termination benefits, end of the year	(1,324,301)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Pension related items	(406,482)
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period:	
State aid funding for pension, beginning of year	3,938,030
State aid funding for pension, end of year	(4,551,373)
Change in net position of governmental activities	<u><u>\$ 1,061,956</u></u>

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

**TRAVERSE CITY AREA PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2017**

	<u>Agency fund</u>
ASSETS:	
Cash	<u><u>\$ 1,004,762</u></u>
LIABILITIES:	
Due to student and other groups	<u><u>\$ 1,004,762</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

B. Reporting Entity

The Traverse City Area Public Schools (the “District”) is governed by the Traverse City Area Public Schools (the “Board”), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

C. Basis of Presentation - Government-wide Financial Statements

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

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

D. Basis of Presentation - Fund Financial Statements

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

**TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Continued)

The District reports the following major governmental funds:

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

The *2016 and 2014 capital projects* funds account for the receipt of debt proceeds and the acquisition or construction of capital facilities or equipment held by the District.

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.

The following is a summary of the cumulative revenue and expenditures for the 2014 and 2016 school bonds' activity:

	<u>2014 Bonds</u>	<u>2016 Bonds</u>
Revenue	<u>\$ 26,557</u>	<u>\$ 62,446</u>
Expenditures and transfers	<u>\$ 10,355,114</u>	<u>\$ 5,347,738</u>

The above revenue figures do not include original 2014 and 2016 school bond proceeds of \$13,500,000 and \$27,560,281 respectively.

Additionally, the District reports the following nonmajor fund types:

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

The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District maintains debt service funds for the 2007, 2008, 2010, 2012, 2014, 2016, 2008 refunding, and 2015 refunding bond issues.

The *capital projects funds* account for the receipt of debt proceeds and transfers from the general fund for the acquisition of capital assets or construction of major capital projects. The District maintains one nonmajor capital projects fund for various assigned purposes.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Concluded)

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

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

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

E. Measurement Focus and Basis of Accounting

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

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The government-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 revenue as soon as all eligibility requirements imposed by the provider have been met.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

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

F. Budgetary Information

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund(s). The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information (Concluded)

4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2017. The District does not consider these amendments to be significant.

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

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and money market accounts.

2. Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity.

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

3. Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

3. Inventories and prepaid items (Concluded)

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

4. Capital assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated 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 assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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

<u>Capital asset classes</u>	<u>Lives</u>
Land improvements	20
Buildings and additions	50
Machinery and equipment	5 - 15
Transportation equipment	8

5. Defined benefit plan

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

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

6. Deferred outflows/inflows of resources

Deferred outflows

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 only has one item that qualifies for reporting in this category. A deferred outflow is recognized for pension related items. These amounts are expensed in the plan year in which they apply.

Deferred inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first item arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from receipts that are received after 60 days of year end. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available. The second item is the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary. The third is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

7. Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

8. Fund balance flow assumptions

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

9. Fund balance policies

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

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

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Concluded)

9. Fund balance policies (Concluded)

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

H. Revenues and Expenditures/Expenses

1. Program revenues

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

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Revenues and Expenditures/Expenses (Concluded)

2. Property taxes (Concluded)

For the year ended June 30, 2017, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General Fund:	
Non-Principal Residence Exemption (PRE)	18.00
Commercial Personal Property	6.00
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	3.10

3. Compensated absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

4. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The general fund and food service funds have been used in prior years to liquidate long-term liabilities other than debt.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2017, the District had the following investments:

Investment Type	Fair value	Weighted average maturity (years)	Rating	%
MILAF External Investment pool - MIMAX	\$ 1,002,016	0.0027	AAAm	3.65%
MBIA External Investment pool - CLASS	558,922	0.0027	AAAm	2.03%
Federal Agency Notes	15,660,036	0.4530	AA+	56.99%
U.S. Treasury Notes	998,436	0.0027	AA+	3.63%
Federated Treasury obligations - money market	9,260,587	0.0027	AAAm	33.70%
Total fair value	<u>\$ 27,479,997</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>0.2592</u>		
1 day maturity equals 0.0027, one year equals 1.00				

The District voluntarily invests certain excess funds in external pooled investment funds, which included money market funds. The pooled investment fund utilized by the District are the Michigan Investment Liquid Asset Fund (MILAF). These are external pooled investment funds of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports, as of June 30, 2017, the fair value of the District’s investments is the same as the value of the pool shares.

MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. The money market funds are also recorded at amortized cost which approximate fair value. These funds are not subject to the fair value disclosures.

The other fund is MBIA – Class. MBIA is a local government investment pool of “qualified” investments of Michigan school districts. This fund is recorded at amortized cost and is not subject to fair value disclosures. MBIA is not regulated, nor is it registered with the SEC and report, and it reports as of June 30, 2017, the fair value of the district’s investments as the same as the value of the pooled shares.

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

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The District does not allow direct investment in commercial paper or corporate bonds.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District will take steps to ensure that no more than 40% of its funds are invested in the same investment pool or held by the same bank.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2017, \$6,281,118 of the District's bank balance of \$7,361,904 was exposed to custodial credit risk because it was uninsured and uncollateralized. Interest bearing accounts, money markets, and certificates of deposit are included in the above totals.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

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

Fair value measurement. The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a market value summary by the level of the inputs used, as of June 30, 2017, in evaluating the District's assets carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

The District's U.S. Treasury Notes are valued at Level 1. The District's Federal Agency Notes are valued at Level 2.

At June 30, 2017, the carrying amount is as follows:

Deposits - including fiduciary funds of \$1,004,762	\$ 6,940,598
Investments	<u>27,479,997</u>
	<u><u>\$ 34,420,595</u></u>

The above amounts are reported in the financial statements as follows:

Cash agency fund	\$ 1,004,762
Government-wide:	
Cash and cash equivalents	7,496,774
Restricted cash and cash equivalents - capital projects	<u>25,919,059</u>
	<u><u>\$ 34,420,595</u></u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 3 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2016	Additions	Reclassifications / deletions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 3,169,925	\$ -	\$ -	\$ 3,169,925
Construction in progress	688,421	2,505,369	2,277,813	915,977
Total capital assets not being depreciated	3,858,346	2,505,369	2,277,813	4,085,902
Capital assets being depreciated:				
Land improvements	10,496,551	563,271	125,824	10,933,998
Buildings and additions	198,896,442	2,459,905	2,224,160	199,132,187
Machinery and equipment	37,167,748	1,043,305	172,096	38,038,957
Transportation equipment	9,380,006	1,025,577	501,813	9,903,770
Total capital assets being depreciated	255,940,747	5,092,058	3,023,893	258,008,912
Less accumulated depreciation:				
Land improvements	3,699,866	524,772	59,195	4,165,443
Buildings and additions	79,587,740	4,331,175	1,764,823	82,154,092
Machinery and equipment	27,193,111	2,814,540	133,455	29,874,196
Transportation equipment	6,046,444	921,089	501,814	6,465,719
Total accumulated depreciation	116,527,161	8,591,576	2,459,287	122,659,450
Total capital assets being depreciated, net	139,413,586	(3,499,518)	564,606	135,349,462
Net capital assets	\$ 143,271,932	\$ (994,149)	\$ 2,842,419	\$ 139,435,364

Depreciation expense was charged to programs of the government as follows:

Instructional	\$ 23,346
Support service	3,638,267
Food service	18,940
Community service	4,175
Intergovernmental	2,265,982
Unallocated	2,640,866
	<u>\$ 8,591,576</u>

Depreciation of capital assets that serve multiple functions is recorded as unallocated.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 4 - LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

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

	Accumulated compensated absences	Accumulated termination benefits	Bonds and other debt	Total
Balance, July 1, 2016	\$ 288,500	\$ 899,502	\$ 83,663,613	\$ 84,851,615
Additions	417,700	237,225	-	654,925
Deletions	<u>288,500</u>	<u>230,126</u>	<u>12,196,046</u>	<u>12,714,672</u>
Balance, June 30, 2017	417,700	906,601	71,467,567	72,791,868
Due within one year	<u>417,700</u>	<u>189,457</u>	<u>12,580,000</u>	<u>13,187,157</u>
Due in more than one year	<u>\$ -</u>	<u>\$ 717,144</u>	<u>\$ 58,887,567</u>	<u>\$ 59,604,711</u>

The general fund and food service funds have been used in prior years to liquidate long-term liabilities other than debt.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 4 - LONG-TERM DEBT (Continued)

Bonds payable at June 30, 2017 is comprised of the following issues:

	Amount outstanding	Original borrowing
2008 school building and site bonds due in an annual installment of \$3,175,000 through May 1, 2018, with interest at 3.75%.	\$ 3,175,000	\$ 30,000,000
2008 refunding bonds due in annual installments of \$2,235,000 to \$2,280,000 through May 1, 2020, with interest at 5.00%.	6,775,000	27,535,000
2010 school building and site bonds due in annual installments of \$4,000,000 to \$5,475,000 through May 1, 2020, with interest at 3.25% to 3.50%.	14,900,000	23,250,000
2012 school building and site bonds due in annual installments of \$475,000 to \$3,000,000 through May 1, 2022, with interest at 2.30%.	10,225,000	11,000,000
2014 school building and site bonds due in annual installments of \$750,000 to \$1,950,000 through May 1, 2024, with interest at .75% to 2.65%.	9,650,000	13,500,000
2016 school building and site bonds due in annual installments of \$1,500,000 to \$3,550,000 through May 1, 2026, with interest at 2.00%.	25,575,000	26,880,000
Plus premiums on bond issuance, net of amortization	<u>1,167,567</u>	
Total general obligation bonded debt	71,467,567	
Other accrued benefits:		
Obligation under contract for compensated absences	417,700	
Obligation under contract for termination benefits	<u>906,601</u>	
Total general long term debt	<u><u>\$ 72,791,868</u></u>	

The District records a liability for compensated absences and other retirement commitments based on individual contracts.

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earning from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the District's government-wide financial statements. Of June 30, 2017, \$14,485,000 of bonds outstanding are considered defeased.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 4 - LONG-TERM DEBT (Concluded)

As of June 30, 2017 \$1,589,902 is available to service the general obligation debt.

The annual requirements to amortize debt outstanding as of June 30, 2017, including interest payments of \$6,659,970 are as follows:

Year ending June 30,	Principal	Interest	Amounts payable
2018	\$ 12,580,000	\$ 1,920,358	\$ 14,500,358
2019	11,735,000	1,495,496	13,230,496
2020	12,035,000	1,117,502	13,152,502
2021	8,025,000	723,426	8,748,426
2022	8,175,000	553,288	8,728,288
2023 - 2026	17,750,000	849,900	18,599,900
	70,300,000	6,659,970	76,959,970
Premium on bond issuance	1,167,567	-	1,167,567
Compensated absences	417,700	-	417,700
Termination benefits	906,601	-	906,601
	<u>\$ 72,791,868</u>	<u>\$ 6,659,970</u>	<u>\$ 79,451,838</u>

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2017 are as follows:

Payable fund		Receivable fund	
General	\$ 331,159	General	\$ 254,981
2016 Capital projects	206,749	2016 Capital projects	-
2014 Capital projects	51,080	2014 Capital projects	15,890
Other nonmajor governmental	214,924	Other nonmajor governmental	533,041
	<u>\$ 803,912</u>		<u>\$ 803,912</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made. All amounts are expected to be repaid within one year.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)**

NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (System) 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. MPERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www://michigan.gov/mpsers-cafr.

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 of the system.

Benefits Provided

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPERS is as follows:

<u>Plan name</u>	<u>Plan type</u>	<u>Plan status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. 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. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)**

NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Pension Reform 2010

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

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund. Members who elected under Option 1 to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP).

Regular Retirement (no reduction factor for age)

Eligibility - Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - Total credited service as of the Transition Date times 1.5% of final average compensation.

Pension Plus

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 - Credited Service after the Transition Date times 1.5% times FAC.

Option 2 - Credited Service after the Transition Date (until total service reaches 30 years) times 1.5% times FAC, PLUS Credited Service after the Transition Date and over 30 years times 1.25% times FAC.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)**

NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Pension Plus (Concluded)

Option 3 - Credited Service after the Transition Date times 1.25% times FAC.

Option 4 - None (member will receive benefit through a Defined Contribution plan). As a DC participant they receive a 4% employer contribution to a tax - deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the Transition Date.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7%. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). 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 September 30, 2016 valuation will be amortized over a 20-year period for fiscal year 2016.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

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

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Employer Contributions (Concluded)

The District's pension contributions for the year ended June 30, 2017 were equal to the required contribution total. Pension contributions were approximately \$14,226,000, with \$13,959,000 specifically for the Defined Benefit Plan. These amounts include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate. (72.88% for pension and 27.12% for OPEB).

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

Pension Liabilities

At June 30, 2017, the District reported a liability of \$147,184,105 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2015 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2016 and 2015, the District's proportion was 0.58994% and 0.59021%.

<u>MPSERS (Plan) Non-university employers</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Total Pension Liability	\$ 67,917,445,078	\$ 66,312,041,902
Plan Fiduciary Net Position	\$ 42,968,263,308	\$ 41,887,015,147
Net Pension Liability	\$ 24,949,181,770	\$ 24,425,026,755
Proportionate share	0.58994%	0.59021%
Net Pension liability for the District	\$ 147,184,105	\$ 144,159,119

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

For the year ended June 30, 2017, the District recognized pension expense of \$14,365,672.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded)

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

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	\$ 2,301,108	\$ -
Net difference between projected and actual plan investment earnings	2,446,199	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,233,447	145,843
Differences between expected and actual experience	1,834,303	348,830
Reporting Unit's contributions subsequent to the measurement date	12,868,009	-
	<u>\$ 21,683,066</u>	<u>\$ 494,673</u>

\$12,868,009, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

<u>Year ended September 30,</u>	<u>Amount</u>
2017	\$ 1,941,380
2018	1,749,018
2019	4,088,773
2020	541,213

Actuarial Assumptions

Investment rate of return - 8.0% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus Plan).

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation - 2.5%

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

Mortality assumptions - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2025 using projection scale BB for men and women were used.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2015. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

The long-term expected rate of return on pension plan investments - The rate was 8% (7% Pension Plus Plan) net of investment and administrative expenses was determined using building block a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Investment category</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Domestic Equity Pools	28.00%	5.90%
Alternate Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Real Estate and Infrastructure Pools	10.00%	4.30%
Fixed Income Pools	10.50%	0.90%
Absolute Return Pools	15.50%	6.00%
Short Term Investment Pools	2.00%	0.00%
	<u>100.00%</u>	

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

Discount rate - The discount rate used to measure the total pension liability was 8% (7% for Pension Plus Plan). The discount rate did not change from the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)**

NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Actuarial Assumptions (Concluded)

Sensitivity of the net pension liability to changes in the discount rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using the discount rate of 8.0% (7% for Pension Plus Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease (6.0% - 7.0%)</u>	<u>Discount rate (7.0% - 8.0%)</u>	<u>1% Increase (8.0% - 9.0%)</u>
Reporting unit's proportionate share of the net pension liability	<u>\$ 189,536,080</u>	<u>\$ 147,184,105</u>	<u>\$ 111,477,318</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2016 Comprehensive Annual Financial Report.

Payable to the Pension Plan - At year end the School District is current on all required pension plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

Other Information

Discount Rate - Assumed Rate of Return

On February 23, 2017, in accordance with PA 300 of 1980, as amended, the Michigan Public Schools Employees' Retirement System's Board approved a decrease in the assumed investment rate of return (discount rate) used in the System's annual actuarial valuation for the non-hybrid defined benefit pension plan from 8% to 7.5% effective for the fiscal year 2016 valuation and following.

The September 30, 2016 Annual Actuarial Valuation Report will be used to establish the employer contribution for fiscal year beginning October 1, 2018 and will be based upon the 7.5% investment rate of return assumption. The actuarial computed employer contributions and the net pension liability will increase as a result of lowering the assumed investment rate of return.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)**

NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Other Information (Concluded)

Pension Reform 2017

Senate Bill 401, amends the Public School Employees Retirement Act (PA 300 of 1980, as amended).

The bill closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new option revised hybrid plan with similar plan benefit calculations but contains a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The bill includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefit Provisions - Other Postemployment

Introduction

Benefit provisions of the postemployment healthcare plan are established by state statute, which may be amended. The postemployment healthcare plan is a cost sharing multiple employer defined plan. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

MPSERS, which includes the defined benefit plan and the postemployment healthcare plan, issues a publicly available Comprehensive Annual Financial Report that can be obtained at www://michigan.gov/mpsers-cafr.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Concluded)

Benefit Provisions - Other Postemployment (Concluded)

Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

Employer Contributions

The employer contribution rate ranged from 5.52% to 6.45% of covered payroll for the period October 1, 2013 to March 9, 2015, 2.2% to 2.71% of covered payroll for the period from March 10, 2015 to September 30, 2015, and from 6.4% to 6.83% of covered payroll for the period from October 1, 2015 through September 30, 2016 5.69% to 5.91% of covered payroll for the period from October 1, 2016 through September 30, 2017 dependent upon the employee's date of hire and plan election.

The District postemployment healthcare contributions to MPERS for the years ended June 30, 2017, 2016 and 2015 were approximately \$4,759,000, \$5,121,000, and \$6,457,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 7 - 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; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2017 for any of the prior three years.

NOTE 8 - CONTINGENCIES

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

NOTE 9 - INTERFUND TRANSFERS

The general fund transferred \$10,009 to the food service fund and \$119,812 to the community services fund. The community service fund transferred \$140,178 to the general fund.

The transfers from the general fund to food services and community services funds were used to fund operations. The transfer from the community service fund to the general fund was related to a per pupil allocation, indirect costs, and to help offset operational costs.

NOTE 10 - COMMITMENTS

The District has active capital projects outstanding at June 30, 2017. Approximately \$25,446,000 is restricted and recorded as fund balance in the 2016 and 2014 capital projects funds.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 11 - TAX ABATEMENTS

Effective for the year ended June 30, 2017 the District is required to disclose significant tax abatements as required by GASB statement 77 (tax abatements).

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

<u>Municipality</u>	<u>Type</u>	<u>Taxes abated</u>
Grand Traverse County	IFT	\$ 87,640
Grand Traverse County	Brownfield	163,860
Grand Traverse County	PILOT	709,420
		<u>\$ 960,920</u>

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

There are no significant abatements made by the District.

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued by the GASB in June 2015 and will be effective for the District's 2018 fiscal year. The Statement requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement No. 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Concluded)

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS (Concluded)

Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, was issued by the GASB in January 2017 and will be effective for the District's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

REQUIRED SUPPLEMENTARY INFORMATION

**TRAVERSE CITY AREA PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	GAAP Basis			Variance with
	Original budget	Final budget	Actual	final budget
REVENUES:				
Local sources	\$ 35,978,126	\$ 36,070,008	\$ 35,479,959	\$ (590,049)
State sources	52,457,584	53,003,424	52,219,420	(784,004)
Federal sources	1,647,662	2,506,442	2,060,213	(446,229)
Intergovernmental revenues	2,254,528	2,650,296	2,622,009	(28,287)
Total revenues	92,337,900	94,230,170	92,381,601	(1,848,569)
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	48,250,069	48,725,557	48,283,164	442,393
Added needs	9,455,583	10,048,414	9,179,693	868,721
Total instruction	57,705,652	58,773,971	57,462,857	1,311,114
Supporting services:				
Pupil services	3,261,751	3,501,888	3,455,660	46,228
Instructional staff	4,188,904	4,830,642	4,173,283	657,359
General administration	602,939	595,341	582,946	12,395
School administration	6,696,911	6,622,008	6,515,286	106,722
Business services	1,754,596	1,624,348	1,456,066	168,282
Operation/maintenance	9,004,081	9,015,575	9,183,569	(167,994)
Pupil transportation	5,792,502	5,885,831	5,567,794	318,037
Central services	2,847,284	2,938,668	2,880,693	57,975
Other support services	2,337,948	2,365,598	2,123,148	242,450
Total supporting services	36,486,916	37,379,899	35,938,445	1,441,454
Community services	108,853	146,883	95,433	51,450
Intergovernmental expenditures	92,000	102,647	63,796	38,851
Total expenditures	94,393,421	96,403,400	93,560,531	2,842,869
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,055,521)	(2,173,230)	(1,178,930)	994,300
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	55,000	225,000	225,658	658
Transfers in	135,686	140,256	140,178	(78)
Transfers out	(239,175)	(238,175)	(129,821)	108,354
Total other financing sources (uses)	(48,489)	127,081	236,015	108,934
NET CHANGE IN FUND BALANCE	\$ (2,104,010)	\$ (2,046,149)	(942,915)	\$ 1,103,234
FUND BALANCE:				
Beginning of year			6,096,188	
End of year			<u>\$ 5,153,273</u>	

**TRAVERSE CITY AREA PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2017**

	GAAP Basis		Actual	Variance with final budget
	Original budget	Final budget		
REVENUES:				
Local sources	\$ 2,818,750	\$ 3,257,900	\$ 3,111,957	\$ (145,943)
Federal sources	135,000	135,000	130,457	(4,543)
Total revenues	2,953,750	3,392,900	3,242,414	(150,486)
EXPENDITURES:				
Current:				
Community services:				
Salaries and wages	1,527,708	1,727,048	1,665,588	61,460
Employee benefits	1,118,979	1,279,532	1,245,641	33,891
Purchased services	225,718	264,286	221,377	42,909
Supplies and other	279,347	367,553	319,609	47,944
Capital outlay	26,335	29,956	26,955	3,001
Total expenditures	3,178,087	3,668,375	3,479,170	189,205
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(224,337)	(275,475)	(236,756)	38,719
OTHER FINANCING SOURCES (USES):				
Transfers in	229,175	228,175	119,812	(108,363)
Transfers out	(135,686)	(140,256)	(140,178)	78
Total other financing sources (uses)	93,489	87,919	(20,366)	(108,285)
NET CHANGE IN FUND BALANCE	<u>\$ (130,848)</u>	<u>\$ (187,556)</u>	<u>(257,122)</u>	<u>\$ (69,566)</u>
FUND BALANCE:				
Beginning of year			618,143	
End of year			<u>\$ 361,021</u>	

**TRAVERSE CITY AREA PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2017**

	GAAP Basis			Variance with
	Original budget	Final budget	Actual	final budget
REVENUES:				
Local sources	\$ 2,449,010	\$ 2,322,862	\$ 2,336,497	\$ 13,635
State sources	283,540	351,563	345,657	(5,906)
Federal sources	2,342,450	2,327,700	2,263,202	(64,498)
Total revenues	5,075,000	5,002,125	4,945,356	(56,769)
EXPENDITURES:				
Current:				
Food services:				
Salaries and wages	1,504,303	1,466,975	1,431,627	35,348
Employee benefits	816,879	842,039	815,865	26,174
Purchased services	174,502	144,019	145,584	(1,565)
Supplies and other	2,549,316	2,465,692	2,405,771	59,921
Capital outlay	50,000	72,400	71,877	523
Total expenditures	5,095,000	4,991,125	4,870,724	120,401
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(20,000)	11,000	74,632	63,632
OTHER FINANCING SOURCES (USES):				
Transfers in	20,000	14,000	10,009	(3,991)
NET CHANGE IN FUND BALANCE	\$ -	\$ 25,000	84,641	\$ 59,641
FUND BALANCE:				
Beginning of year			671,728	
End of year			\$ 756,369	

**TRAVERSE CITY AREA PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 9/30 OF EACH FISCAL YEAR)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Reporting unit's proportion of net pension liability (%)	0.58994%	0.59021%	0.57383%
Reporting unit's proportionate share of net pension liability	\$ 147,184,105	\$ 144,159,119	\$ 126,394,985
Reporting unit's covered-employee payroll	\$ 49,699,704	\$ 49,309,700	\$ 48,876,792
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	296.15%	292.35%	258.60%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 6/30 OF EACH FISCAL YEAR)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 13,959,190	\$ 13,090,244	\$ 10,368,358
Contributions in relation to statutorily required contributions	<u>13,959,190</u>	<u>13,090,244</u>	<u>10,368,358</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ 51,887,935	\$ 49,633,783	\$ 49,366,555
Contributions as a percentage of covered-employee payroll	26.90%	26.37%	21.00%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED 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.

ADDITIONAL SUPPLEMENTARY INFORMATION

Major Governmental Fund

General Fund

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

**TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
YEAR ENDED JUNE 30, 2017**

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
LOCAL SOURCES:			
Property taxes	\$ 31,708,760	\$ 31,844,987	\$ 136,227
Tuition	1,054,415	1,056,231	1,816
Investment earnings	50,000	65,440	15,440
Other local revenue	3,256,833	2,513,301	(743,532)
TOTAL LOCAL SOURCES	<u>36,070,008</u>	<u>35,479,959</u>	<u>(590,049)</u>
STATE SOURCES:			
Foundation grant	40,461,103	40,278,549	(182,554)
Special education	2,016,949	2,016,950	1
At risk	1,991,655	1,497,197	(494,458)
Other state revenue	8,533,717	8,426,724	(106,993)
TOTAL STATE SOURCES	<u>53,003,424</u>	<u>52,219,420</u>	<u>(784,004)</u>
FEDERAL SOURCES:			
Title I	1,366,793	1,160,580	(206,213)
Title II - improving teacher quality	777,737	581,793	(195,944)
Other federal revenue	361,912	317,840	(44,072)
TOTAL FEDERAL SOURCES	<u>2,506,442</u>	<u>2,060,213</u>	<u>(446,229)</u>
INTERGOVERNMENTAL SOURCES:			
Special education - ISD and LEA revenue	1,928,616	2,048,122	119,506
Other	721,680	573,887	(147,793)
TOTAL INTERGOVERNMENTAL SOURCES	<u>2,650,296</u>	<u>2,622,009</u>	<u>(28,287)</u>
TOTAL REVENUES	<u>94,230,170</u>	<u>92,381,601</u>	<u>(1,848,569)</u>
OTHER FINANCING SOURCES:			
Proceeds from sale of capital assets	225,000	225,658	658
Transfers in	140,256	140,178	(78)
TOTAL OTHER FINANCING SOURCES	<u>365,256</u>	<u>365,836</u>	<u>580</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 94,595,426</u>	<u>\$ 92,747,437</u>	<u>\$ (1,847,989)</u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2017

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
INSTRUCTION:			
Basic programs:			
Elementary:			
Salaries	\$ 12,782,147	\$ 12,712,834	\$ 69,313
Benefits	9,222,699	9,195,404	27,295
Purchased services	414,234	418,710	(4,476)
Supplies and materials	662,960	643,498	19,462
Other expenses	17,165	255	16,910
Total elementary	<u>23,099,205</u>	<u>22,970,701</u>	<u>128,504</u>
Middle school:			
Salaries	5,862,515	5,862,735	(220)
Benefits	3,938,375	4,076,163	(137,788)
Purchased services	175,433	199,594	(24,161)
Supplies and materials	191,411	93,310	98,101
Other expenses	19,000	9,500	9,500
Capital outlay	458	-	458
Total middle school	<u>10,187,192</u>	<u>10,241,302</u>	<u>(54,110)</u>
High school:			
Salaries	7,989,384	7,698,119	291,265
Benefits	5,257,163	5,238,988	18,175
Purchased services	759,881	949,722	(189,841)
Supplies and materials	249,604	188,254	61,350
Other expenses	46,000	13,577	32,423
Capital outlay	10,650	5,899	4,751
Total high school	<u>14,312,682</u>	<u>14,094,559</u>	<u>218,123</u>
Pre-school:			
Salaries	571,548	524,601	46,947
Benefits	373,025	347,074	25,951
Purchased services	2,256	4,350	(2,094)
Supplies and materials	41,200	35,460	5,740
Total pre-school	<u>988,029</u>	<u>911,485</u>	<u>76,544</u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2017
(Continued)

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
INSTRUCTION (Continued):			
Summer school:			
Salaries	\$ 85,149	\$ 37,881	\$ 47,268
Benefits	37,376	16,148	21,228
Purchased services	4,600	6,679	(2,079)
Supplies and materials	11,324	4,409	6,915
Total summer school	<u>138,449</u>	<u>65,117</u>	<u>73,332</u>
Total basic programs	<u>48,725,557</u>	<u>48,283,164</u>	<u>442,393</u>
Added needs:			
Special education:			
Salaries	3,864,650	3,621,153	243,497
Benefits	2,717,588	2,679,667	37,921
Purchased services	55,000	106,652	(51,652)
Supplies and materials	21,395	4,332	17,063
Other expenses	7,839	8,008	(169)
Capital outlay	11,614	17,632	(6,018)
Total special education	<u>6,678,086</u>	<u>6,437,444</u>	<u>240,642</u>
Compensatory education:			
Salaries	1,648,228	1,473,783	174,445
Benefits	999,812	931,852	67,960
Purchased services	42,083	15,378	26,705
Supplies and materials	301,463	54,776	246,687
Other expenses	138,986	9,314	129,672
Capital outlay	214	-	214
Total compensatory education	<u>3,130,786</u>	<u>2,485,103</u>	<u>645,683</u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2017
(Continued)

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
INSTRUCTION (Concluded):			
Vocational education:			
Salaries	\$ 127,333	\$ 140,949	\$ (13,616)
Benefits	85,960	92,659	(6,699)
Purchased services	5,129	3,277	1,852
Supplies and materials	20,004	19,145	859
Capital outlay	1,116	1,116	-
Total vocational education	<u>239,542</u>	<u>257,146</u>	<u>(17,604)</u>
Total added needs	<u>10,048,414</u>	<u>9,179,693</u>	<u>868,721</u>
TOTAL INSTRUCTION	<u>58,773,971</u>	<u>57,462,857</u>	<u>1,311,114</u>
SUPPORTING SERVICES:			
Pupil services:			
Salaries	2,030,038	1,994,222	35,816
Benefits	1,380,288	1,421,922	(41,634)
Purchased services	34,985	30,467	4,518
Supplies and materials	18,922	8,017	10,905
Other expenses	33,405	1,032	32,373
Capital outlay	4,250	-	4,250
Total pupil services	<u>3,501,888</u>	<u>3,455,660</u>	<u>46,228</u>
Instructional staff:			
Salaries	2,277,897	2,048,520	229,377
Benefits	1,480,155	1,349,045	131,110
Purchased services	713,698	520,145	193,553
Supplies and materials	138,314	111,268	27,046
Other expenses	219,547	143,672	75,875
Capital outlay	1,031	633	398
Total instructional staff	<u>4,830,642</u>	<u>4,173,283</u>	<u>657,359</u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2017
(Continued)

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
SUPPORTING SERVICES (Continued):			
General administration:			
Salaries	\$ 263,185	\$ 266,117	\$ (2,932)
Benefits	161,632	157,821	3,811
Purchased services	127,784	127,226	558
Supplies and materials	11,550	3,145	8,405
Other expenses	30,390	28,637	1,753
Capital outlay	800	-	800
Total general administration	<u>595,341</u>	<u>582,946</u>	<u>12,395</u>
School administration:			
Salaries	3,961,156	3,873,027	88,129
Benefits	2,605,308	2,582,492	22,816
Purchased services	24,028	34,007	(9,979)
Supplies and materials	21,751	18,563	3,188
Other expenses	9,765	4,415	5,350
Capital outlay	-	2,782	(2,782)
Total school administration	<u>6,622,008</u>	<u>6,515,286</u>	<u>106,722</u>
Business services:			
Salaries	692,679	675,052	17,627
Benefits	481,276	466,872	14,404
Purchased services	221,895	166,146	55,749
Supplies and materials	73,468	23,869	49,599
Other expenses	151,281	122,789	28,492
Capital outlay	3,749	1,338	2,411
Total business services	<u>1,624,348</u>	<u>1,456,066</u>	<u>168,282</u>
Operations and maintenance:			
Salaries	2,948,317	2,947,543	774
Benefits	2,113,828	2,110,343	3,485
Purchased services	1,965,242	1,936,027	29,215
Supplies and materials	1,902,388	2,107,570	(205,182)
Other expenses	5,000	2,583	2,417
Capital outlay	80,800	79,503	1,297
Total operations and maintenance	<u>9,015,575</u>	<u>9,183,569</u>	<u>(167,994)</u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2017
(Continued)

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
SUPPORTING SERVICES (Concluded):			
Pupil transportation:			
Salaries	\$ 2,310,582	\$ 2,292,283	\$ 18,299
Benefits	1,867,782	1,774,897	92,885
Purchased services	1,052,458	1,030,160	22,298
Supplies and materials	648,654	465,078	183,576
Other expenses	5,060	5,376	(316)
Capital outlay	1,295	-	1,295
Total pupil transportation	<u>5,885,831</u>	<u>5,567,794</u>	<u>318,037</u>
Central services:			
Salaries	1,334,641	1,428,360	(93,719)
Benefits	916,391	911,757	4,634
Purchased services	528,299	469,173	59,126
Supplies and materials	49,166	45,575	3,591
Other expenses	108,863	25,038	83,825
Capital outlay	1,308	790	518
Total central services	<u>2,938,668</u>	<u>2,880,693</u>	<u>57,975</u>
Other support services:			
Salaries	590,589	609,014	(18,425)
Benefits	341,148	330,814	10,334
Purchased services	788,940	664,147	124,793
Supplies and materials	68,591	41,001	27,590
Other expenses	566,830	473,597	93,233
Capital outlay	9,500	4,575	4,925
Total other support services	<u>2,365,598</u>	<u>2,123,148</u>	<u>242,450</u>
TOTAL SUPPORTING SERVICES	<u>37,379,899</u>	<u>35,938,445</u>	<u>1,441,454</u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2017
(Concluded)

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
COMMUNITY SERVICES:			
Salaries	\$ 39,427	\$ 26,608	\$ 12,819
Benefits	15,496	7,434	8,062
Purchased services	55,797	47,178	8,619
Supplies and materials	29,634	9,436	20,198
Other expenses	842	23	819
Capital outlay	5,687	4,754	933
TOTAL COMMUNITY SERVICES	<u>146,883</u>	<u>95,433</u>	<u>51,450</u>
INTERGOVERNMENTAL EXPENDITURES:			
Payments to other governmental units	<u>102,647</u>	<u>63,796</u>	<u>38,851</u>
TOTAL EXPENDITURES	<u><u>\$ 96,403,400</u></u>	<u><u>\$ 93,560,531</u></u>	<u><u>\$ 2,842,869</u></u>

Nonmajor Governmental Funds

Special Revenue Funds

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

Debt Service Funds

The debt service funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District maintains debt service funds for the 2007, 2008, 2010, 2012, 2014, 2016, 2008 refunding, and 2015 refunding bond issues.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2017**

	Special revenue	Debt service	Capital projects	Total nonmajor funds
ASSETS:				
Cash and cash equivalents	\$ 684,606	\$ 1,598,762	\$ 746,045	\$ 3,029,413
Accounts receivable	53,140	-	-	53,140
Property taxes receivable	-	34,034	-	34,034
Intergovernmental	127,575	-	-	127,575
Due from other funds	328,924	204,117	-	533,041
Inventories	59,027	-	-	59,027
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 1,253,272	\$ 1,836,913	\$ 746,045	\$ 3,836,230
	<hr/>	<hr/>	<hr/>	<hr/>
LIABILITIES:				
Accounts payable	\$ 46,575	\$ -	\$ 4,531	\$ 51,106
Due to other funds	-	214,924	-	214,924
Unearned revenue	89,307	-	-	89,307
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	135,882	214,924	4,531	355,337
	<hr/>	<hr/>	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	-	32,087	-	32,087
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES:				
Nonspendable for inventories	59,027	-	-	59,027
Restricted	697,342	1,589,902	-	2,287,244
Assigned:				
Subsequent year expenditures	126,136	-	-	126,136
Capital projects	-	-	741,514	741,514
Community service	234,885	-	-	234,885
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	1,117,390	1,589,902	741,514	3,448,806
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,253,272	\$ 1,836,913	\$ 746,045	\$ 3,836,230
	<hr/>	<hr/>	<hr/>	<hr/>

TRAVERSE CITY AREA PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2017

	Special revenue	Debt service	Capital projects	Total nonmajor funds
REVENUES:				
Local sources:				
Property taxes	\$ -	\$ 14,173,916	\$ -	\$ 14,173,916
Investment earnings	-	3,536	-	3,536
Food sales and community service	2,139,981	-	-	2,139,981
Tuition	2,698,755	-	-	2,698,755
Other	609,718	-	57,490	667,208
Total local sources	5,448,454	14,177,452	57,490	19,683,396
State sources	345,657	98,991	-	444,648
Federal sources	2,393,659	-	-	2,393,659
Total revenues	8,187,770	14,276,443	57,490	22,521,703
EXPENDITURES:				
Current:				
Food service activities	4,798,847	-	-	4,798,847
Community service activity	3,452,215	-	-	3,452,215
Capital outlay	98,832	-	141,129	239,961
Debt service:				
Principal repayment	-	11,915,000	-	11,915,000
Interest expense	-	2,270,949	-	2,270,949
Other expense	-	17,917	-	17,917
Total expenditures	8,349,894	14,203,866	141,129	22,694,889
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(162,124)	72,577	(83,639)	(173,186)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	-	-	10,547	10,547
Transfers in	129,821	-	-	129,821
Transfers out	(140,178)	-	-	(140,178)
Total other financing sources (uses)	(10,357)	-	10,547	190
NET CHANGE IN FUND BALANCES	(172,481)	72,577	(73,092)	(172,996)
FUND BALANCES:				
Beginning of year	1,289,871	1,517,325	814,606	3,621,802
End of year	\$ 1,117,390	\$ 1,589,902	\$ 741,514	\$ 3,448,806

**TRAVERSE CITY AREA PUBLIC SCHOOLS
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2017**

	<u>Food service</u>	<u>Community service</u>	<u>Total special revenue funds</u>
ASSETS:			
Cash and cash equivalents	\$ 327,667	\$ 356,939	\$ 684,606
Accounts receivable	49,030	4,110	53,140
Intergovernmental	88,047	39,528	127,575
Due from other funds	328,924	-	328,924
Inventories	59,027	-	59,027
TOTAL ASSETS	<u>\$ 852,695</u>	<u>\$ 400,577</u>	<u>\$ 1,253,272</u>
LIABILITIES:			
Accounts payable	\$ 27,329	\$ 19,246	\$ 46,575
Unearned revenue	68,997	20,310	89,307
TOTAL LIABILITIES	<u>96,326</u>	<u>39,556</u>	<u>135,882</u>
FUND BALANCES:			
Nonspendable for inventories	59,027	-	59,027
Restricted	697,342	-	697,342
Assigned:			
Subsequent year expenditures	-	126,136	126,136
Community service	-	234,885	234,885
TOTAL FUND BALANCES	<u>756,369</u>	<u>361,021</u>	<u>1,117,390</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 852,695</u>	<u>\$ 400,577</u>	<u>\$ 1,253,272</u>

**TRAVERSE CITY AREA PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2017**

	Food service	Community service	Total special revenue funds
REVENUES:			
Sales	\$ 1,781,562	\$ -	\$ 1,781,562
Tuition	-	2,698,755	2,698,755
State sources	345,657	-	345,657
Federal sources	2,263,202	130,457	2,393,659
Admissions	-	358,419	358,419
Other	554,935	54,783	609,718
	<u>4,945,356</u>	<u>3,242,414</u>	<u>8,187,770</u>
Total revenues			
EXPENDITURES:			
Salaries	1,431,627	1,665,588	3,097,215
Benefits	815,865	1,245,641	2,061,506
Purchased services	145,584	221,377	366,961
Supplies and materials	2,383,540	219,538	2,603,078
Capital outlay	71,877	26,955	98,832
Other expenses	22,231	100,071	122,302
	<u>4,870,724</u>	<u>3,479,170</u>	<u>8,349,894</u>
Total expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>74,632</u>	<u>(236,756)</u>	<u>(162,124)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	10,009	119,812	129,821
Transfers out	-	(140,178)	(140,178)
	<u>10,009</u>	<u>(20,366)</u>	<u>(10,357)</u>
Total other financing sources (uses)			
NET CHANGE IN FUND BALANCES	84,641	(257,122)	(172,481)
FUND BALANCES:			
Beginning of year	<u>671,728</u>	<u>618,143</u>	<u>1,289,871</u>
End of year	<u><u>\$ 756,369</u></u>	<u><u>\$ 361,021</u></u>	<u><u>\$ 1,117,390</u></u>

**TRAVERSE CITY AREA PUBLIC SCHOOLS
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2017**

	2007	2008	2008 Refunding	2010	2012	2014	2015 Refunding	2016	Total debt service funds
ASSETS:									
Cash and cash equivalents	\$ 85,400	\$ 335,307	\$ 288,156	\$ 296,826	\$ 60,716	\$ 176,340	\$ 109,415	\$ 246,602	\$ 1,598,762
Due from other funds	440	2,153	196,064	1,943	278	2,235	786	218	204,117
Property taxes receivable	-	-	-	-	-	34,034	-	-	34,034
TOTAL ASSETS	\$ 85,840	\$ 337,460	\$ 484,220	\$ 298,769	\$ 60,994	\$ 212,609	\$ 110,201	\$ 246,820	\$ 1,836,913
LIABILITIES:									
Due to other funds	\$ 85,840	\$ 3,291	\$ 2,685	\$ 2,890	\$ 435	\$ 7,578	\$ 110,201	\$ 2,004	\$ 214,924
DEFERRED INFLOWS OF RESOURCES:									
Unavailable revenue - property taxes	-	-	-	-	-	32,087	-	-	32,087
FUND BALANCES:									
Restricted for debt service	-	334,169	481,535	295,879	60,559	172,944	-	244,816	1,589,902
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 85,840	\$ 337,460	\$ 484,220	\$ 298,769	\$ 60,994	\$ 212,609	\$ 110,201	\$ 246,820	\$ 1,836,913

**TRAVERSE CITY AREA PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2017**

	2007	2008	2008 Refunding	2010	2012	2014	2015 Refunding	2016	Total debt service funds
REVENUES:									
Local sources:									
Property taxes	\$ 669,705	\$ 3,346,500	\$ 2,925,011	\$ 2,939,009	\$ 442,589	\$ 910,083	\$ 902,675	\$ 2,038,344	\$ 14,173,916
Interest	259	1,059	768	798	95	172	382	3	3,536
State sources	5,288	23,445	19,131	20,590	3,101	6,067	7,089	14,280	98,991
Total revenues	675,252	3,371,004	2,944,910	2,960,397	445,785	916,322	910,146	2,052,627	14,276,443
EXPENDITURES:									
Principal repayment	735,000	3,150,000	2,300,000	2,400,000	225,000	750,000	1,050,000	1,305,000	11,915,000
Interest expense	29,400	237,188	453,750	587,719	240,350	211,775	10,500	500,267	2,270,949
Other	1,507	4,105	3,488	2,947	694	1,117	1,515	2,544	17,917
Total expenditures	765,907	3,391,293	2,757,238	2,990,666	466,044	962,892	1,062,015	1,807,811	14,203,866
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(90,655)	(20,289)	187,672	(30,269)	(20,259)	(46,570)	(151,869)	244,816	72,577
NET CHANGE IN FUND BALANCES	(90,655)	(20,289)	187,672	(30,269)	(20,259)	(46,570)	(151,869)	244,816	72,577
FUND BALANCES:									
Beginning of year	90,655	354,458	293,863	326,148	80,818	219,514	151,869	-	1,517,325
End of year	\$ -	\$ 334,169	\$ 481,535	\$ 295,879	\$ 60,559	\$ 172,944	\$ -	\$ 244,816	\$ 1,589,902

Fiduciary Funds

Agency Fund

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

Agency Fund - The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

TRAVERSE CITY AREA PUBLIC SCHOOLS
STATEMENT OF CHANGES IN LIABILITIES BY ACTIVITY - AGENCY FUND
YEAR ENDED JUNE 30, 2017

	Balance			Balance
	July 1, 2016	Additions	Deductions	June 30, 2017
Business finance	\$ 2,445	\$ -	\$ -	\$ 2,445
Blair	18,714	19,907	16,769	21,852
International School - BV	996	-	-	996
Central	79,491	61,863	64,882	76,472
Cherry Knoll	11,395	35,661	28,469	18,587
Courtade	9,982	45,611	42,706	12,887
Central Senior	104,085	314,051	314,942	103,194
Curriculum - I	577	-	-	577
District	77,818	55,411	46,634	86,595
Eastern	19,336	32,123	35,056	16,403
East Middle School	65,285	123,317	118,455	70,147
Elementary	7,734	3,104	2,018	8,820
English Second Language	3,514	-	-	3,514
Front Street Writer	674	-	-	674
Human resources	785	1,811	2,376	220
Home School	-	1,207	-	1,207
Interlochen	12,000	253	12,234	19
Long Lake	11,695	33,380	31,990	13,085
Montessori	19,805	45,755	44,958	20,602
Music	952	164,278	164,784	446
Nursing	7,940	3,657	6,908	4,689
Oak Park Elementary	343	-	-	343
Old Mission	20,612	9,129	11,840	17,901
Operations/maintenance	439	53	-	492
Quality schools	10,061	-	-	10,061
Reading Center	-	4,000	-	4,000
Silver Lake	13,344	25,072	19,915	18,501
Sponsorship Program	8,552	-	-	8,552
Special education	1,354	-	-	1,354
Superintendent	5,416	-	-	5,416

TRAVERSE CITY AREA PUBLIC SCHOOLS
STATEMENT OF CHANGES IN LIABILITIES BY ACTIVITY - AGENCY FUND
YEAR ENDED JUNE 30, 2017
(Concluded)

	Balance				Balance
	July 1, 2016	Additions	Deductions		June 30, 2017
Technology	\$ 23,320	\$ 26,422	\$ 10,295	\$	39,447
Traverse Heights	(1,439)	25,912	19,815		4,658
Transportation	3,751	1,028	1,801		2,978
Traverse Senior	36,318	14,291	13,142		37,467
Willow Hill	22,118	64,079	58,172		28,025
West Middle School	66,396	155,896	178,352		43,940
West Senior	153,078	570,399	548,744		174,733
Westwoods	295	69,776	55,006		15,065
West Middle School - Athletics	5,578	37,470	37,546		5,502
Central Senior - Athletics	(25,974)	426,457	368,379		32,104
District - Athletics	-	497	497		-
East Middle School - Athletics	39,005	17,329	18,276		38,058
Senior High Coop - Athletics	41	14,236	15,469		(1,192)
West Senior - Athletics	69,757	133,070	148,901		53,926
	<u>\$ 907,588</u>	<u>\$ 2,536,505</u>	<u>\$ 2,439,331</u>	<u>\$</u>	<u>1,004,762</u>

Other Schedules

Long-Term Debt

Bonded Debt - these schedules provide information on future payments due for principal and interest related to bonds sold by the District.

Property Taxes

Schedule of property tax data - this schedule provides information on state-equalized valuation of property assessed in the District.

Property tax data - this schedule provides information concerning tax levies, collections, adjustments, write-offs, and delinquent taxes for both the general fund and the debt service funds for the past three years.

Assignments

General fund balance assignments by building - this schedule provides detail of amounts assigned to be carried over into the subsequent year for each building in the District.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2017

2008 School Building and Site Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2017	3.75%	\$ -	\$ -	\$ 59,531	\$ 59,531
2018	3.75%	3,175,000	59,531	-	3,234,531
Total 2008 bonded debt		<u>\$ 3,175,000</u>	<u>\$ 59,531</u>	<u>\$ 59,531</u>	<u>\$ 3,294,062</u>

The above bonds dated May 1, 2008 were issued for the purpose of erecting, furnishing and equipping an addition or additions and/or remodeling, refurnishing, equipping and re-equipping existing school facilities; acquiring, installing, equipping, and re-equipping school facilities for educational technology improvements; purchasing buses and developing and improving sites, including playgrounds and outdoor physical education and athletic facilities. The amount of the original bond issue was \$30,000,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2017
(Continued)

2008 Refunding Bonds

Calendar year	Interest rate	Principal due May 1,	Interest due		Total due annually
			May 1	November 1	
2017	5.00%	\$ -	\$ -	\$ 169,375	\$ 169,375
2018	5.00%	2,280,000	169,375	112,375	2,561,750
2019	5.00%	2,260,000	112,375	55,875	2,428,250
2020	5.00%	2,235,000	55,875	-	2,290,875
Total 2008 bonded debt		<u>\$ 6,775,000</u>	<u>\$ 337,625</u>	<u>\$ 337,625</u>	<u>\$ 7,450,250</u>

The above bonds dated February 5, 2008 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was \$27,535,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2017
(Continued)

2010 School Building and Site Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2017	3.25%	\$ -	\$ -	\$ 254,860	\$ 254,860
2018	3.38%	4,000,000	254,860	187,360	4,442,220
2019	3.38%	5,425,000	187,360	95,813	5,708,173
2020	3.50%	5,475,000	95,813	-	5,570,813
Total 2010 bonded debt		<u>\$ 14,900,000</u>	<u>\$ 538,033</u>	<u>\$ 538,033</u>	<u>\$ 15,976,066</u>

The above bonds dated June 8, 2010 were issued for the purpose of erecting, furnishing and equipping an addition or additions and/or remodeling, refurnishing, equipping and re-equipping existing school facilities; acquiring, installing, equipping, and re-equipping school facilities for educational technology improvements; purchasing buses and developing and improving sites, including playgrounds and outdoor physical education and athletic facilities. The amount of the original bond issue was \$23,250,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2017
(Continued)

2012 School Building and Site Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2017	2.30%	\$ -	\$ -	\$ 117,588	\$ 117,588
2018	2.30%	475,000	117,588	112,125	704,713
2019	2.30%	1,800,000	112,125	91,425	2,003,550
2020	2.30%	2,025,000	91,425	68,138	2,184,563
2021	2.30%	2,925,000	68,138	34,500	3,027,638
2022	2.30%	3,000,000	34,500	-	3,034,500
Total 2012 bonded debt		<u>\$ 10,225,000</u>	<u>\$ 423,776</u>	<u>\$ 423,776</u>	<u>\$ 11,072,552</u>

The above bonds dated June 28, 2012 were issued for the purpose of erecting, furnishing and equipping an addition or additions and/or remodeling, refurnishing, equipping and re-equipping existing school facilities; acquiring, installing, equipping, and re-equipping school facilities for educational technology improvements; purchasing buses and developing and improving sites, including playgrounds and outdoor physical education and athletic facilities. The amount of the original bond issue was \$11,000,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2017
(Continued)

2014 School Building and Site Bonds

<u>Calendar year</u>	<u>Interest rate</u>	<u>Principal due May 1</u>	<u>Interest due</u>		<u>Total due annually</u>
			<u>May 1</u>	<u>November 1</u>	
2017	0.75%	\$ -	\$ -	\$ 103,075	\$ 103,075
2018	1.05%	750,000	103,075	99,138	952,213
2019	1.40%	750,000	99,138	93,888	943,026
2020	1.75%	750,000	93,888	87,325	931,213
2021	2.05%	1,725,000	87,325	69,644	1,881,969
2022	2.25%	1,825,000	69,644	49,113	1,943,757
2023	2.45%	1,900,000	49,113	25,838	1,974,951
2024	2.65%	1,950,000	25,838	-	1,975,838
Total 2014 bonded debt		<u>\$ 9,650,000</u>	<u>\$ 528,021</u>	<u>\$ 528,021</u>	<u>\$ 10,706,042</u>

The above bonds dated June 24, 2014 were issued for the purpose of erecting, furnishing and equipping an addition or additions and/or remodeling, refurnishing, equipping and re-equipping existing school facilities; acquiring, installing, equipping, and re-equipping school facilities for educational technology improvements; purchasing buses and developing and improving sites, including playgrounds and outdoor physical education and athletic facilities. The amount of the original bond issue was \$13,500,000.

TRAVERSE CITY AREA PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2017
(Concluded)

2016 School Building and Site Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2017	2.00%	\$ -	\$ -	\$ 255,750	\$ 255,750
2018	2.00%	1,900,000	255,750	236,750	2,392,500
2019	2.00%	1,500,000	236,750	221,750	1,958,500
2020	2.00%	1,550,000	221,750	206,250	1,978,000
2021	2.00%	3,375,000	206,250	172,500	3,753,750
2022	2.00%	3,350,000	172,500	139,000	3,661,500
2023	2.00%	3,400,000	139,000	105,000	3,644,000
2024	2.00%	3,450,000	105,000	70,500	3,625,500
2025	2.00%	3,500,000	70,500	35,500	3,606,000
2026	2.00%	3,550,000	35,500	-	3,585,500
Total 2016 bonded debt		<u>\$ 25,575,000</u>	<u>\$ 1,443,000</u>	<u>\$ 1,443,000</u>	<u>\$ 28,461,000</u>

The above bonds dated May 26, 2016 were issued for the purpose of (i) erecting, furnishing and equipping an addition or additions and/or remodeling, refurnishing, equipping and re-equipping existing school facilities; acquiring, installing, equipping, and re-equipping school facilities for educational technology improvements; purchasing buses and developing and improving sites, including playgrounds and outdoor physical education and athletic facilities; and (ii) erecting, furnishing and equipping an addition or additions and/or remodeling, refurnishing, equipping and re-equipping existing school facilities; erecting, furnishing and equipping elementary facilities; acquiring land; developing and equipping improvements to playgrounds, outdoor physical education and athletic facilities; acquiring, installing, equipping and re-equipping school facilities for educational technology improvements; purchasing buses and developing and improving sites. The amount of the original bond issue was \$26,880,000.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF PROPERTY TAX DATA
YEAR ENDED JUNE 30, 2017**

	2017					Tax levy (mills)		
	Principal residence exemption	Industrial personal property	Commercial personal property	All other non- PRE	Total	Operating		
						Non- principal residence exemption	Commercial personal property	Debt
Other Information:								
State-equalized valuation of property assessed in the Traverse City Area School District:								
Grand Traverse County:								
Acme Township	\$ 154,800,662	\$ 206,600	\$ 14,138,500	\$ 109,212,882	\$ 278,358,644	18.0	6.0	3.1
Blair Township	149,411,214	363,300	6,079,500	88,649,410	244,503,424	18.0	6.0	3.1
East Bay Township	310,072,865	3,966,400	5,863,500	211,462,172	531,364,937	18.0	6.0	3.1
Garfield Township	367,760,022	17,284,900	41,310,500	414,272,076	840,627,498	18.0	6.0	3.1
Grant Township	12,148,298	-	4,800	7,763,897	19,916,995	18.0	6.0	3.1
Green Lake Township	150,929,597	1,810,000	2,565,500	90,592,374	245,897,471	18.0	6.0	3.1
Long Lake Township	342,108,141	697,600	1,137,200	116,526,442	460,469,383	18.0	6.0	3.1
Peninsula Township	471,228,879	-	3,368,100	176,083,438	650,680,417	18.0	6.0	3.1
Union Township	7,774,902	-	50,900	7,387,627	15,213,429	18.0	6.0	3.1
Whitewater Township	155,002	-	-	520,243	675,245	18.0	6.0	3.1
City of Traverse City	383,048,384	19,273,100	32,174,582	444,169,833	878,665,899	18.0	6.0	3.1
Leelanau County:								
Elmwood Township	185,835,323	235,600	4,675,500	78,967,235	269,713,658	18.0	6.0	3.1
Solon Township	41,180,987	2,500	92,700	13,407,937	54,684,124	18.0	6.0	3.1
Traverse City Annexed	14,254,382	-	794,500	15,768,543	30,817,425	18.0	6.0	3.1
Benzie County - Almira Township	29,091,800	-	5,400	4,171,635	33,268,835	18.0	6.0	3.1
Total	\$2,619,800,458	\$ 43,840,000	\$ 112,261,182	\$1,778,955,744	\$ 4,554,857,384			
Official Student Enrollment					9,805			

**TRAVERSE CITY AREA PUBLIC SCHOOLS
PROPERTY TAX DATA
JUNE 30, 2017**

<u>Fiscal year</u>	<u>Delinquent July 1, 2016</u>	<u>Original tax levy</u>	<u>Collections, adjustments, and write-offs</u>	<u>Delinquent June 30, 2017</u>
General fund				
2017	\$ -	\$ 31,761,313	\$ 31,740,709	\$ 20,604
2016	136,243	-	110,274	25,969
2015	<u>35,436</u>	<u>-</u>	<u>35,436</u>	<u>-</u>
Total general fund	<u>171,679</u>	<u>31,761,313</u>	<u>31,886,419</u>	<u>46,573</u>
Debt service funds				
2017	-	14,149,564	14,128,610	20,954
2016	29,717	-	16,637	13,080
2015	<u>6,691</u>	<u>-</u>	<u>6,691</u>	<u>-</u>
Total debt service funds	<u>36,408</u>	<u>14,149,564</u>	<u>14,151,938</u>	<u>34,034</u>
Total	<u>\$ 208,087</u>	<u>\$ 45,910,877</u>	<u>\$ 46,038,357</u>	<u>\$ 80,607</u>

**TRAVERSE CITY AREA PUBLIC SCHOOLS
GENERAL FUND BALANCE ASSIGNMENTS BY BUILDING
JUNE 30, 2017**

Site	Amount
Blair	\$ 7,252
Central Grade	2,971
Cherry Knoll	5,765
Courtade	7,752
Eastern	19,703
Long Lake	15,233
Montessori	28,022
Old Mission	37,405
Silver Lake	42,698
Traverse Heights	236
Westwoods	34,389
Willow Hill	38,971
East Middle School	28,997
West Middle School	79,221
Central Sr. High	20,381
West Sr. High	170,056
Traverse City Sr. High	117,293
	<u>\$ 656,345</u>

**TRAVERSE CITY AREA PUBLIC SCHOOLS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
STATISTICAL SECTION OVERVIEW
2016-2017**

The Statistical section contains a wide array of financial and other information that covers several years and reflects social, economic, and financial trends of the District and the area in which the District operates. This section is designed to give the reader a more thorough understanding of the District as a whole than is available in the basic financial statements taken in isolation. The schedules in this section are segregated into various categories as noted below:

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

REVENUE CAPACITY

These schedules contain information to help the reader assess the District's revenue generating capacity. It should be noted, as discussed earlier in the transmittal letter, that school funding in Michigan is based on a per student "foundation" amount that is determined by the State of Michigan. Some of the amount determined by the state is raised locally through a millage on "Non-Principal Residence Exemption" property tax values. The state makes up the difference between what is raised locally and what is the state determined revenue amount due to our District. As such, the District's ability to generate unrestricted revenues via local property taxes is severely limited.

DEBT CAPACITY

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

DEMOGRAPHIC & ECONOMIC INFORMATION

These schedules present demographic and economic indicators to help the reader understand the economic environment within which the District operates.

OPERATIONAL INFORMATION

These schedules contain infrastructure information to help the reader understand physical plant aspects of the District's operation.

It should be noted that many of the schedules within the categories described above contain overlapping information. For example, certain demographic and economic information contains property values that can be used to determine debt capacity. Also, certain financial trend information contains student cost by function information that may be considered for demographic purposes. The point is that these schedules are divided into sections so that they relate to their primary purpose (e.g., financial trend, operating, etc.), but contain information that may overlap the purposes defined by these sections.

Special note should also be made that because the revenue capacity and debt capacity information overlaps so closely in our District, we have combined these two sections into one section titled "Revenue and Debt Capacity". This was done so as to make the information more meaningful to the reader and to avoid providing excessively redundant information on the same property values used to show both revenue and debt capacity.

**Traverse City Area Public Schools
Comprehensive Annual Financial Report
Statistical Section
2016-2017**

FINANCIAL TRENDS

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
Net Position by Component
2008-2017

	Fiscal Year ¹				
	2008	2009	2010	2011	2012
Assets					
Cash and cash equivalents	\$ 12,634,089	\$ 14,611,529	\$ 12,589,490	\$ 12,156,507	\$ 11,210,030
Investments	4,069,800	3,000,000	1,000,000	-	-
Receivables:					
Accounts receivable	336,821	628,450	1,042,673	879,406	322,162
Interest receivable	205,141	192,523	30,211	36,444	-
Taxes receivable	196,447	96,708	82,787	75,463	53,190
Intergovernmental	9,251,916	9,115,042	9,730,944	9,175,291	8,926,478
Inventories	142,969	149,583	280,310	228,477	203,018
Prepays	151,408	506,912	169,661	591,746	631,822
Restricted cash and cash equivalents - capital projects	5,394,933	-	-	-	-
Restricted investments - capital projects	28,489,739	14,290,255	27,336,654	15,084,385	17,887,161
Deferred charges, net of amortization	472,833	408,674	447,096	390,480	397,715
Capital assets not being depreciated	8,419,097	17,794,166	5,550,079	16,129,380	4,067,006
Capital assets, net of accumulated depreciation	113,442,534	119,428,355	135,687,696	132,210,877	144,107,081
Total Assets	183,207,727	180,222,197	193,947,601	186,958,456	187,805,663
Deferred Outflows of Resources					
Related to pension	-	-	-	-	-
Liabilities					
Accounts payable	3,452,213	3,824,651	2,175,899	3,482,134	1,388,744
Accrued salaries and related items	9,144,623	10,989,645	9,890,188	9,004,961	9,002,216
Accrued retirement	-	-	-	-	-
Accrued interest	1,080,457	718,444	705,315	554,237	491,035
Accrued expenses	-	-	-	-	-
Unearned revenue	975,977	801,711	637,053	370,569	865,768
Noncurrent liabilities					
Due within one year	9,290,620	10,576,637	11,333,955	11,200,065	10,768,858
Due in more than one year	84,704,611	74,833,240	86,982,170	76,198,871	77,058,072
Net pension liability	-	-	-	-	-
Total Liabilities	108,648,501	101,744,328	111,724,580	100,810,837	99,574,693
Deferred Inflows of Resources					
Related to pensions	-	-	-	-	-
Related to state aid funding for pension	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-
Net Position ²					
Net investment in capital assets	61,407,580	66,805,994	71,210,191	75,332,973	78,554,525
Restricted for debt service	365,445	1,222,402	1,838,217	1,471,476	970,735
Restricted for food service	-	-	-	803,192	778,379
Unrestricted	12,786,201	10,449,473	9,174,613	8,539,978	7,927,331
Total Net Position	\$ 74,559,226	\$ 78,477,869	\$ 82,223,021	\$ 86,147,619	\$ 88,230,970

¹ Years 2013-2017 continue on following page.

² Terminology changed in 2013 from net assets to net position with the implementation of GASB Statements 63 and 65.

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
Net Position by Component
2008-2017 (Continued from previous page)

	Fiscal Year				
	<u>2013</u>	<u>2014</u>	<u>2015 ¹</u>	<u>2016</u>	<u>2017</u>
Assets					
Cash and cash equivalents	\$ 12,895,329	\$ 12,712,398	\$ 11,576,501	\$ 8,905,885	\$ 7,496,774
Investments	-	-	-	-	-
Receivables:					
Accounts receivable	325,854	333,350	477,778	1,079,941	593,504
Interest receivable	11,349	-	38,435	-	16,792
Taxes receivable	40,199	58,438	82,080	208,087	80,607
Intergovernmental	9,576,068	9,699,500	10,232,956	11,564,548	10,584,780
Inventories	192,493	156,430	124,661	147,596	129,254
Prepays	620,343	615,828	657,067	654,660	1,139,190
Restricted cash and cash equivalents - capital projects	-	-	-	-	-
Restricted investments - capital projects	10,347,589	17,217,592	10,740,928	31,887,552	25,919,059
Deferred charges, net of amortization	-	-	-	-	-
Capital assets not being depreciated	6,085,369	5,473,651	4,157,624	3,858,346	4,085,902
Capital assets, net of accumulated depreciation	142,221,768	141,109,454	140,182,582	139,413,586	135,349,462
Total Assets	<u>182,316,361</u>	<u>187,376,641</u>	<u>178,270,612</u>	<u>197,720,201</u>	<u>185,395,324</u>
Deferred Outflows of Resources					
Related to pension	-	-	13,905,319	19,047,562	21,683,066
Liabilities					
Accounts payable	2,776,347	3,378,426	2,809,580	2,828,756	1,070,775
Accrued salaries and related items	10,731,273	10,018,965	9,610,148	7,923,219	6,966,659
Accrued retirement	-	-	-	2,439,904	2,644,637
Accrued interest	465,255	423,897	355,043	341,403	320,059
Accrued expenses	-	-	-	-	-
Unearned revenue	1,085,522	987,146	767,930	968,323	1,152,564
Noncurrent liabilities:					
Due within one year	10,456,969	11,632,361	12,186,862	12,386,418	13,187,157
Due in more than one year	67,210,648	69,219,947	57,086,955	72,465,197	59,604,711
Net pension liability	-	-	126,394,985	144,159,119	147,184,105
Total Liabilities	<u>92,726,014</u>	<u>95,660,742</u>	<u>209,211,503</u>	<u>243,512,339</u>	<u>232,130,667</u>
Deferred Inflows of Resources					
Related to pensions	-	-	13,973,255	477,673	494,673
Related to state aid funding for pension	-	-	-	3,938,030	4,551,373
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>13,973,255</u>	<u>4,415,703</u>	<u>5,046,046</u>
Net Position:					
Net investment in capital assets	80,744,965	83,000,074	86,607,926	90,095,597	93,414,229
Restricted for debt service	965,709	1,400,691	1,140,931	1,175,922	1,269,843
Restricted for food service	695,621	456,408	-	-	-
Unrestricted	7,184,052	6,858,726	(118,757,684)	(122,431,798)	(124,782,395)
Total Net Position	<u>\$ 89,590,347</u>	<u>\$ 91,715,899</u>	<u>\$ (31,008,827)</u>	<u>\$ (31,160,279)</u>	<u>\$ (30,098,323)</u>

¹ Net position was restated for fiscal year 2015 as of July 1, 2014 with the implementation of GASB Statements 68 and 71.

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	Fiscal Year ¹				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u> ²	<u>2012</u> ²
Expenses:					
Governmental activities:					
Instruction	\$ 51,089,626	\$ 51,993,177	\$ 51,220,987	\$ 50,211,938	\$ 50,120,841
Support services	35,928,588	36,391,259	35,448,026	36,379,536	34,833,461
Community services	2,362,290	2,099,316	2,353,964	2,276,499	2,758,948
Intergovernmental expenditures	981,439	1,069,193	1,273,171	1,834,820	2,164,661
Food services	4,700,534	4,636,239	4,693,754	5,030,158	5,194,391
Athletics	1,597,659	1,800,612	1,821,406	-	-
Interest on long-term debt	3,477,372	3,540,779	3,281,521	3,628,290	3,264,483
Unallocated depreciation	3,080,473	2,930,231	2,853,358	2,827,239	2,819,505
Total governmental expenses	<u>103,217,981</u>	<u>104,460,806</u>	<u>102,946,187</u>	<u>102,188,480</u>	<u>101,156,290</u>
Program Revenues:					
Governmental activities:					
Charges for services:					
Instruction	38,987	38,800	53,547	27,437	26,599
Support services	926,937	973,387	879,795	1,341,978	1,430,231
Community services	1,575,403	1,841,344	1,935,045	1,808,821	2,340,537
Intergovernmental expenditures	-	793,485	869,168	192,333	-
Food services	2,765,191	2,789,172	2,610,690	2,535,031	2,480,276
Athletics	275,693	325,097	294,619	-	-
Total charges for services	<u>5,582,211</u>	<u>6,761,285</u>	<u>6,642,864</u>	<u>5,905,600</u>	<u>6,277,643</u>
Operating Grants:					
Instruction	3,433,880	3,437,781	4,447,035	3,018,237	2,778,072
Support services	1,688,106	1,991,899	2,482,500	1,840,474	1,593,571
Community services	712,424	424,930	538,238	523,656	387,140
Intergovernmental expenditures	508,072	531,010	419,612	476,284	638,676
Food services	1,881,347	1,991,757	2,247,461	2,452,936	2,732,010
Athletics	-	-	-	-	-
Total operating grants	<u>8,223,829</u>	<u>8,377,377</u>	<u>10,134,846</u>	<u>8,311,587</u>	<u>8,129,469</u>
Total program revenues	<u>13,806,040</u>	<u>15,138,662</u>	<u>16,777,710</u>	<u>14,217,187</u>	<u>14,407,112</u>
Net (Expense) revenue and changes in net position	<u>(89,411,941)</u>	<u>(89,322,144)</u>	<u>(86,168,477)</u>	<u>(87,971,293)</u>	<u>(86,749,178)</u>
General Revenues:					
Property taxes, levied for general purposes	32,780,989	31,385,902	32,091,911	31,427,030	30,319,933
Property taxes, levied for debt service	12,518,084	12,999,715	13,528,657	13,149,336	12,868,574
Investment earnings	1,799,069	1,005,016	136,734	64,770	42,414
State sources	44,256,448	41,034,677	38,451,970	41,718,402	41,505,060
Federal sources	-	3,830,651	2,888,624	2,306,326	1,300,289
Gain on sale of capital assets	-	-	-	-	-
Traverse Bay Area ISD	1,920,866	2,359,389	2,185,850	2,102,855	2,099,850
Other	884,352	625,437	629,883	1,127,172	696,409
Total general revenues	<u>94,159,808</u>	<u>93,240,787</u>	<u>89,913,629</u>	<u>91,895,891</u>	<u>88,832,529</u>
CHANGE IN NET POSITION	<u>4,747,867</u>	<u>3,918,643</u>	<u>3,745,152</u>	<u>3,924,598</u>	<u>2,083,351</u>
NET POSITION, beginning of year	<u>69,811,359</u>	<u>74,559,226</u>	<u>78,477,869</u>	<u>82,223,021</u>	<u>86,147,619</u>
NET POSITION, end of year	<u>\$ 74,559,226</u>	<u>\$ 78,477,869</u>	<u>\$ 82,223,021</u>	<u>\$ 86,147,619</u>	<u>\$ 88,230,970</u>

¹ Years 2013-2017 continue on following page.

² Athletic revenue and Athletic expense are recorded in Support Services due to the implementation of GASB 54 in 2011.

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Changes in Net Position
2008-2017 (Continued from previous page)

	Fiscal Year				
	<u>2013</u> ¹	<u>2014</u> ¹	<u>2015</u> ¹	<u>2016</u> ¹	<u>2017</u> ¹
Expenses:					
Governmental activities:					
Instruction	\$ 50,502,874	\$ 52,189,870	\$ 54,737,324	\$ 55,520,571	\$ 57,716,952
Support services	35,856,404	36,573,556	37,471,024	38,769,671	40,163,580
Community services	2,862,822	2,749,851	2,843,193	3,286,091	3,592,029
Intergovernmental expenditures	1,981,786	2,185,749	2,025,826	2,192,058	2,329,778
Food services	5,018,794	5,206,132	4,947,800	4,930,308	4,835,049
Athletics	-	-	-	-	-
Interest on long-term debt	3,126,214	2,750,174	2,451,022	2,113,909	2,249,605
Unallocated depreciation	2,782,606	2,728,445	2,673,975	2,651,801	2,640,866
Total governmental expenses	<u>102,131,500</u>	<u>104,383,777</u>	<u>107,150,164</u>	<u>109,464,409</u>	<u>113,527,859</u>
Program Revenues:					
Governmental activities:					
Charges for services:					
Instruction	27,689	300,820	639,121	754,798	1,056,231
Support services	1,737,376	1,877,815	1,838,218	1,901,006	1,911,478
Community services	2,366,565	2,483,558	2,671,291	2,960,156	3,111,957
Intergovernmental expenditures	-	-	-	-	-
Food services	2,340,875	2,343,823	2,405,556	2,351,646	2,336,497
Athletics	-	-	-	-	-
Total charges for services	<u>6,472,505</u>	<u>7,006,016</u>	<u>7,554,186</u>	<u>7,967,606</u>	<u>8,416,163</u>
Operating Grants:					
Instruction	2,923,171	3,287,017	3,566,976	3,719,940	3,704,172
Support services	1,545,300	1,493,960	1,866,170	1,907,790	1,538,251
Community services	378,750	307,761	243,089	226,469	215,533
Intergovernmental expenditures	124,365	3,400	962	34,960	3,730
Food services	2,553,481	2,593,682	2,602,292	2,601,641	2,608,859
Athletics	-	-	-	-	-
Total operating grants	<u>7,525,067</u>	<u>7,685,820</u>	<u>8,279,489</u>	<u>8,490,800</u>	<u>8,070,545</u>
Total program revenues	<u>13,997,572</u>	<u>14,691,836</u>	<u>15,833,675</u>	<u>16,458,406</u>	<u>16,486,708</u>
Net (Expense) revenue and changes in net position	<u>(88,133,928)</u>	<u>(89,691,941)</u>	<u>(91,316,489)</u>	<u>(93,006,003)</u>	<u>(97,041,151)</u>
General Revenues:					
Property taxes, levied for general purposes	30,113,413	30,559,501	30,913,145	31,334,760	31,830,413
Property taxes, levied for debt service	12,926,697	13,218,886	13,487,310	13,864,161	14,182,505
Investment earnings	43,258	32,677	31,014	39,501	138,609
State sources	43,483,230	44,985,902	47,703,689	44,619,923	48,811,418
Federal sources	-	-	-	-	-
Gain on sale of capital assets	-	-	-	-	-
Traverse Bay Area ISD	2,476,455	1,683,320	2,318,809	2,048,828	2,038,122
Other	847,967	1,337,207	1,211,832	947,378	1,102,040
Total general revenues	<u>89,891,020</u>	<u>91,817,493</u>	<u>95,665,799</u>	<u>92,854,551</u>	<u>98,103,107</u>
CHANGE IN NET POSITION	<u>1,757,092</u>	<u>2,125,552</u>	<u>4,349,310</u>	<u>(151,452)</u>	<u>1,061,956</u>
NET POSITION, beginning of year	<u>87,833,255</u> ²	<u>89,590,347</u>	<u>(35,358,137)</u> ³	<u>(31,008,827)</u>	<u>(31,160,279)</u>
NET POSITION, end of year	<u>\$ 89,590,347</u>	<u>\$ 91,715,899</u>	<u>\$ (31,008,827)</u>	<u>\$ (31,160,279)</u>	<u>\$ (30,098,323)</u>

¹ Athletic revenue and Athletic expense are recorded in Support Services due to the implementation of GASB 54 in 2011.

² Net position was restated for fiscal year 2013 as of July 1, 2012 with the implementation of GASB Statement 65.

³ Net position was restated for fiscal year 2015 as of July 1, 2014 with the implementation of GASB Statements 68 and 71.

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Fund Balances - Governmental Funds
2008-2017

	Fiscal Year				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund					
Nonspendable	\$ 186,489	\$ 551,588	\$ 352,881	\$ 726,290	\$ 684,154
Assigned	5,700,886	5,171,148	6,143,736	5,469,043	5,260,693
Unrestricted, unassigned	6,347,500	5,119,624	2,500,895	2,565,268	2,262,138
Total general fund	<u>12,234,875</u>	<u>10,842,360</u>	<u>8,997,512</u>	<u>8,760,601</u>	<u>8,206,985</u>
Other governmental funds					
Nonmajor Special Revenue Funds					
Nonspendable	107,888	104,907	97,090	93,933	150,686
Assigned	-	-	-	-	329,576
Restricted	1,463,487	1,210,734	1,169,431	1,051,947	778,379
Nonmajor Debt Service Funds					
Restricted	1,445,902	1,940,846	2,543,532	2,025,713	1,461,770
Major Capital Projects Funds					
Restricted	31,578,654	12,696,914	26,611,912	12,746,197	16,537,981
Assigned nonmajor capital projects funds	385,494	133,879	105,582	658,696	487,805
Total other governmental funds	<u>34,981,425</u>	<u>16,087,280</u>	<u>30,527,547</u>	<u>16,576,486</u>	<u>19,746,197</u>
Total governmental funds	<u>\$ 47,216,300</u>	<u>\$ 26,929,640</u>	<u>\$ 39,525,059</u>	<u>\$ 25,337,087</u>	<u>\$ 27,953,182</u>

	Fiscal Year				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund					
Nonspendable	\$ 672,974	\$ 696,864	\$ 718,437	\$ 730,261	\$ 1,209,417
Assigned	4,593,098	3,498,533	3,409,215	3,982,515	3,801,866
Unrestricted, unassigned	1,863,251	2,323,340	2,564,871	1,383,412	141,990
Total general fund	<u>7,129,323</u>	<u>6,518,737</u>	<u>6,692,523</u>	<u>6,096,188</u>	<u>5,153,273</u>
Other governmental funds					
Nonmajor Special Revenue Funds					
Nonspendable	139,862	75,394	63,291	71,995	59,027
Assigned	482,742	659,234	661,429	618,143	361,021
Restricted	695,621	456,408	627,117	599,733	697,342
Nonmajor Debt Service Funds					
Restricted	1,430,964	1,824,588	1,495,974	1,517,325	1,589,902
Major Capital Projects Funds					
Restricted	8,844,427	16,041,654	10,329,070	30,487,278	25,446,432
Assigned nonmajor capital projects funds	659,329	784,368	800,851	814,606	741,514
Total other governmental funds	<u>12,252,945</u>	<u>19,841,646</u>	<u>13,977,732</u>	<u>34,109,080</u>	<u>28,895,238</u>
Total governmental funds	<u>\$ 19,382,268</u>	<u>\$ 26,360,383</u>	<u>\$ 20,670,255</u>	<u>\$ 40,205,268</u>	<u>\$ 34,048,511</u>

TRAVERSE CITY AREA PUBLIC SCHOOLS
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Changes in Fund Balances - Governmental Funds
2008-2017

	Fiscal Year ¹				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u> ²	<u>2012</u> ²
Revenues					
Local sources:					
Property taxes	\$ 45,300,289	\$ 44,424,412	\$ 45,631,392	\$ 44,577,929	\$ 43,197,524
Tuition	1,578,105	1,809,063	1,929,545	1,786,229	2,093,387
Investment earnings	1,799,069	1,005,016	136,734	64,770	42,414
Food sales, athletics, and community service	2,471,223	2,543,149	2,372,927	2,028,740	2,156,083
Other	2,720,888	3,126,951	3,140,062	2,815,204	2,559,136
Total local sources	53,869,574	52,908,591	53,210,660	51,272,872	50,048,544
State sources	46,263,561	43,353,456	40,632,501	43,351,831	43,357,564
Federal sources	5,787,158	9,592,984	10,477,842	8,791,885	7,416,739
Incoming transfers	1,791,410	2,316,242	2,185,850	2,102,855	2,167,903
Intermediate sources	255,361	246,971	196,212	191,198	257,908
Total revenues	107,967,064	108,418,244	106,703,065	105,710,641	103,248,658
Expenditures					
Current:					
Instruction	51,083,020	52,529,287	51,484,101	50,250,087	50,162,272
Supporting services	34,223,429	33,953,094	32,845,232	33,606,811	31,798,179
Food service activities	4,692,092	4,624,599	4,674,381	4,954,369	5,156,384
Athletic activities	1,546,382	1,736,814	1,754,200	-	-
Community service activities	2,352,909	2,093,887	2,348,137	2,271,282	2,701,894
Intergovernmental expenditures	529,994	621,858	483,075	473,738	542,407
Capital outlay	9,912,238	20,946,211	10,657,878	14,390,680	7,673,292
Debt service:					
Principal repayment	10,480,000	8,760,771	9,929,612	10,556,432	10,192,858
Interest expense	3,086,480	3,902,792	3,294,650	3,779,368	3,327,685
Payment to refunded bond escrow	-	-	-	-	-
Bond issuance costs	265,352	-	86,398	-	60,505
Other expense	124,618	27,930	17,182	19,846	17,087
Total expenditures	118,296,514	129,197,243	117,574,846	120,302,613	111,632,563
Excess of revenues over (under) expenditures	(10,329,450)	(20,778,999)	(10,871,781)	(14,591,972)	(8,383,905)
Other Financing Sources (Uses)					
Proceed from issuance of bonds	30,000,000	-	23,250,000	-	11,000,000
Proceed from bond refunding	27,535,000	-	-	-	-
Proceed from capital lease	-	492,339	-	-	-
Bond premium	2,121,375	-	217,200	-	-
Payment to refunded bond escrow account	(29,553,038)	-	-	-	-
Proceeds sale of capital assets	-	-	-	404,000	-
Transfers in	1,969,750	2,586,909	2,153,544	676,067	574,310
Transfers out	(1,969,750)	(2,586,909)	(2,153,544)	(676,067)	(574,310)
Total other financing sources (uses)	30,103,337	492,339	23,467,200	404,000	11,000,000
Net change in fund balance	<u>\$ 19,773,887</u>	<u>\$ (20,286,660)</u>	<u>\$ 12,595,419</u>	<u>\$ (14,187,972)</u>	<u>\$ 2,616,095</u>
Debt service as a percentage of noncapital expenditures	12.9%	11.7%	12.5%	13.6%	13.1%

¹ Years 2013-2017 continue on following page.

² Athletic revenue is recorded in Other and Athletic expenditures are recorded in Supporting Services due to the implementation of GASB 54 in 2011.

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	Fiscal Year				
	<u>2013</u> ¹	<u>2014</u> ¹	<u>2015</u> ¹	<u>2016</u> ¹	<u>2017</u> ¹
Revenues					
Local sources:					
Property taxes	\$ 43,030,247	\$ 43,763,585	\$ 44,376,578	\$ 45,188,615	\$ 46,018,903
Tuition	2,143,782	2,505,089	2,947,460	3,303,699	3,754,986
Investment earnings	43,258	32,677	31,014	39,501	138,609
Food sales and community service	2,078,681	2,131,316	2,171,325	2,139,439	2,139,981
Other	2,880,736	2,975,467	3,012,727	2,901,547	3,180,509
Total local sources	50,176,704	51,408,134	52,539,104	53,572,801	55,232,988
State sources	45,662,899	47,889,660	51,333,157	52,322,505	52,664,068
Federal sources	5,080,617	4,441,531	4,271,004	4,235,458	4,453,872
Incoming transfers	2,368,559	1,708,084	2,332,348	2,061,437	2,048,122
Intermediate sources	589,950	778,568	999,984	1,048,480	573,887
Total revenues	103,878,729	106,225,977	111,475,597	113,240,681	114,972,937
Expenditures					
Current:					
Instruction	50,535,662	52,186,563	55,233,442	56,226,291	57,462,857
Supporting services	32,811,130	33,413,865	34,410,938	35,332,760	35,938,445
Food service activities	4,999,233	5,194,052	4,943,768	4,933,613	4,798,847
Athletic activities	-	-	-	-	-
Community service activities	2,847,341	2,734,921	2,832,346	3,282,625	3,547,648
Intergovernmental expenditures	215,059	40,375	67,879	89,528	63,796
Capital outlay	7,984,676	6,553,947	5,865,169	7,233,755	5,349,440
Debt service:					
Principal repayment	9,887,278	10,010,000	11,165,000	11,745,000	11,915,000
Interest expense	3,151,994	2,791,532	2,519,876	2,127,549	2,270,949
Payment to refunded bond escrow	-	-	110,000	-	-
Bond issuance costs	-	72,091	38,580	277,022	-
Other expense	17,270	19,066	17,307	17,806	18,917
Total expenditures	112,449,643	113,016,412	117,204,305	121,265,949	121,365,899
Excess of revenues over (under) expenditures	(8,570,914)	(6,790,435)	(5,728,708)	(8,025,268)	(6,392,962)
Other Financing Sources (Uses)					
Proceed from issuance of bonds	-	13,500,000	-	26,880,000	-
Proceed from bond refunding	-	-	2,300,000	-	-
Proceed from capital lease	-	-	-	-	-
Bond premium	-	-	-	680,281	-
Payment to refunded bond escrow account	-	-	(2,261,420)	-	-
Proceeds sale of capital assets	-	268,550	-	-	236,205
Transfers in	501,107	478,824	280,172	535,006	269,999
Transfers out	(501,107)	(478,824)	(280,172)	(535,006)	(269,999)
Total other financing sources (uses)	-	13,768,550	38,580	27,560,281	236,205
Net change in fund balance	<u>\$ (8,570,914)</u>	<u>\$ 6,978,115</u>	<u>\$ (5,690,128)</u>	<u>\$ 19,535,013</u>	<u>\$ (6,156,757)</u>
Debt service as a percentage of noncapital expenditures	12.5%	12.1%	12.4%	12.4%	12.2%

¹ Athletic revenue is recorded in Other and Athletic expenditures are recorded in Supporting Services due to the implementation of GASB 54 in 2011.

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Financial Trends

Statement of Expenses and Transfers by Function - Government-Wide

Fiscal Years 2007-2008 through 2016-2017

Governmental Activities:	2007-2008	2008-2009	2009-2010	2010-2011 ¹	2011-2012 ¹
Expenses					
Instruction	\$ 51,089,626	\$ 51,993,177	\$ 51,220,987	\$ 50,211,938	\$ 50,120,841
Supporting Services	35,928,588	36,391,259	35,448,026	36,379,536	34,833,461
Community Service Activities	2,362,290	2,099,316	2,353,964	2,276,499	2,758,948
Intergovernmental expenditures	981,439	1,069,193	1,273,171	1,834,820	2,164,661
Food Service	4,700,534	4,636,239	4,693,754	5,030,158	5,194,391
Athletics	1,597,659	1,800,612	1,821,406	-	-
Interest on Long-Term Debt	3,477,372	3,540,779	3,281,521	3,628,290	3,264,483
Unallocated Depreciation	3,080,473	2,930,231	2,853,358	2,827,239	2,819,505
Total Governmental Activities	<u>\$ 103,217,981</u>	<u>\$ 104,460,806</u>	<u>\$ 102,946,187</u>	<u>\$ 102,188,480</u>	<u>\$ 101,156,290</u>

Governmental Activities:	2012-2013 ¹	2013-2014 ¹	2014-2015 ¹	2015-2016 ¹	2016-2017 ¹
Expenses					
Instruction	\$ 50,502,874	\$ 52,189,870	\$ 54,737,324	\$ 55,520,571	\$ 57,716,952
Supporting Services	35,856,404	36,573,556	37,471,024	38,769,671	40,163,580
Community Service Activities	2,862,822	2,749,851	2,843,193	3,286,091	3,592,029
Intergovernmental expenditures	1,981,786	2,185,749	2,025,826	2,192,058	2,329,778
Food Service	5,018,794	5,206,132	4,947,800	4,930,308	4,835,049
Athletics	-	-	-	-	-
Interest on Long-Term Debt	3,126,214	2,750,174	2,451,022	2,113,909	2,249,605
Unallocated Depreciation	2,782,606	2,728,445	2,673,975	2,651,801	2,640,866
Total Governmental Activities	<u>\$ 102,131,500</u>	<u>\$ 104,383,777</u>	<u>\$ 107,150,164</u>	<u>\$ 109,464,409</u>	<u>\$ 113,527,859</u>

¹ Athletic expenses are recorded in Supporting Services due to the implementation of GASB 54 in 2011.

Source: Compiled by TCAPS Business Office

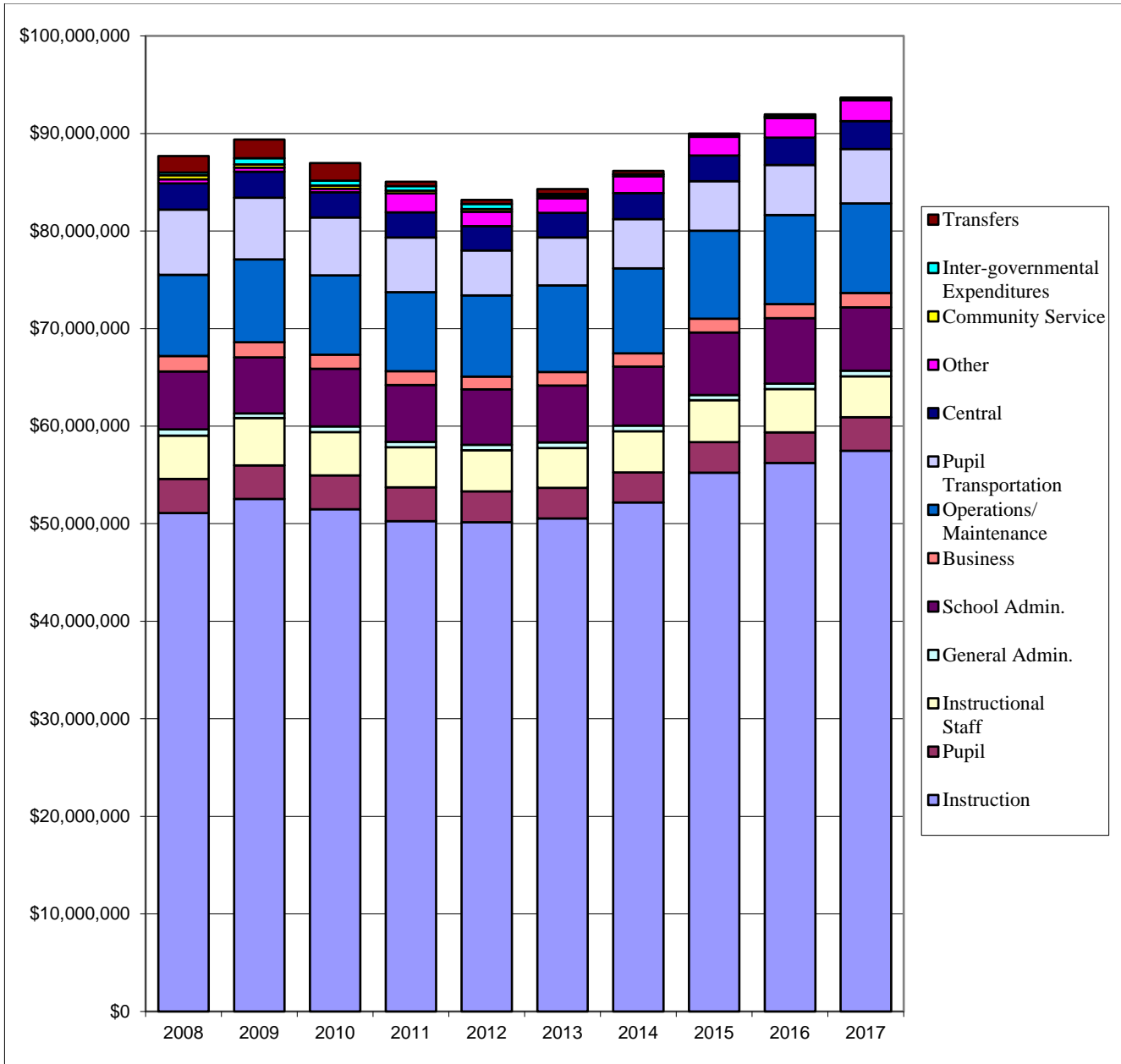
TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
Statement of Revenues by Source - Government-Wide
Fiscal Years 2007-2008 through 2016-2017

Revenues	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Program revenues:					
Charges for services	\$ 5,582,211	\$ 6,761,285	\$ 6,642,864	\$ 5,905,600	\$ 6,277,643
Operating Grants	8,223,829	8,377,377	10,134,846	8,311,587	8,129,469
General Revenues:					
Property Taxes	45,299,073	44,385,617	45,620,568	44,576,366	43,188,507
State Aid - Unrestricted	44,256,448	41,034,677	38,451,970	41,718,402	41,505,060
Federal - Unrestricted	-	3,830,651	2,888,624	2,306,326	1,300,289
Other	4,604,287	3,989,842	2,952,467	3,294,797	2,838,673
Total Revenue	<u>\$ 107,965,848</u>	<u>\$ 108,379,449</u>	<u>\$ 106,691,339</u>	<u>\$ 106,113,078</u>	<u>\$ 103,239,641</u>

Revenues	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Program revenues:					
Charges for services	\$ 6,472,505	\$ 7,006,016	\$ 7,554,186	\$ 7,967,606	\$ 8,416,163
Operating Grants	7,525,067	7,685,820	8,279,489	8,490,800	8,070,545
General Revenues:					
Property Taxes	43,040,110	43,778,387	44,400,455	45,198,921	46,012,918
State Aid - Unrestricted	43,483,230	44,985,902	47,703,689	44,619,923	48,811,418
Federal - Unrestricted	-	-	-	-	-
Other	3,367,680	3,053,204	3,561,655	3,035,707	3,278,771
Total Revenue	<u>\$ 103,888,592</u>	<u>\$ 106,509,329</u>	<u>\$ 111,499,474</u>	<u>\$ 109,312,957</u>	<u>\$ 114,589,815</u>

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
General Fund - Expenditures and Transfers by Function
Graphical Representation
Fiscal Years 2007-2008 through 2016-2017



TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
General Fund - Expenditures and Transfers by Function
Fiscal Years 2007-2008 through 2016-2017

Year Ended June 30	Support Services						
	Instruction	Pupil	Instructional Staff	General Admin.	School Admin.	Business	Operations/ Maintenance
2008	\$ 51,083,020	\$ 3,502,582	\$ 4,452,116	\$ 640,078	\$ 5,912,806	\$ 1,588,035	\$ 8,316,398
2009	52,529,287	3,451,634	4,849,622	481,910	5,726,031	1,547,115	8,499,983
2010	51,484,101	3,467,434	4,450,812	582,557	5,900,089	1,444,574	8,111,891
2011	50,250,087	3,473,507	4,106,524	568,593	5,815,684	1,419,495	8,107,268
2012	50,162,272	3,143,329	4,212,884	553,883	5,686,309	1,328,383	8,308,615
2013	50,535,662	3,138,060	4,084,582	581,881	5,822,051	1,373,402	8,882,897
2014	52,186,563	3,057,436	4,233,325	572,208	6,044,221	1,357,359	8,723,332
2015	55,233,442	3,123,569	4,302,350	529,320	6,419,606	1,413,471	8,993,881
2016	56,226,291	3,134,705	4,440,545	563,647	6,705,847	1,453,181	9,120,694
2017	57,462,857	3,455,660	4,173,283	582,946	6,515,286	1,456,066	9,183,569

Year Ended June 30	Support Services			Community Service	Inter- governmental Expenditures	Transfers	Total Expenditures and Transfers
	Pupil Transportation	Central	Other				
2008	\$ 6,710,025	\$ 2,685,465	\$ 415,924	\$ 422,708	\$ 260,639	\$ 1,700,087	\$ 87,689,883
2009	6,325,745	2,655,517	415,537	355,501	621,858	1,918,491	89,378,231
2010	5,940,777	2,589,439	357,659	345,903	483,075	1,798,221	86,956,532
2011	5,585,258	2,590,326	1,940,156 ¹	279,652	473,738	440,887	85,051,175
2012	4,614,436	2,489,180	1,461,160	283,677	542,407	417,389	83,203,924
2013	4,918,620	2,516,703	1,492,934	235,645	215,059	496,342	84,293,838
2014	5,049,332	2,658,630	1,718,022	184,466	40,375	334,146	86,159,415
2015	5,080,590	2,651,351	1,896,800	108,088	67,879	168,598	89,988,945
2016	5,132,582	2,783,460	1,998,099	104,121	89,528	212,336	91,965,036
2017	5,567,794	2,880,693	2,123,148	95,433	63,796	129,821	93,690,352

¹ Increase due to including Athletics in general fund with the implementation of GASB 54 in 2011.

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report

Financial Trends

General Fund - Sources of Expenditures and Transfers as a Percentage of Total Expenditures
Fiscal Years 2007-2008 through 2016-2017

Year Ended June 30	Instruction	Pupil	Instructional Staff	General Admin.	School Admin.	Business
2008	58.25%	3.99%	5.08%	0.73%	6.74%	1.81%
2009	58.77%	3.86%	5.43%	0.54%	6.41%	1.73%
2010	59.21%	3.99%	5.12%	0.67%	6.79%	1.66%
2011	59.08%	4.08%	4.83%	0.67%	6.84%	1.67%
2012	60.29%	3.78%	5.06%	0.67%	6.83%	1.60%
2013	59.95%	3.72%	4.85%	0.69%	6.91%	1.63%
2014	60.57%	3.55%	4.91%	0.66%	7.02%	1.58%
2015	61.38%	3.47%	4.78%	0.59%	7.13%	1.57%
2016	61.14%	3.41%	4.83%	0.61%	7.29%	1.58%
2017	61.33%	3.69%	4.45%	0.62%	6.95%	1.55%

Year Ended June 30	Operations/ Maintenance	Pupil Transportation	Central	Other	Community Service	Inter- governmental Expenditures
2008	9.48%	7.65%	3.06%	0.47%	0.48%	0.30%
2009	9.51%	7.08%	2.97%	0.46%	0.40%	0.70%
2010	9.33%	6.83%	2.98%	0.41%	0.40%	0.56%
2011	9.53%	6.57%	3.05%	2.28%	0.33%	0.56%
2012	9.99%	5.55%	2.99%	1.76%	0.34%	0.65%
2013	10.54%	5.84%	2.99%	1.77%	0.28%	0.26%
2014	10.12%	5.86%	3.09%	1.99%	0.21%	0.05%
2015	9.99%	5.65%	2.95%	2.11%	0.12%	0.08%
2016	9.92%	5.58%	3.03%	2.17%	0.11%	0.10%
2017	9.80%	5.94%	3.07%	2.27%	0.10%	0.07%

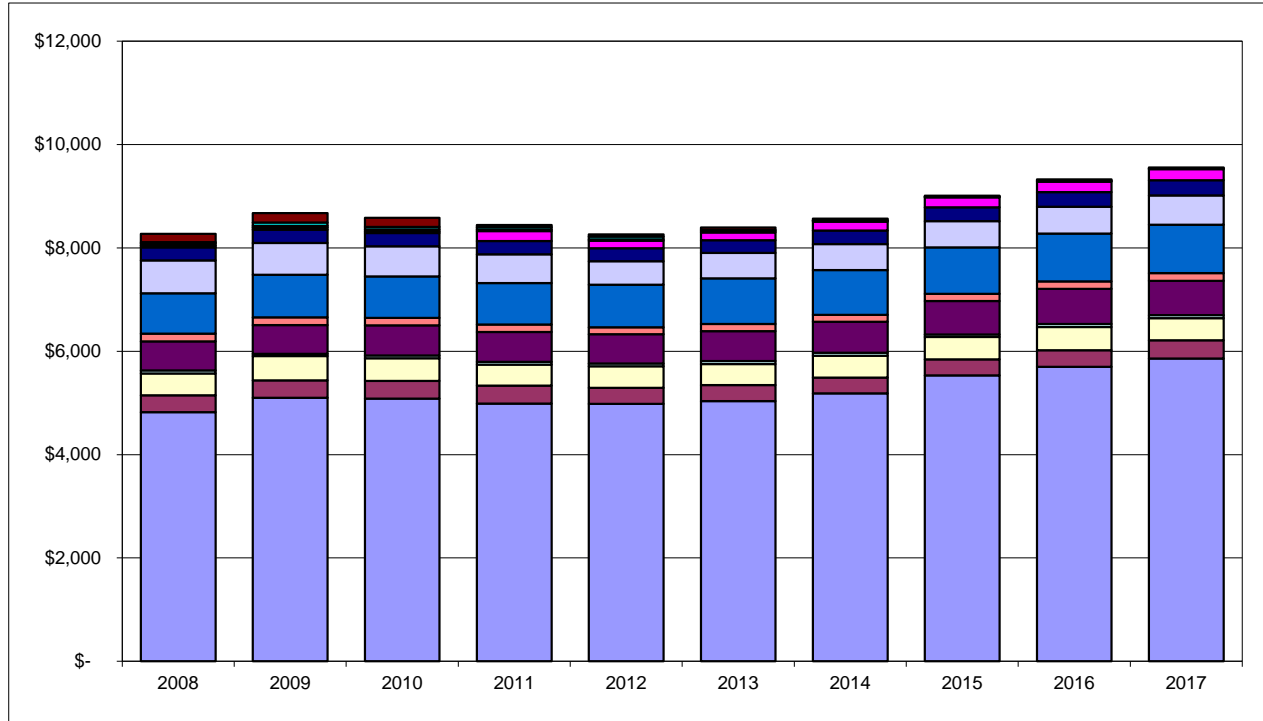
Year Ended June 30	Debt Service	Transfers	Total Expenditures and Transfers
2008	0.00%	1.94%	100.00%
2009	0.00%	2.15%	100.00%
2010	0.00%	2.07%	100.00%
2011	0.00%	0.52%	100.00%
2012	0.00%	0.50%	100.00%
2013	0.00%	0.59%	100.00%
2014	0.00%	0.39%	100.00%
2015	0.00%	0.19%	100.00%
2016	0.00%	0.23%	100.00%
2017	0.00%	0.14%	100.00%

¹ Increase due to including Athletics in general fund with the implementation of GASB 54 in 2011.

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends

General Fund - Comparison of Per Pupil Expenditures and Transfers by Function ¹
Fiscal Years 2007-2008 through 2016-2017

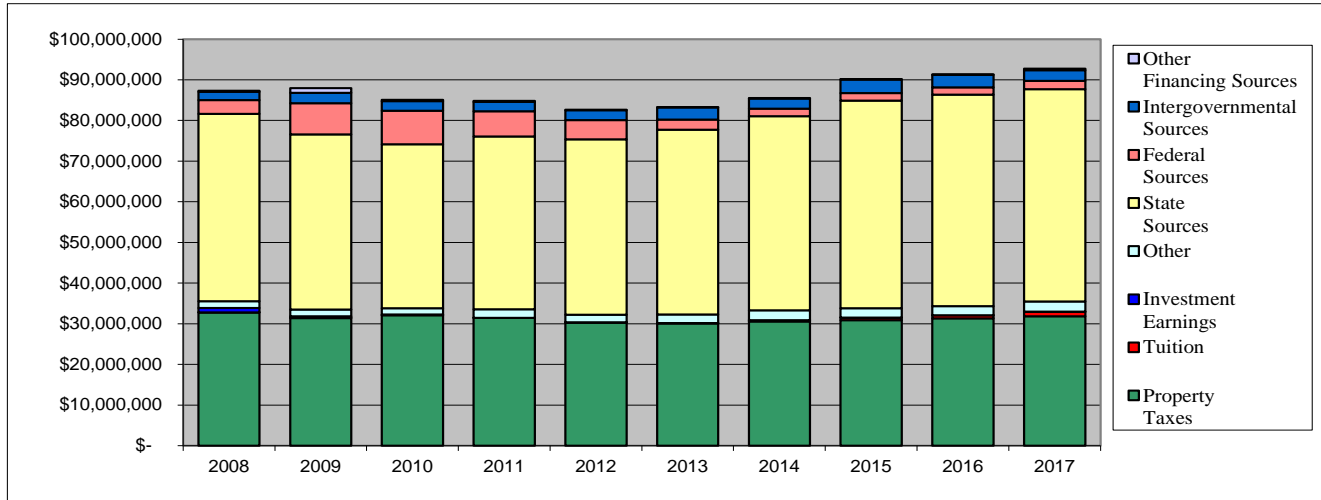


Year Ended June 30	Instruction	Pupil	Instruc-tional Staff	Gen. Admin.	School Admin.	Business	Oper./ Maint.	Pupil Trans.	Central	Other	Comm. Service	Inter Gov. Exp.	Oper. Trans.	Total Expenditures and Transfers
2008	\$ 4,820	\$ 330	\$ 420	\$ 60	\$ 558	\$ 150	\$ 785	\$ 633	\$ 253	\$ 39	\$ 40	\$ 25	\$ 160	\$ 8,274
2009	5,099	335	471	47	556	150	825	614	258	40	35	60	186	8,676
2010	5,081	342	439	57	582	143	801	586	256	35	34	48	177	8,582
2011	4,989	345	408	56	577	141	805	554	257	193	28	47	44	8,443
2012	4,980	312	418	55	565	132	825	458	247	145	28	54	41	8,260
2013	5,033	313	407	58	580	137	885	490	251	149	23	21	49	8,395
2014	5,188	304	421	57	601	135	867	502	264	171	18	4	33	8,565
2015	5,531	313	431	53	643	142	901	509	265	190	11	7	17	9,011
2016	5,701	318	450	57	680	147	925	520	282	203	11	9	22	9,324
2017	5,861	352	426	59	664	149	937	568	294	217	10	7	13	9,555

¹ Expenditures restated on a per pupil basis by using the following formula: Expenditure/current enrollment = per pupil expenditure

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
General Fund - Revenues and Other Financing Sources by Source
Fiscal Years 2007-2008 through 2016-2017



Year Ended June 30	Property Taxes	Tuition	Investment Earnings	Other	State Sources	Federal Sources	Intergovernmental Sources	Other Financing Sources	Total Revenues and Other Financing Sources
2008	\$ 32,783,343	\$ 37,575	\$ 1,049,059	\$ 1,669,831	\$ 46,091,897	\$ 3,390,072	\$ 2,046,771	\$ 232,503	\$ 87,301,051
2009	31,412,947	28,253	419,350	1,648,577	43,072,048	7,681,261	2,563,213	1,160,067	87,985,716
2010	32,107,923	38,085	126,863	1,554,654	40,343,520	8,203,254	2,382,062	355,323	85,111,684
2011	31,429,225	15,475	26,479	2,078,513	42,533,713	6,201,626	2,294,053	235,180	84,814,264
2012	30,326,457	26,599	40,099	1,857,333	43,114,262	4,702,826	2,425,811	156,921	82,650,308
2013	30,110,223	27,689	30,511	2,119,650	45,431,128	2,533,701	2,958,509	4,765	83,216,176
2014	30,553,269	300,820	27,095	2,422,102	47,724,510	1,889,703	2,486,652	144,678	85,548,829
2015	30,896,714	639,120	18,282	2,297,841	51,064,397	1,802,471	3,332,332	111,574	90,162,731
2016	31,320,438	754,798	25,356	2,237,256	52,004,781	1,780,560	3,109,917	135,595	91,368,701
2017	31,844,987	1,056,231	65,440	2,513,301	52,219,420	2,060,213	2,622,009	365,836	92,747,437

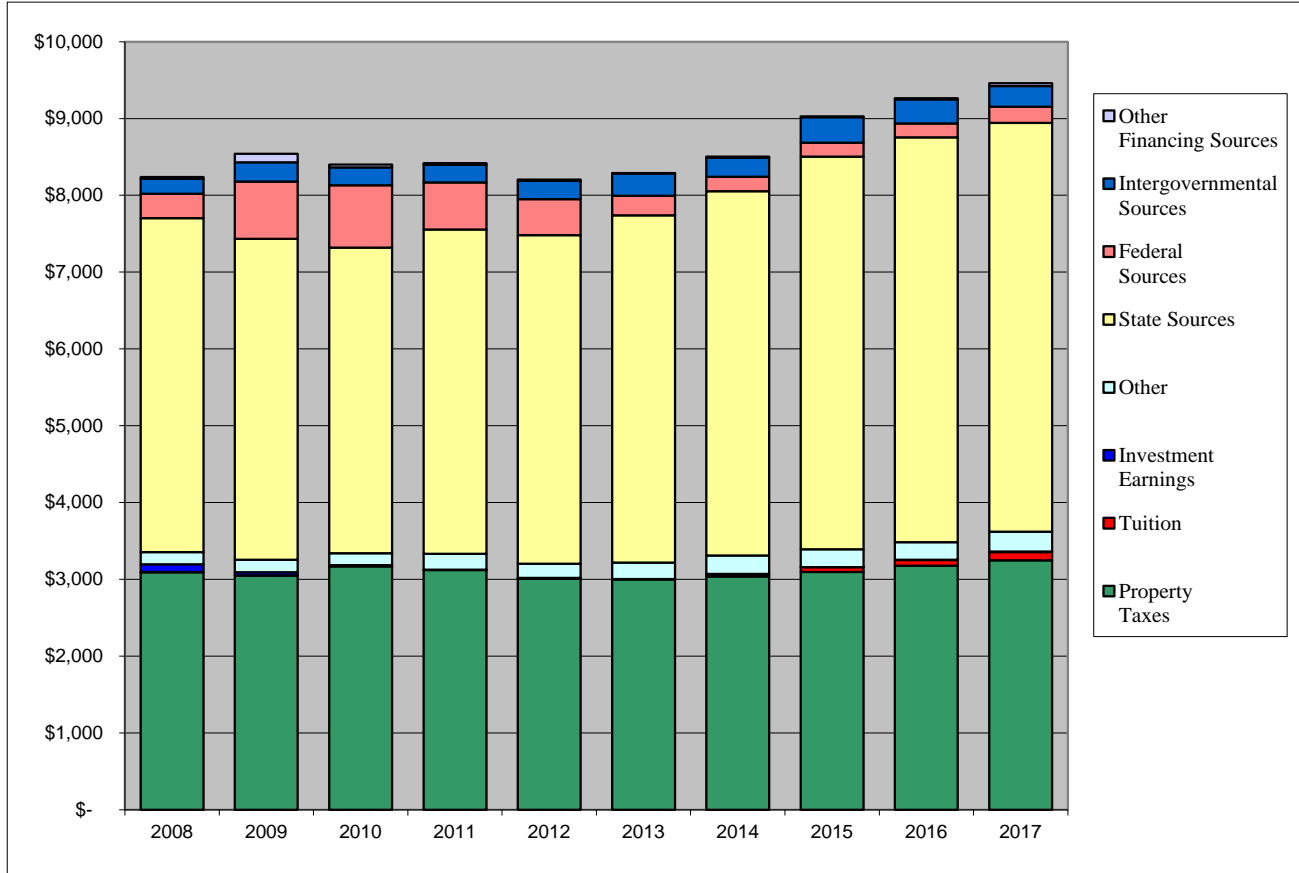
Sources of Revenues as a Percentage of Total Revenue

Year Ended June 30	Property Taxes	Tuition	Investment Earnings	Other	State Sources	Federal Sources	Intergovernmental Sources	Other Financing Sources	Total Revenues and Other Financing Sources
2008	37.55%	0.04%	1.20%	1.91%	52.80%	3.88%	2.34%	0.27%	100.00%
2009	35.70%	0.03%	0.48%	1.87%	48.95%	8.73%	2.91%	1.32%	100.00%
2010	37.72%	0.04%	0.15%	1.83%	47.40%	9.64%	2.80%	0.42%	100.00%
2011	37.06%	0.02%	0.03%	2.45%	50.15%	7.31%	2.70%	0.28%	100.00%
2012	36.69%	0.03%	0.05%	2.25%	52.16%	5.69%	2.94%	0.19%	100.00%
2013	36.18%	0.03%	0.04%	2.55%	54.59%	3.04%	3.56%	0.01%	100.00%
2014	35.71%	0.35%	0.03%	2.83%	55.79%	2.21%	2.91%	0.17%	100.00%
2015	34.27%	0.71%	0.02%	2.55%	56.64%	2.00%	3.70%	0.12%	100.00%
2016	34.28%	0.83%	0.03%	2.45%	56.92%	1.95%	3.40%	0.15%	100.00%
2017	34.34%	1.14%	0.07%	2.71%	56.30%	2.22%	2.83%	0.39%	100.00%

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends

General Fund - Comparison of Per Pupil Revenues and Other Financing Sources by Source ¹
Fiscal Years 2007-2008 through 2016-2017



Year Ended June 30	Property Taxes	Tuition	Investment Earnings	Other	State Sources	Federal Sources	Intergovernmental Sources	Other Financing Sources	Total Revenues and Other Financing Sources	Student Enrollment ²
2008	\$ 3,093	\$ 4	\$ 99	\$ 158	\$ 4,349	\$ 320	\$ 193	\$ 22	\$ 8,237	10,599
2009	3,049	3	41	160	4,181	746	249	113	8,541	10,301
2010	3,169	4	13	153	3,982	810	235	35	8,400	10,132
2011	3,120	2	3	206	4,223	616	228	23	8,420	10,073
2012	3,011	3	4	184	4,280	467	241	16	8,205	10,073
2013	2,999	3	3	211	4,525	252	295	0	8,288	10,041
2014	3,037	30	3	241	4,744	188	247	14	8,504	10,060
2015	3,094	64	2	230	5,113	180	334	11	9,028	9,987
2016	3,176	77	3	227	5,273	181	315	14	9,264	9,863
2017	3,248	108	7	256	5,326	210	267	37	9,459	9,805

¹ Revenues restated on a per pupil basis by using the following formula: Revenue/current enrollment = per pupil revenue

² Student enrollment figures are taken from the year-end state-aid status report.

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Financial Trends
General Fund - History of Fund Equity
Fiscal Years 2007-2008 through 2016-2017

Fiscal Year	General Fund		Total	% of General Fund
	Equity		Expenditures and Transfers Out	
2007-2008	\$	12,234,875	\$ 87,689,883	13.95%
2008-2009		10,842,360	89,378,231	12.13%
2009-2010		8,997,512	86,956,532	10.35%
2010-2011		8,760,601	85,051,175	10.30%
2011-2012		8,206,985	83,203,924	9.86%
2012-2013		7,129,323	84,293,838	8.46%
2013-2014		6,518,737	86,159,415	7.57%
2014-2015		6,692,523	89,988,945	7.44%
2015-2016		6,096,188	91,965,036	6.63%
2016-2017		5,153,273	93,690,352	5.50%

Source: Compiled by TCAPS Business Office

Fiscal Year	General Fund		Total	% of General Fund
	Equity		Revenue and Transfers In	
2007-2008	\$	12,234,875	\$ 87,301,051	14.01%
2008-2009		10,842,360	87,985,716	12.32%
2009-2010		8,997,512	85,111,684	10.57%
2010-2011		8,760,601	84,814,264	10.33%
2011-2012		8,206,985	82,650,308	9.93%
2012-2013		7,129,323	83,216,176	8.57%
2013-2014		6,518,737	85,548,829	7.62%
2014-2015		6,692,523	90,162,731	7.42%
2015-2016		6,096,188	91,368,701	6.67%
2016-2017		5,153,273	92,747,437	5.56%

Source: Compiled by TCAPS Business Office

**Traverse City Area Public Schools
Comprehensive Annual Financial Report
Statistical Section**

REVENUE AND DEBT CAPACITY

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Property Tax Levies and Collections
Fiscal Years 2007-2008 through 2016-2017

General Fund

Fiscal Year	Tax Year	Original tax levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2007-2008	2007	\$ 32,647,322	\$ 32,533,000	99.65%	\$ 60,060	\$ 32,593,060	99.83%
2008-2009	2008	31,235,490	31,195,153	99.87%	16,095	31,211,248	99.92%
2009-2010	2009	31,934,137	31,895,923	99.88%	20,086	31,916,009	99.94%
2010-2011	2010	31,279,336	31,238,701	99.87%	17,320	31,256,021	99.93%
2011-2012	2011	30,186,270	30,167,965	99.94%	10,918	30,178,883	99.98%
2012-2013	2012	29,943,230	29,924,177	99.94%	11,776	29,935,953	99.98%
2013-2014	2013	30,377,482	30,349,853	99.91%	10,788	30,360,641	99.94%
2014-2015	2014	30,677,070	30,641,080	99.88%	554	30,641,634	99.88%
2015-2016	2015	31,241,191	31,104,948	99.56%	110,274	31,215,222	99.92%
2016-2017	2016	31,761,313	31,740,709	99.94%	-	31,740,709	99.94%

Debt Service

Fiscal Year	Tax Year	Original tax levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2007-2008	2007	\$ 12,476,573	\$ 12,454,128	99.82%	\$ 15,969	\$ 12,470,097	99.95%
2008-2009	2008	12,942,080	12,946,447	100.03%	-	12,946,447	100.03%
2009-2010	2009	13,356,664	13,336,333	99.85%	15,246	13,351,579	99.96%
2010-2011	2010	13,113,042	13,101,426	99.91%	9,292	13,110,718	99.98%
2011-2012	2011	12,848,910	12,839,666	99.93%	5,551	12,845,217	99.97%
2012-2013	2012	12,873,163	12,863,097	99.92%	5,687	12,868,784	99.97%
2013-2014	2013	13,135,131	13,115,978	99.85%	4,913	13,120,891	99.89%
2014-2015	2014	13,452,206	13,437,197	99.89%	8,318	13,445,515	99.95%
2015-2016	2015	13,873,622	13,843,905	99.79%	16,637	13,860,542	99.91%
2016-2017	2016	14,149,564	14,128,610	99.85%	-	14,128,610	99.85%

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Assessed and Estimated Actual Value of Property
Fiscal Years 2007-2008 through 2016-2017

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Assessed Value</u>	<u>Estimated Cash Value</u>
2007-2008	2007	\$ 5,548,857,557	\$ 11,097,715,114
2008-2009	2008	5,703,739,754	11,407,479,508
2009-2010	2009	5,625,858,267	11,251,716,534
2010-2011	2010	5,329,477,145	10,658,954,290
2011-2012	2011	5,016,234,260	10,032,468,520
2012-2013	2012	4,907,996,827	9,815,993,654
2013-2014	2013	5,000,341,519	10,000,683,038
2014-2015	2014	5,123,856,539	10,247,713,078
2015-2016	2015	5,315,168,275	10,630,336,550
2016-2017	2016	5,546,848,735	11,093,697,470

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Tax Rates - Overlapping ¹
Tax Years 2007-2016

Tax Year	Operating (Mills)	Debt (Mills)	State Education (Mills)	Traverse Bay Area ISD (Mills)	Northwestern Michigan Community College (Mills)	County of Benzie (Mills)	Almira Township (Mills)	County of Leelanau (Mills)
2007	18.0000	3.1000	6.0000	2.9334	2.8700	7.6721	3.5964	3.5958
2008	18.0000	3.1000	6.0000	2.9312	2.8700	7.5704	3.5584	3.5393
2009	18.0000	3.1000	6.0000	2.9312	2.8700	7.2158	3.5584	4.6893
2010	18.0000	3.1000	6.0000	2.9312	2.8700	6.7173	2.8881	4.3143
2011	18.0000	3.1000	6.0000	2.9312	2.9400	6.8761	2.3881	4.3143
2012	18.0000	3.1000	6.0000	2.9312	2.9400	6.9121	2.3943	4.2293
2013	18.0000	3.1000	6.0000	2.9312	2.9200	7.9121	2.3943	4.3143
2014	18.0000	3.1000	6.0000	2.9312	2.9100	8.0057	2.3943	4.3143
2015	18.0000	3.1000	6.0000	2.9312	2.8300	8.0121	3.0228	4.3143
2016	18.0000	3.1000	6.0000	2.9299	2.8192	8.1691	2.9933	4.2947
Tax Year	Elmwood Township (Mills)	Solon Township (Mills)	Grand Traverse County (Mills)	BATA (Mills)	District Library (Mills)	Acme Township (Mills)	Blair Township (Mills)	East Bay Township (Mills)
2007	0.6711	0.6184	4.9838	0.3283	1.1378	0.7358	4.7416	0.7348
2008	0.6617	0.6087	4.9838	0.3272	1.0998	0.7332	2.2416	0.7348
2009	1.4417	1.3511	6.1291	0.3454	1.0892	1.6535	2.3250	0.7348
2010	1.4417	1.3553	6.2291	0.3454	1.1145	1.6535	2.3250	0.7348
2011	1.4417	1.3553	6.2433	0.3454	1.1068	1.6535	2.3250	0.7348
2012	1.4417	1.6053	6.2433	0.3454	1.1092	1.6535	2.3250	0.7348
2013	1.4417	1.6053	6.2433	0.3454	1.1050	1.6535	2.3250	0.7348
2014	0.6617	1.6053	7.2433	0.3454	1.1002	0.7332	2.3250	0.7348
2015	2.3116	1.5995	6.5838	0.3454	0.9548	1.4632	2.3250	0.7348
2016	2.3060	2.0974	6.7017	0.3447	1.0870	1.4582	2.3250	0.7348
Tax Year	Garfield Township (Mills)	Grant Township (Mills)	Green Lake Township (Mills)	Long Lake Township (Mills)	Peninsula Township (Mills)	Union Township (Mills)	Whitewater Township (Mills)	City of Traverse City (Mills)
2007	3.3584	0.7377	2.0821	0.6859	3.5260	0.7467	0.6021	13.1765
2008	2.6744	0.7377	2.0821	0.6837	3.1426	0.7467	0.6021	13.1765
2009	2.6744	0.7377	2.2096	1.8425	3.0117	1.2051	0.6021	13.1765
2010	2.6744	0.7377	2.2096	1.8837	3.1167	1.2051	0.6021	13.5567
2011	2.3372	0.7377	2.2096	1.8837	3.1167	1.2396	0.6021	13.0567
2012	2.3372	0.7377	2.2096	1.8837	3.0955	1.2051	0.6021	13.4367
2013	2.3372	0.7377	2.2096	1.8837	3.1182	1.2396	0.6021	13.4367
2014	2.3372	0.7377	2.6396	1.6812	2.9432	1.2396	0.6021	13.4367
2015	2.0000	0.7377	2.6396	1.6680	3.0732	1.2396	2.1016	13.4367
2016	2.0000	0.7357	2.6297	1.6539	3.0510	1.2396	2.1007	13.4367

¹ The school district is restricted by state law (Proposal A - 1994) to a maximum levy of 18 mills on non-principal residence and 6 mills on commercial personal property.

Source: State of Michigan Department of Treasury

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Ratio of Net General Bonded Debt Outstanding to Assessed Value
and Net Bonded Debt Per Capita
Fiscal Years 2007-2008 through 2016-2017

Fiscal Year	Tax Year	Population ¹ (Estimated)	Assessed Valuation	Gross Bonded Debt	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2007-2008	2007	86,071	\$5,548,857,557	\$ 89,846,951	\$ 1,445,902	\$ 88,401,049	1.59%	\$ 1,027
2008-2009	2008	85,939	5,703,739,754	81,086,180	1,940,846	79,145,334	1.39%	921
2009-2010	2009	86,767	5,625,858,267	94,406,568	2,543,532	91,863,036	1.63%	1,059
2010-2011	2010	86,954	5,329,477,145	83,850,136	2,025,713	81,824,423	1.54%	941
2011-2012	2011	88,141	5,016,234,260	84,657,278	1,461,770	83,195,508	1.66%	944
2012-2013	2012	89,112	4,907,996,827	74,770,000	1,430,964	73,339,036	1.49%	823
2013-2014	2013	89,982	5,000,341,519	78,260,000	1,824,588	76,435,412	1.53%	849
2014-2015	2014	90,782	5,123,856,539	67,080,000	1,495,974	65,584,026	1.28%	722
2015-2016	2015	91,636	5,315,168,275	82,215,000	1,517,325	80,697,675	1.52%	881
2016-2017	2016	92,084	5,546,848,735	70,300,000	1,589,902	68,710,098	1.24%	746

¹ Source: U.S. Census Bureau; Grand Traverse County

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Ratio of Net General Bonded Debt Outstanding
Fiscal Years 2007-2008 through 2016-2017

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Monies Restricted for Debt Service</u>	<u>Net Bonded Debt</u>	<u>Percentage of Taxable Value ¹</u>	<u>Per Capita ²</u>
2007-2008	\$ 88,990,000	\$ 1,445,902	\$ 87,544,098	2.20%	\$ 1,017
2008-2009	80,310,000	1,940,846	78,369,154	1.86%	912
2009-2010	93,715,000	2,543,532	91,171,468	2.09%	1,051
2010-2011	83,660,000	2,025,713	81,634,287	1.91%	939
2011-2012	84,560,000	1,461,770	83,098,230	1.98%	943
2012-2013	74,770,000	1,430,964	73,339,036	1.75%	823
2013-2014	78,260,000	1,824,588	76,435,412	1.78%	849
2014-2015	67,080,000	1,495,974	65,584,026	1.50%	722
2015-2016	82,215,000	1,517,325	80,697,675	1.81%	883
2016-2017	70,300,000	1,589,902	68,710,098	1.51%	746

¹ Property Taxable Value data provided in Demographic & Economic Information - Property Value & Construction Schedule.

² Population data provided in Demographic & Economic Information - School District Demographic Statistics Schedule.

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Ratio of Net Debt Outstanding by Type
Fiscal Years 2007-2008 through 2016-2017

Fiscal Year	General Obligation Bonds	Limited Obligation Bonds ¹	Capital Leases	Monies Restricted for Debt Service	Total Net Outstanding Debt	Percentage of Personal Income ²	Per Capita ²
2007-2008	\$ 88,990,000	\$ 856,951	\$ -	\$ 1,445,902	\$ 88,401,049	2.91%	\$ 1,027
2008-2009	80,310,000	776,180	382,400	1,940,846	79,527,734	2.52%	925
2009-2010	93,715,000	691,568	264,126	2,543,532	92,127,162	3.11%	1,062
2010-2011	83,660,000	190,136	136,886	2,025,713	81,961,309	2.56%	943
2011-2012	84,560,000	97,278	-	1,461,770	83,195,508	2.44%	944
2012-2013	74,770,000	-	-	1,430,964	73,339,036	2.06%	823
2013-2014	78,260,000	-	-	1,824,588	76,435,412	2.12%	849
2014-2015	67,080,000	-	-	1,495,974	65,584,026	1.71%	722
2015-2016	82,215,000	-	-	1,517,325	80,697,675	2.01%	881
2016-2017	70,300,000	-	-	1,589,902	68,710,098	1.66%	746

¹ This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

² Personal Income and Population data provided in Demographic & Economic Information - School District Demographic Statistics Schedule.

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Legal Debt Margin Information
2008-2017

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed Value	\$ 5,546,848,735
Debt limit (15% of assessed value)	832,027,310
Debt applicable to limit:	
General obligation bonds	70,300,000
Less: Amount set aside for repayment of general obligation debt	<u>1,589,902</u>
Total net debt applicable to limit	<u>68,710,098</u>
Legal debt margin	<u><u>\$ 763,317,212</u></u>

	Fiscal Year				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt Limit	\$ 832,328,634	\$ 855,560,963	\$ 843,878,740	\$ 799,421,572	\$ 752,435,139
Total net debt applicable to limit	<u>87,544,098</u>	<u>78,369,154</u>	<u>91,171,468</u>	<u>81,634,287</u>	<u>83,098,230</u>
Legal debt margin	<u><u>\$ 744,784,536</u></u>	<u><u>\$ 777,191,809</u></u>	<u><u>\$ 752,707,272</u></u>	<u><u>\$ 717,787,285</u></u>	<u><u>\$ 669,336,909</u></u>
Total net debt applicable to the limit as a percentage of debt limit	10.52%	9.16%	10.80%	10.21%	11.04%

	Fiscal Year				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt Limit	\$ 736,199,524	\$ 750,051,228	\$ 768,578,481	\$ 797,275,241	\$ 832,027,310
Total net debt applicable to limit	<u>73,339,036</u>	<u>76,435,412</u>	<u>65,584,026</u>	<u>80,697,675</u>	<u>68,710,098</u>
Legal debt margin	<u><u>\$ 662,860,488</u></u>	<u><u>\$ 673,615,816</u></u>	<u><u>\$ 702,994,455</u></u>	<u><u>\$ 716,577,566</u></u>	<u><u>\$ 763,317,212</u></u>
Total net debt applicable to the limit as a percentage of debt limit	9.96%	10.19%	8.53%	10.12%	8.26%

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Schedule of Direct and Overlapping Debt
6/30/2017

Direct Debt	Debt Outstanding	Percent Applicable to School District ¹	Amount Applicable to School District ¹	Debt Principal Per Capita (Pop 92,084)	Percent of STV ²
General Obligation Bonds	\$ 70,300,000	100.00%	\$ 70,300,000	\$ 763	1.54%
Total Direct Debt	70,300,000		70,300,000	763	1.54%
Overlapping Debt ³					
Traverse City	14,626,000	100.00%	14,626,000	159	0.32%
Acme Township	884,212	86.86%	768,027	8	0.02%
Blair Township	5,170,000	95.06%	4,914,602	53	0.11%
East Bay Township	6,673,183	100.00%	6,673,183	72	0.15%
Elmwood Township	1,030,748	90.90%	936,950	10	0.02%
Garfield Township	3,223,193	100.00%	3,223,193	35	0.07%
Long Lake Township	-	100.00%	-	-	0.00%
Peninsula Township	9,832,664	100.00%	9,832,664	107	0.22%
Whitewater Township	-	35.00%	-	-	0.00%
Benzie County	6,005,000	2.84%	170,542	2	0.00%
Grand Traverse County	15,613,924	88.56%	13,827,691	150	0.30%
Leelanau County	11,770,000	13.76%	1,619,552	18	0.04%
Northwestern Community College	30,345,000	88.56%	26,873,532	292	0.59%
Traverse Area District Library	-	88.51%	-	-	0.00%
Traverse City-Garfield Recreational Authority	4,535,000	100.00%	4,535,000	49	0.10%
Total Overlapping Debt	109,708,924		88,000,936	956	1.93%
Total Direct and Overlapping Debt	\$ 180,008,924		\$ 158,300,936	\$ 1,719	3.48%

¹ Overlapping debt is determined by applying the percentage of the school district's taxable value to the respective jurisdiction's entire taxable value times the jurisdiction's total tax supported debt.

² 2016 Taxable Value equal to \$4,554,857,384.

³ Overlapping debt amounts provided by Municipal Advisory Council of Michigan.

Source: Municipal Advisory Council of Michigan

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Revenue & Debt Capacity
Taxable Valuation of Property in School District
Tax Years 2007-2016

Tax Year	Valuation ¹			Tax Levy (Mills)		
	Homestead	Non-Homestead	Total	Operating		
				Homestead	Non-Homestead	Debt
2007	\$ 2,157,763,910	\$ 1,821,829,973	\$ 3,979,593,883	6.00	18.0000	3.10

Tax Year	Valuation ²					Tax Levy (Mills) ²			
	Principal Residence Exemption	Industrial Personal Property	Commercial Personal Property	All Other Non-PRE	Taxable Valuation Total	Operating			
						Principal Residence Exemption	Non-Principal Residence Exemption	Commercial Personal Property	Debt
2008	\$ 2,276,715,078	\$ 54,526,140	\$ 136,383,672	\$ 1,741,577,497	\$ 4,209,202,387	6.00	18.0000	6.00	3.10
2009	2,360,278,961	63,544,450	141,427,889	1,787,571,364	4,352,822,664	6.00	18.0000	6.00	3.10
2010	2,323,523,259	61,921,144	129,181,037	1,756,510,659	4,271,136,099	6.00	18.0000	6.00	3.10
2011	2,302,221,253	57,330,850	124,382,935	1,709,192,731	4,193,127,769	6.00	18.0000	6.00	3.10
2012	2,313,651,871	58,219,009	121,911,605	1,697,779,753	4,191,562,238	6.00	18.0000	6.00	3.10
2013	2,367,691,868	65,404,327	127,234,174	1,735,748,530	4,296,078,899	6.00	18.0000	6.00	3.10
2014	2,451,503,634	61,557,308	110,499,128	1,763,170,009	4,386,730,079	6.00	18.0000	6.00	3.10
2015	2,521,868,619	70,149,000	109,218,500	1,755,679,918	4,456,916,037	6.00	18.0000	6.00	3.10
2016	2,619,800,458	43,840,000	112,261,182	1,778,955,744	4,554,857,384	6.00	18.0000	6.00	3.10

¹ Ad valorem property taxes are assessed on the basis of taxable value, which is subject to assessment caps. This is different than state equalized value, which was the method for assessing ad valorem property taxes prior to 1994. State equalized value was an amount equal to 50% of true cash value.

² For tax year 2008 and forward, the Michigan Business Tax granted some exemptions to property taxes for industrial and commercial property. Taxable value must now be collected for four general classes of property as represented in this schedule.

Source: Compiled by TCAPS Business Office

**Traverse City Area Public Schools
Comprehensive Annual Financial Report
Statistical Section**

DEMOGRAPHIC AND ECONOMIC INFORMATION

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Demographic & Economic Information
Employment by Classification
Fiscal Years 2007-2008 through 2016-2017

School Year	Number of Staff			Total
	Instructional Employees	Administrative Employees	Support/Non-Instructional Employees	
2007-2008	650	84	699	1,433
2008-2009	644	83	717	1,444
2009-2010	632	87	691	1,410
2010-2011	579	80	690	1,349
2011-2012	567	78	609	1,254
2012-2013	567	80	629	1,276
2013-2014	569	80	611	1,260
2014-2015	571	81	623	1,275
2015-2016	548	84	617	1,249
2016-2017	535	87	615	1,237

Source: TCAPS Human Resources Department

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Demographic & Economic Information
School District Demographic Statistics
Fiscal Years 2007-2008 through 2016-2017

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (Thousands)</u>	<u>Per Capita Income</u>	<u>% of Michigan</u>	<u>% of U.S.</u>	<u>Unemployment Rate ¹</u>
2007-2008	86,071	\$ 3,033,402	\$ 35,520	103.20%	92.00%	7.6%
2008-2009	85,939	3,154,303	36,704	103.96%	90.24%	11.8%
2009-2010	86,767	2,966,624	34,191	102.92%	88.49%	11.7%
2010-2011	86,954	3,198,608	36,751	104.70%	91.51%	9.6%
2011-2012	88,141	3,407,167	38,634	103.96%	91.26%	8.0%
2012-2013	89,112	3,554,592	39,937	103.32%	90.22%	7.7%
2013-2014	89,987	3,605,272	40,068	102.18%	90.05%	6.1%
2014-2015	90,782 ²	3,840,464 ²	42,298 ²	103.31% ²	91.03% ²	4.7%
2015-2016	91,636 ²	4,020,628 ²	43,876 ²	102.44% ²	91.05% ²	4.1%
2016-2017	92,084 ²	4,141,247 ²	43,973 ²	101.41% ²	90.72% ²	4.3% ²

¹ Unemployment rate listed for 2016-2017 is the average YTD through 06/30/17; previous years are calendar annual average rates (not seasonally adjusted); Grand Traverse County.

² Estimated; Grand Traverse County.

Source: Bureau of Economic Analysis; U.S. Census Bureau

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Demographic & Economic Information
Property Value and Construction
Fiscal Years 2007-2008 through 2016-2017

Fiscal Year	Tax Year	Valuation ¹			New Residential Building Permits ²	
		Homestead	Non-Homestead	Total	Number	Value
2007-2008	2007	\$ 2,157,763,910	\$ 1,821,829,973	\$ 3,979,593,883	419	\$ 78,457,676

Fiscal Year	Tax Year	Valuation ¹					New Residential Building Permits ²	
		Principal Residence Exemption	Industrial Personal Property	Commercial Personal Property	All Other Non-PRE	Total	Number	Value
2008-2009	2008	\$ 2,276,715,078	\$ 54,526,140	\$ 136,383,672	\$ 1,741,577,497	\$ 4,209,202,387	282	\$ 60,390,805
2009-2010	2009	2,360,278,961	63,544,450	141,427,889	1,787,571,364	4,352,822,664	217	40,567,692
2010-2011	2010	2,323,523,259	61,921,144	129,181,037	1,756,510,659	4,271,136,099	245	47,611,073
2011-2012	2011	2,302,221,253	57,330,850	124,382,935	1,709,192,731	4,193,127,769	266	54,973,178
2012-2013	2012	2,313,651,871	58,219,009	121,911,605	1,697,779,753	4,191,562,238	322	69,135,182
2013-2014	2013	2,367,691,868	65,404,327	127,234,174	1,735,748,530	4,296,078,899	539	104,647,775
2014-2015	2014	2,451,503,634	61,557,308	110,499,128	1,763,170,009	4,386,730,079	440	96,244,572
2015-2016	2015	2,521,868,619	70,149,000	109,218,500	1,755,679,918	4,456,916,037	478	95,617,643
2016-2017	2016	2,619,800,458	43,840,000	112,261,182	1,778,955,744	4,554,857,384	571	120,593,094

¹ For tax year 2008 and forward, the Michigan Business Tax granted some exemptions to property taxes for industrial and commercial property. Taxable value must now be collected for four general classes of property, as represented in this schedule.

² Grand Traverse and Leelanau Counties (single family units); source: U.S. Bureau of the Census

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Demographic & Economic Information
Principal Taxpayers
Tax Years 2007 and 2016

2007		Taxable Valuation and Industrial Facilities Tax Valuation	
Principal Taxpayer	Product/Service	Total	Percent of Total
Grand Traverse Band of Ottawa Indians	Resort	\$ 20,673,137	0.52%
Great Wolf Lodge of TC, LLC	Lodge	20,026,760	0.50%
Sara Lee Corporation	Frozen Foods	17,823,990	0.45%
Hillsdale Automotive, LLC	Automotive	16,282,160	0.41%
Grand Traverse Crossing Shopping	Retail Shopping Mall	16,113,870	0.40%
Consumers Energy	Utility	15,819,307	0.40%
Michigan Consolidated Gas (DTE Energy)	Utility	15,018,954	0.38%
Grand Traverse Mall, Ltd.	Retail Shopping Mall	13,696,980	0.34%
Pinnacle Arizona Development	Developer	10,377,200	0.26%
GDO Investments	Investments	9,937,313	0.25%
Subtotal		155,769,671	3.91%
All Others		3,823,824,212	96.09%
Totals		\$ 3,979,593,883	100.00%

2016		Taxable Valuation and Industrial Facilities Tax Valuation	
Principal Taxpayer	Product/Service	Total	Percent of Total
Consumers Energy	Utility	\$ 32,616,491	0.72%
Grand Traverse Mall Ltd. Ptr.	Retail Shopping Mall	22,684,966	0.50%
Mi Electric Transmission Co.	Utility	21,220,600	0.47%
DTE	Utility	19,370,225	0.43%
Grand Traverse Resort & Spa LLC	Resort	15,088,602	0.33%
Wolverine power Supply Co-op	Utility	13,716,396	0.30%
Elmers	Construction/Excavation	12,569,617	0.28%
Arbors	Real Estate	11,067,031	0.24%
Cherryland Electric Co-op	Utility	10,295,007	0.23%
Hillshire Brands/Sara Lee Corp	Food manufacturing	7,364,851	0.16%
Subtotal		165,993,786	3.64%
All Others		4,388,863,598	96.36%
Totals		\$ 4,554,857,384	100.00%

Source: Grand Traverse, Leelanau, and Benzie Counties

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Demographic & Economic Information
Principal Employers in the District
Fiscal Years 2007-2008 and 2016-2017

Employer	Product/Service	2007/2008	
		Approximate Number Employed	% of Total Employed ¹
Munson Healthcare	Health Care	4,401	9.74%
Traverse City Area Public Schools	Education	1,459	3.23%
Traverse Bay Entertainment (EDC)	Gaming	1,200	2.65%
Interlochen Center for the Arts	Education	350-1,200	2.65%
Grand Traverse Resort & Casinos	Hotel/Gaming	600-900	1.99%
Northwestern Michigan College	Education	671	1.48%
Sara Lee Bakeries	Frozen Food	700	1.55%
Traverse Bay ISD	Education	600	1.33%
Cherry Growers Inc.	Fruit Processing	225-600	1.33%
Meijer	Retail/Groceries	475	1.05%

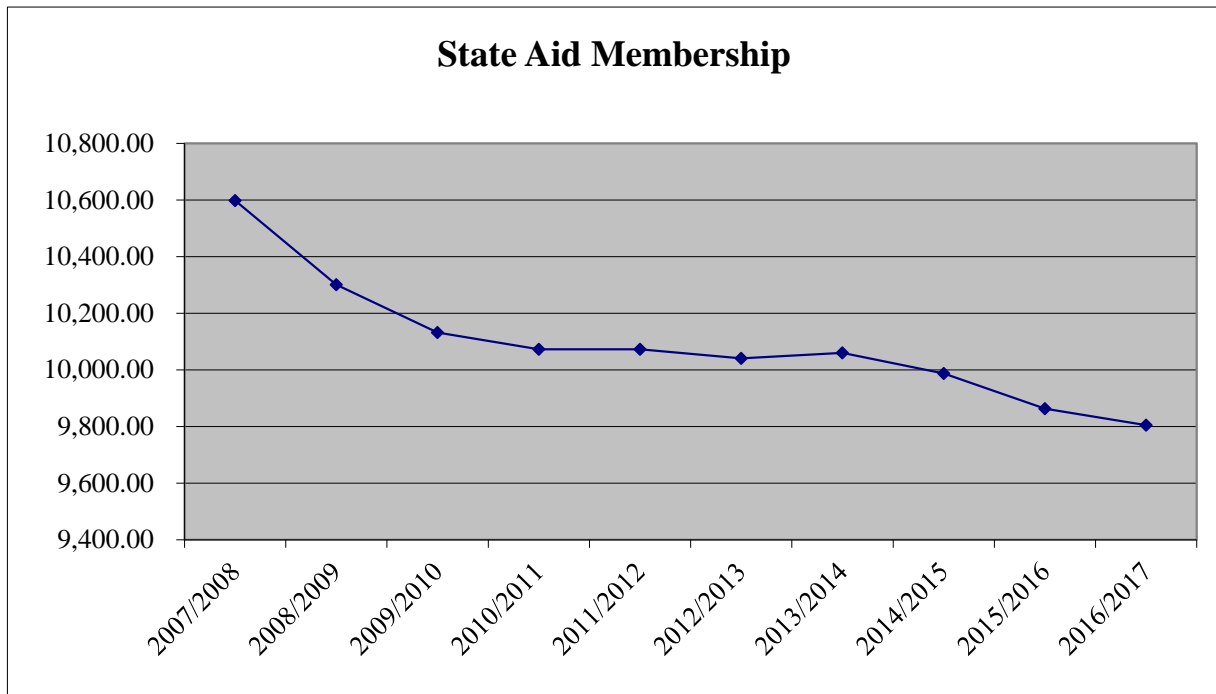
Employer	Product/Service	2016/2017	
		Approximate Number Employed	% of Total Employed ¹
Munson Healthcare	Health Care	3,100	6.51%
Traverse City Area Public Schools	Education	1,237	2.60%
Hagerty	Insurance	685	1.44%
Meijer	Retail/Groceries	600	1.26%
Traverse Bay ISD	Education	573	1.20%
Northwestern Michigan College	Education	530	1.11%
Grand Traverse Resort & Spa	Hotel/Gaming	500	1.05%
Interlochen Center for the Arts	Arts education institution	475	1.00%
Grand Traverse County Government	Government	450	0.94%
Britten Banners	Banners	410	0.86%

¹ Total number employed in Grand Traverse County; employed numbers may not reflect recent changes in employment due to reporting time lags and other factors that impact data collection of this kind.

Sources: Michigan Manufacturers Directory, the Michigan Economic Development Council, Grand Traverse Planning Department and individual employers.

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Demographic & Economic Information
School District State Aid Membership
Fiscal Years 2007-2008 through 2016-2017

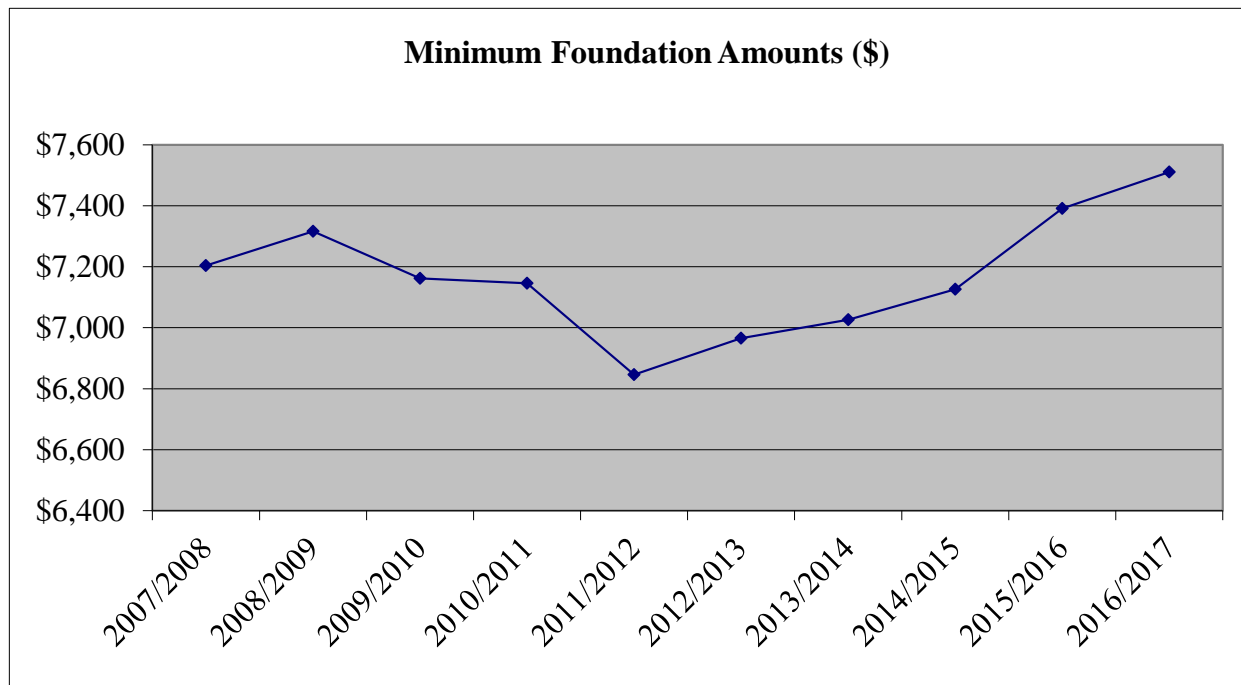
Fiscal Year	Total F.T.E.
2007/2008	10,598.78
2008/2009	10,301.43
2009/2010	10,131.80
2010/2011	10,073.00
2011/2012	10,072.97
2012/2013	10,040.69
2013/2014	10,060.43
2014/2015	9,987.35
2015/2016	9,862.59
2016/2017	9,805.08



Source: Michigan Department of Education; compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Demographic & Economic Information
History of Foundation Allowance
Fiscal Years 2007-2008 through 2016-2017

Fiscal Year	Minimum Foundation Amounts (\$)
2007/2008	\$ 7,204
2008/2009	7,316
2009/2010	7,162
2010/2011	7,146
2011/2012	6,846
2012/2013	6,966
2013/2014	7,026
2014/2015	7,126
2015/2016	7,391
2016/2017	7,511



Source: Michigan Department of Education; compiled by TCAPS Business Office

**Traverse City Area Public Schools
Comprehensive Annual Financial Report
Statistical Section**

OPERATIONAL INFORMATION

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Operational Information
Insurance Coverage Data
Fiscal Year 2016-2017

Location	Structure ¹	Contents ¹	Site Improvements ¹	Total Insured
Bertha Vos Elementary ²	\$ 5,391,617	\$ 812,706	\$ 54,288	\$ 6,258,611
Blair Elementary	8,129,400	1,324,746	166,231	9,620,377
Central Grade Elementary	24,040,073	3,133,206	67,251	27,240,530
Cherry Knoll Elementary	8,072,176	1,205,406	212,560	9,490,142
Courtade Elementary	8,535,461	1,249,266	128,792	9,913,519
Eastern Elementary ²	5,537,885	1,032,005	95,064	6,664,954
Interlochen Community School ³	6,184,156	1,163,586	152,645	7,500,387
Long Lake Elementary ⁴	9,029,549	1,322,706	123,726	10,475,981
Montessori @ Glenn Loomis	7,569,419	1,415,524	106,474	9,091,417
Oak Park Elementary	5,884,176	1,011,605	72,453	6,968,234
Old Mission Peninsula School	6,491,380	1,085,046	148,979	7,725,405
Silver Lake Elementary	6,971,188	1,246,206	154,430	8,371,824
Traverse Heights Elementary	9,400,320	1,355,345	175,397	10,931,062
Westwoods Elementary	6,973,329	1,253,854	171,054	8,398,237
Willow Hill Elementary	7,429,678	1,135,026	217,066	8,781,770
East Middle School	30,495,958	4,302,406	895,839	35,694,203
West Middle School	34,747,517	5,278,547	1,165,514	41,191,578
Central High School	44,072,054	5,450,926	1,153,613	50,676,593
Traverse City High School	6,987,510	1,123,805	56,888	8,168,203
West Senior High School	41,898,130	5,129,625	1,433,557	48,461,312
Boardman Administration Bldg.	3,752,987	1,287,005	-	5,039,992
Bus Garage	1,381,079	3,015,906	-	4,396,985
Operations/Maintenance Building	1,058,759	1,457,593	-	2,516,352
Data Center/Sabin Building	6,824,513	1,424,705	336,926	8,586,144
Coast Guard Warehouse/Fields	1,179,934	9,178	436,920	1,626,032
Thirlby Field	2,807,340	72,418	1,645,060	4,524,818
	<u>\$ 300,845,588</u>	<u>\$ 48,298,347</u>	<u>\$ 9,170,727</u>	
<u>Total Real & Personal Property</u>				<u>\$ 358,314,662</u>

¹ Values based on property insurance appraisal dated August 12, 2015; insured values represent replacement cost new.

² Bertha Vos Elementary closed as an International Baccalaureate Primary Years Programme (candidate) at the end of the 2015/2016 school year. The building currently houses Eastern Elementary staff and students (effective April 2017). The Eastern Elementary building was closed April 2017 for demolition; new construction is occurring during the 2017/2018 school year.

³ The Interlochen Community School closed at the end of the 2015/2016 school year. Since January 2017 the building has been used for K-12 programming in cooperation with the Northern Michigan Homeschool Partnership.

⁴ The old Long Lake Elementary school building was sold with 10.49 acres on 05/01/17 and removed from this schedule; the data reflects the new building that was constructed elsewhere on the site and occupied during the 2011/2012 school year.

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Operational Information
Summary of Owned Buildings and Sites
June 30, 2017

Building	Year of Construction or Purchase	Number of Stories	Square Footage	Acreage	Number of Classrooms		Number of Students ¹	
					Total	Vacant	Total	K-5
INSTRUCTIONAL								
<u>Elementary Schools</u>								
Bertha Vos Elementary ²	1953	one	35,320	6.0	13	0	339	290
Blair Elementary	1990	one	50,562	110.0	18	2	328	269
Central Grade Elementary	1922	two	144,717	4.4	32	0	738	658
Cherry Knoll Elementary	1956	one	48,600	4.1	20	0	459	405
Courtade Elementary	1991	one	52,984	16.0	23	5	310	268
Eastern Elementary ²	-	-	-	12.0	0	0	0	0
Long Lake Elementary ³	2011	one	50,752	33.1	18	0	357	301
Montessori at Glenn Loomis	1957	one	47,156	4.6	16	0	405	316
Oak Park Elementary ⁴	1950	one	36,565	3.5	9	0	20	0
Old Mission Peninsula School ⁵	1956	one	39,304	9.0	15	7	179	151
Silver Lake Elementary	1987	one	39,798	15.0	16	0	402	375
Traverse Heights Elementary	1950	one	57,873	14.0	24	0	298	246
Westwoods Elementary	1990	one	47,408	16.1	20	0	475	426
Willow Hill Elementary	1949	one	46,813	10.0	20	0	506	457
Interlochen Community School ⁶	1950	one	41,224	10.2	13	9	77	63
<u>Secondary Schools</u>								
East Middle School	1991	one	190,508	90.0	75		918	
West Middle School	1969	one	208,004	80.0	75		1,180	
Central High School	1958	one	315,330	36.3	70		1,371	
Traverse City High School	1949	one	45,997	7.1	19		214	
West Senior High School	1997	two	271,190	100.0	75		1,602	
Total Instructional			1,770,105	581.4	571	23	10,178	4,225
NON-INSTRUCTIONAL								
Boardman Administration Bldg.	1914	three	36,175	1.0				
Bus Garage	1971	one	22,612	-- 14.0				
Operations/Maintenance Building	1981	one	12,096					
Data Center/Sabin Building	1949	one	42,108	8.2				
Coast Guard Warehouse/Fields	1968	one	18,000	26.0				
Thirlby Field	1995		27,588	7.0				
Total Non-Instructional			158,579	56.2				
LAND ASSETS								
13 th Street Property	2001	-	-	1.8				
Lockman Outdoor Education Center	1975	-	-	212.0				
BAAS Property	1942	-	-	80.0				
Church Road Property	1942	-	-	40.0				
Potter Forest Property	1940	-	-	80.0				

¹ Based on October 2016 count data; the total number includes Early Childhood programming at the elementary buildings and grades 6-12 at Interlochen Community School.

² Bertha Vos Elementary closed as an International Baccalaureate Primary Years Programme (candidate) at the end of the 2015/2016 school year. The building currently houses Eastern Elementary staff and students (effective April 2017). The Eastern Elementary building was closed April 2017 for demolition; new construction is occurring during the 2017/2018 school year.

³ The old Long Lake Elementary building was sold with 10.49 acres on 05/01/17 and removed from this schedule; data reflects building that was constructed elsewhere on the site and occupied during the 2011/2012 school year.

⁴ Oak Park Elementary closed at the end of the 2005/2006 school year; the Traverse Bay Area Intermediate School District leases most of the building for their programming but TCAPS also operates Early Childhood programming in the building.

⁵ Old Mission was sold 04/26/17 to the Old Mission Peninsula Education Foundation; the deed is held in escrow until they take possession 07/01/18.

⁶ The Interlochen Community School closed at the end of the 2015/2016 school year. Since January 2017 the building has been used for K-12 programming in cooperation with the Northern Michigan Homeschool Partnership.

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Operational Information
School Building Information ¹
Fiscal Years 2007-2008 through 2016-2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Bertha Vos Elementary ²</u>										
Square feet	33,647	33,647	33,647	33,647	33,647	33,647	33,647	33,647	33,647	33,647
Capacity	325	325	325	325	325	325	325	325	325	325
Enrollment	240	0	0	0	0	42	57	60	55	290
<u>Blair Elementary</u>										
Square feet	42,000	42,000	42,000	42,000	42,000	42,000	50,562	50,562	50,562	50,562
Capacity	350	350	350	350	350	350	475	475	475	475
Enrollment	317	292	290	271	283	307	280	293	264	269
<u>Central Grade Elementary</u>										
Square feet	143,550	143,550	143,550	143,550	143,550	143,550	143,550	143,550	143,550	143,550
Capacity	790	790	790	790	790	790	790	790	790	790
Enrollment	739	579	563	594	584	624	623	631	644	658
<u>Cherry Knoll Elementary</u>										
Square feet	44,952	48,800	48,800	48,800	48,800	48,800	48,800	48,800	48,800	48,800
Capacity	350	350	350	350	350	350	350	350	350	350
Enrollment	365	319	356	373	363	374	369	379	386	405
<u>Courtade Elementary</u>										
Square feet	51,000	51,000	51,000	51,000	51,000	51,000	51,000	51,000	51,000	51,000
Capacity	575	575	575	575	575	575	575	575	575	575
Enrollment	271	380	387	368	339	319	307	324	289	268
<u>Eastern Elementary ²</u>										
Square feet	34,226	34,226	34,226	34,226	34,226	34,226	34,226	34,226	34,226	0
Capacity	300	300	300	300	300	300	300	300	300	0
Enrollment	292	255	228	244	249	274	268	293	279	0
<u>Interlochen Community School ³</u>										
Square feet	37,192	37,192	37,192	37,192	37,192	37,192	37,192	37,192	37,192	37,192
Capacity	425	425	425	425	425	425	425	425	425	425
Enrollment	346	292	283	268	255	231	239	190	170	0
<u>Long Lake Elementary (old) ⁴</u>										
Square feet	38,648	38,648	38,648	38,648	38,648	38,648	38,648	38,648	38,648	0
Capacity	350	350	350	350	350	350	350	350	350	0
Enrollment	298	288	289	279	0	0	0	0	0	0
<u>Long Lake Elementary (new) ⁴</u>										
Square feet					50,750	50,750	50,750	50,750	50,750	50,750
Capacity					540	540	540	540	540	540
Enrollment					277	274	292	275	266	301
<u>Montessori at Glenn Loomis</u>										
Square feet	46,537	46,537	46,537	46,537	46,537	46,537	46,537	46,537	46,537	46,537
Capacity	350	350	350	350	350	350	350	350	350	350
Enrollment	261	328	333	331	348	340	354	322	331	316
<u>Norris Elementary ⁵</u>										
Square feet	35,161	35,161	35,161	35,161	35,161	35,161	0	0	0	0
Capacity	325	325	325	325	325	325	0	0	0	0
Enrollment	260	0	0	0	0	0	0	0	0	0

¹ This schedule continues on the following page.

² Bertha Vos Elementary closed as an International Baccalaureate Primary Years Programme (candidate) at the end of the 2015/2016 school year. The building currently houses Eastern Elementary staff and students (effective April 2017). The Eastern Elementary building was closed April 2017 for demolition; new construction is occurring during the 2017/2018 school year.

³ The Interlochen Community School closed at the end of the 2015/2016 school year. Since January 2017 the building has been used for K-12 programming in cooperation with the Northern Michigan Homeschool Partnership.

⁴ The old Long Lake Elementary building was sold with 10.49 acres on 05/01/17; the "new" Long Lake Elementary building was constructed elsewhere on the site and occupied during the 2011/2012 school year.

⁵ The Norris Elementary School building and property was sold on June 30, 2014; buyer obtained possession at close.

TRAVERSE CITY AREA PUBLICS SCHOOLS
Comprehensive Annual Financial Report
Operational Information
School Building Information
Continued from previous page

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Oak Park Elementary</u>										
Square feet	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
Capacity	275	275	275	275	275	275	275	275	275	275
Enrollment	0	0	0	0	0	0	0	0	0	0
<u>Old Mission Peninsula School</u> ¹										
Square feet	39,304	39,304	39,304	39,304	39,304	39,304	39,304	39,304	39,304	39,304
Capacity	375	375	375	375	375	375	375	375	375	375
Enrollment	203	194	200	207	200	174	178	164	168	151
<u>Silver Lake Elementary</u>										
Square feet	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000
Capacity	350	350	350	350	350	350	350	350	350	350
Enrollment	337	279	271	277	290	266	273	281	271	375
<u>Traverse Heights Elementary</u>										
Square feet	57,873	57,873	57,873	57,873	57,873	57,873	57,873	57,873	57,873	57,873
Capacity	450	450	450	450	450	450	450	450	450	450
Enrollment	278	252	252	214	213	236	253	221	225	246
<u>Westwoods Elementary</u>										
Square feet	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000
Capacity	450	450	450	450	450	450	450	450	450	450
Enrollment	413	348	356	386	407	407	383	371	365	426
<u>Willow Hill Elementary</u>										
Square feet	44,430	44,430	44,430	44,430	44,430	44,430	44,430	44,430	44,430	44,430
Capacity	500	500	500	500	500	500	500	500	500	500
Enrollment	354	410	427	441	468	476	468	442	438	457
<u>East Middle School</u>										
Square feet	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000
Capacity	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Enrollment	1,140	954	921	937	949	946	902	842	874	918
<u>West Middle School</u>										
Square feet	210,000	210,000	210,000	210,000	210,000	210,000	210,000	210,000	210,000	210,000
Capacity	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Enrollment	1,357	1,214	1,209	1,174	1,187	1,171	1,164	1,207	1,233	1,180
<u>Central High School</u>										
Square feet	260,000	280,087	280,087	280,087	280,087	280,087	280,087	280,087	280,087	280,087
Capacity	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750
Enrollment	1,208	1,597	1,494	1,458	1,435	1,436	1,490	1,419	1,353	1,371
<u>Traverse City High School</u>										
Square feet	43,842	43,842	43,842	43,842	43,842	43,842	43,842	43,842	43,842	43,842
Capacity	475	475	475	475	475	475	475	475	475	475
Enrollment	185	151	182	181	188	189	173	219	199	214
<u>West Senior High School</u>										
Square feet	240,960	256,086	256,086	256,086	256,086	256,086	256,086	256,086	256,086	256,086
Capacity	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875
Enrollment	1,520	1,854	1,820	1,770	1,738	1,638	1,656	1,567	1,552	1,602

¹ The Old Mission building was sold 04/26/17 to the Old Mission Peninsula Education Foundation; the deed is held in escrow until they take possession 07/01/18.

Source: Compiled by TCAPS Business Office

TRAVERSE CITY AREA PUBLIC SCHOOLS
Comprehensive Annual Financial Report
Operating Statistics
Fiscal Years 2007-2008 through 2016-2017

<u>Fiscal year</u>	<u>Expenses</u>	<u>Enrollment</u>	<u>Cost per pupil</u>	<u>Percentage change</u>	<u>Instructional employees</u>	<u>Pupil/instructional employee ratio</u>
2007-2008	\$ 103,217,981	10,599	\$ 9,739	-9.4%	650	16.3
2008-2009	104,460,806	10,301	10,140	4.1%	644	16.0
2009-2010	102,946,187	10,132	10,161	0.2%	632	16.0
2010-2011	102,188,480	10,073	10,145	-0.2%	579	17.4
2011-2012	101,156,290	10,073	10,042	-1.0%	567	17.8
2012-2013	102,131,500	10,041	10,171	1.3%	567	17.7
2013-2014	104,383,777	10,060	10,376	2.0%	569	17.7
2014-2015	107,150,164	9,987	10,729	3.4%	571	17.5
2015-2016	109,464,409	9,863	11,098	3.4%	548	18.0
2016-2017	113,527,859	9,805	11,579	4.3%	535	18.3

Source: Compiled by TCAPS Business Office

**TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal grantor/pass through grantor/program title	Pass-through grantor's number	Federal CFDA number	Approved award amount	Prior year expenditures (memo only)	Accrued revenue at 7/1/2016	Current year receipts (cash basis)	Current year expenditures	Accrued revenue at 6/30/2017	Current year cash transferred to subrecipient
<u>US Department of Agriculture:</u>									
Passed Through the Michigan Department of Education:									
Child Nutrition Cluster:									
Non-Cash Assistance (Donated foods):									
National School Lunch Program:									
Entitlement	N/A	10.555	\$ 324,062	\$ -	\$ -	\$ 324,062	\$ 324,062	\$ -	\$ -
Cash Assistance (Donated foods):									
National School Lunch Program:									
2015-2016	161960	10.555	1,602,940	1,427,463	53,349	228,826	175,477	-	-
2015-2016 Snack	161980	10.555	12,101	10,646	441	1,896	1,455	-	-
2016-2017	171960	10.555	1,340,060	-	-	1,302,796	1,340,060	37,264	-
2016-2017 Snack	171980	10.555	10,028	-	-	9,791	10,028	237	-
			<u>2,965,129</u>	<u>1,438,109</u>	<u>53,790</u>	<u>1,543,309</u>	<u>1,527,020</u>	<u>37,501</u>	<u>-</u>
Total CFDA #10.555 National School Lunch Program			<u>3,289,191</u>	<u>1,438,109</u>	<u>53,790</u>	<u>1,867,371</u>	<u>1,851,082</u>	<u>37,501</u>	<u>-</u>
Cash Assistance:									
School Breakfast Program:									
2015-2016	161970	10.553	434,207	392,400	16,636	58,444	41,808	-	-
2016-2017	171970	10.553	333,917	-	-	322,466	333,917	11,451	-
Total CFDA #10.553 School Breakfast Program			<u>768,124</u>	<u>392,400</u>	<u>16,636</u>	<u>380,910</u>	<u>375,725</u>	<u>11,451</u>	<u>-</u>
Cash Assistance Total			<u>3,733,253</u>	<u>1,830,509</u>	<u>70,426</u>	<u>1,924,219</u>	<u>1,902,745</u>	<u>48,952</u>	<u>-</u>
Total Child Nutrition Cluster			<u>4,057,315</u>	<u>1,830,509</u>	<u>70,426</u>	<u>2,248,281</u>	<u>2,226,807</u>	<u>48,952</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.

TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)

Federal grantor/pass through grantor/program title	Pass-through grantor's number	Federal CFDA number	Approved award amount	Prior year expenditures (memo only)	Accrued revenue at 7/1/2016	Current year receipts (cash basis)	Current year expenditures	Accrued revenue at 6/30/2017	Current year cash transferred to subrecipient
<u>US Department of Agriculture (Concluded):</u>									
Passed Through the Michigan Department of Education:									
Child and Adult Care Food Program									
2015-2016	161920	10.558	\$ 13,715	\$ 12,601	\$ -	\$ 1,114	\$ 1,114	\$ -	\$ -
2016-2017	171920	10.558	12,678	-	-	12,355	12,678	323	-
Total CFDA #10.558 Child and Adult Care Food Program			26,393	12,601	-	13,469	13,792	323	-
Team Nutrition Grants									
2016-2017	N/A	10.574	203	-	-	203	203	-	-
Child Nutrition Discretionary Grants Limited Availability									
2016-2017	151991	10.579	22,400	-	-	22,400	22,400	-	-
Fresh Fruit and Vegetable Program									
2015-2016	160950	10.582	11,200	11,200	2,217	2,217	-	-	-
Total Michigan Department of Education			4,117,511	1,854,310	72,643	2,286,570	2,263,202	49,275	-
Passed Through the Michigan Fitness Foundation:									
State Administrative Matching Grants for the Supplemental Nutrition Assistance	16-99011	10.561	75,000	42,834	21,682	35,485	13,803	-	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance	17-99011	10.561	75,000	-	-	20,682	57,420	36,738	-
Total CFDA #10.561 Michigan Fitness Foundation			150,000	42,834	21,682	56,167	71,223	36,738	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			4,267,511	1,897,144	94,325	2,342,737	2,334,425	86,013	-
<u>U.S. Department of Education:</u>									
Direct Programs:									
Indian Education Grants to Local Educational Agencies	S060A150803	84.060A	60,044	60,044	20,582	20,582	-	-	-
Indian Education Grants to Local Educational Agencies	S060A160803	84.060A	55,502	-	-	38,599	54,780	16,181	-
Total CFDA #84.060A Direct Programs			115,546	60,044	20,582	59,181	54,780	16,181	-

The accompanying notes are an integral part of this schedule.

TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)

Federal grantor/pass through grantor/program title	Pass-through grantor's number	Federal CFDA number	Approved award amount	Prior year expenditures (memo only)	Accrued revenue at 7/1/2016	Current year receipts (cash basis)	Current year expenditures	Accrued revenue at 6/30/2017	Current year cash transferred to subrecipient
<u>U.S. Department of Education (Continued):</u>									
Passed Through the Michigan Department of Education:									
Education for Homeless Children and Youth	162320/1516	84.196A	\$ 45,702	\$ 43,960	\$ 17,980	\$ 17,980	\$ -	\$ -	\$ -
Education for Homeless Children and Youth	172320/1617	84.196A	53,366	-	-	26,992	36,905	9,913	-
Total CFDA #84.196A			99,068	43,960	17,980	44,972	36,905	9,913	-
Twenty-First Century Community Learning Centers	162110/I14003	84.287C	135,000	133,263	55,271	55,271	-	-	-
Twenty-First Century Community Learning Centers	172110/I14003	84.287C	135,000	-	-	90,929	130,457	39,528	-
Total CFDA #84.287C			270,000	133,263	55,271	146,200	130,457	39,528	-
Title I Grants to Local Educational Agencies	161530/1516	84.010A	1,279,287	1,122,729	1,122,729	1,157,502	34,773	-	-
Title I Grants to Local Educational Agencies	171530/1617	84.010A	1,332,020	-	-	770,602	1,125,807	355,205	-
Total CFDA #84.010A			2,611,307	1,122,729	1,122,729	1,928,104	1,160,580	355,205	-
Supporting Effective Instruction State Grants	160520/1516	84.367A	766,701	383,799	383,799	383,799	-	-	-
Supporting Effective Instruction State Grants	170520/1617	84.367A	766,551	-	-	391,726	581,793	190,067	-
Total CFDA #84.367A			1,533,252	383,799	383,799	775,525	581,793	190,067	-
English Language Acquisition State Grants:									
Title III Limited English Proficient Students	160580/1516	84.365A	36,358	18,373	18,373	18,373	-	-	-
Title III Part A Supplemental Funds for Immigrant Children	160590/1516	84.365B	173	41	41	41	-	-	-
Title III Limited English Proficient Students	170580/1617	84.365A	45,880	-	-	12,557	34,872	22,315	3,730
Title III Immigrant Students	170570/1617	84.365A	28,361	-	-	-	7,512	7,512	-
Total CFDA #84.365			110,772	18,414	18,414	30,971	42,384	29,827	3,730
Total Michigan Department of Education			4,624,399	1,702,165	1,598,193	2,925,772	1,952,119	624,540	3,730

The accompanying notes are an integral part of this schedule.

TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017
(Concluded)

Federal grantor/pass through grantor/program title	Pass-through grantor's number	Federal CFDA number	Approved award amount	Prior year expenditures (memo only)	Accrued revenue at 7/1/2016	Current year receipts (cash basis)	Current year expenditures	Accrued revenue at 6/30/2017	Current year cash transferred to subrecipient
<u>U.S. Department of Education (Concluded):</u>									
Passed Through the Traverse Bay Area Intermediate School District:									
Special Education Cluster:									
Special Education Preschool Grants	150460/1415	84.173A	\$ 80,344	\$ 4,615	\$ 4,615	\$ 4,615	\$ -	\$ -	\$ -
Special Education Preschool Grants	160460/1516	84.173A	83,289	73,790	73,790	73,790	4,615	4,615	-
Special Education Preschool Grants	170460/1617	84.173A	88,054	-	-	-	88,054	88,054	-
Total CFDA #84.173A			251,687	78,405	78,405	78,405	92,669	92,669	-
Total passed through the Traverse Bay Area Intermediate School District			251,687	78,405	78,405	78,405	92,669	92,669	-
TOTAL U.S. DEPARTMENT OF EDUCATION			4,991,632	1,840,614	1,697,180	3,063,358	2,099,568	733,390	3,730
<u>U.S. Department of Health and Human Services:</u>									
Passed Through the Traverse Bay Area Intermediate School District:									
Medical Assistance Program		93.778	19,879	-	-	19,879	19,879	-	-
Total Passed Through Traverse Bay Area Intermediate School District			19,879	-	-	19,879	19,879	-	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			19,879	-	-	19,879	19,879	-	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 9,279,022	\$ 3,737,758	\$ 1,791,505	\$ 5,425,974	\$ 4,453,872	\$ 819,403	\$ 3,730

The accompanying notes are an integral part of this schedule.

**TRAVERSE CITY AREA PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Traverse City Area Public Schools under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Traverse City Area Public Schools it is not intended to and does not present the financial position or changes in net position of Traverse City Area Public Schools.

The District qualifies for low-risk auditee status. Management has utilized the Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. During the year, the District passed through \$3,730 of Title III, Limited English Proficient Students to McBain Rural Agricultural Schools.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Traverse City Area Public Schools has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 2,060,213
Other nonmajor governmental funds (special revenue fund)	<u>2,393,659</u>
Total financial assistance	<u><u>\$ 4,453,872</u></u>

NOTE 4 - PROGRAM CLUSTERS

Program clusters contained within the schedule are as follows:

Child Nutrition Cluster consists of CFDA #10.553, #10.555, and #10.559.

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**INDEPENDENT AUDITOR'S 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
Traverse City Area Public Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Traverse City Area Public Schools as of and for the year ended June 30, 2017, and the notes to the financial statements, which collectively comprise the Traverse City Area Public Schools' 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 Traverse City Area Public Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Traverse City Area Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Traverse City Area Public Schools' internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Maney Costeiran PC

October 4, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education
Traverse City Area Public Schools

Report on Compliance for Each Major Federal Program

We have audited Traverse City Area Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Traverse City Area Public Schools' major federal programs for the year ended June 30, 2017. Traverse City Area Public Schools major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Traverse City Area Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, about Traverse City Area Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for its major federal program. However, our audit does not provide a legal determination of Traverse City Area Public Schools compliance.

Opinion on Each Major Federal Program

In our opinion, Traverse City Area Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Traverse City Area Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Traverse City Area Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Traverse City Area Public Schools' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Manes Costeiran PC

October 4, 2017

**TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?

 Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 X Yes No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**TRAVERSE CITY AREA PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

There were no audit findings in either of the prior two years.



Traverse City Area Public Schools

Mission

We exist to educate. Education improves the quality of life for all.

Goals

Curriculum and Instruction

TCAPS delivers a rigorous and relevant education for every student with a strong foundation and cutting edge opportunities.

All students graduate and are prepared for a successful and productive life.

Improved performance for all students.

Finance and Operations

Educational priorities drive resource decisions.

Operations are efficient and effective.

TCAPS is fiscally responsible.

Communication

Develop broad community connections, specifically with those who have no direct connection to our schools.

Reinforce and strengthen TCAPS' reputation as a quality school system and a great choice for families.



Great Community, Great Schools

October 4, 2017

To the Board of Education
Traverse City Area Public Schools

In planning and performing our audit of the financial statements of Traverse City Area Public Schools as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Traverse City Area Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 4, 2017 on the financial statements of Traverse City Area Public Schools. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows.

Fund Balance

Over the past several years, school districts have faced increasingly difficult economic times, which have resulted in additional constraints on the budgeting process. Therefore, the importance of maintaining, and adhering to, a balanced budget is critical to the overall health of the District. During the 2016-17 school year there was a decrease in the fund balance of the general fund of approximately \$943,000. The year-end general fund balance as of June 30, 2017 stands at 5.51% of general fund expenditures, which is below the board established target of 10%. The 2017-18 general fund budget shows expenditures exceeding revenues. In addition, the general fund balance as of June 30, 2017 stands at 5.58% of general fund revenues, which is close to the State threshold for early warning districts. We recommend that TCAPS continue to take action to maintain a structurally balanced budget in the near future and work to restore fund equity to the Board established target of 10%.

This report is intended solely for the information and use of management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maney Costeiran PC

October 4, 2017

To the Board of Education
Traverse City Area Public Schools

We have audited the financial statements of Traverse City Area Public Schools for the year ended June 30, 2017, and have issued our report thereon dated October 4, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Traverse City Area Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether Traverse City Area Public Schools' financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also in accordance with the Uniform Guidance, we examined, on a test basis, evidence about Traverse City Area Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Traverse City Area Public Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Traverse City Area Public Schools' compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

1. Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Traverse City Area Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements was were:

Estimates have been used to calculate the net pension liability.

The estimated liability is approximately \$147,000,000. We evaluated the key factors and assumptions used to develop the balance of the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate in calculating the liability for employee compensated absences:

The estimated liability is approximately \$1,300,000. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets:

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We did not identify any sensitive disclosures.

2. *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

3. *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

4. *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

5. *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 4, 2017.

6. *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. *Other Matters*

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the statistical information, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

This information is intended solely for the use of the Board of Education and management of Traverse City Area Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maney Costeiran PC