

# **Comprehensive Annual Financial Report**

**Fiscal Year Ended  
June 30, 2018**

**Prepared by:  
Business Office  
Christine Thomas-Hill, Associate Superintendent  
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, 2018**

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October 3, 2018

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, 2018. 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 fourteenth 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, required supplementary information, 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 2017 count day, the District served close to 10,000 K-12 students plus 437 Preschool, 115 GSRP (Great Start Readiness Program), and 49 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, 2017, the District operated eleven 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. However, at the completion of fiscal year 2018, TCAPS closed Old Mission Peninsula School and the students have been redistricted to Eastern Elementary.

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 1,205 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 2018 (based on June 30, 2017 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 18<sup>th</sup> largest out of 830 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 minimum (lowest) foundation per student, which was \$7,631 in fiscal 2018. The District ranks 575<sup>th</sup> in total general fund revenues per student of \$9,450, including state categorical and federal program revenue in addition to the minimum foundation allowance.

Spending priorities can be seen in the chart below that shows the District focuses its limited resources on basic instruction (280<sup>th</sup> in the state for basic programs), instructional support (382<sup>nd</sup>), and teacher salaries (163<sup>rd</sup>) and fewer resources on Fiscal Services (698<sup>th</sup>), and General Administration (813<sup>th</sup>). Expenditures for Operations and Maintenance (392<sup>nd</sup>) 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	\$ 9,450	575
General fund expenditures	- Basic programs	5,069	280
	- Added needs	933	596
	- Instructional support	777	382
	- Fiscal Services	73	698
	- Operations and maintenance	928	392
	- General Administration	59	813
	- Total Expenditures	9,546	466
		<u>Amount</u>	<u>State Rank</u>
Salary Information	- Average Teacher Salary	\$ 61,211	163

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-” by Standard and Poor’s Ratings Services (April 2018) 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. Highlights include:

- A homeschool partnership that serves more than 280 students in non-core areas;
- Curriculum work in all areas that is producing alignment with state standards and the rigor our district is known for;
- Systematically evaluating and updating curriculum preschool through 12th grade;
- Focused work in the area of scientifically researched interventions;
- Working with teachers and administration to analyze data and respond to benefit all students;
- Increased focus, alignment efforts and opportunities in STEM (Science, Technology, Engineering, and Math);
- 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;
- International program, partnerships with schools in China and other countries; and
- Creating more opportunities for students attending our alternative high school.

### *MIExcel Blueprint*

The Blueprint at its core is about designing and strengthening school systems as learning organizations for acceleration. It is designed to create a stronger systemic focus on and support of high quality teaching and high levels of student learning. TCAPS is in its fourth year of implementing the Blueprint. The District has recently reviewed the progress we have made in order to understand the work going forward regarding the Blueprint installation.

Systems/drivers work this year:

- Visions of high-quality instruction with aligned curriculum to support teachers;
- A new way of looking at data to make decisions and solve problems; and
- Increased communication so that everyone can understand the journey and engage in the work.

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. We are committed to ensuring that resources are allocated equitably based on student need and continue this work in order to ensure the success of each student.

### *Strategic Financial Planning*

The District continues to work on Strategic Financial Planning (SFP). SFP is a process of directing resources to a district's instructional priorities to positively impact student achievement. TCAPS uses data to make decisions regarding instructional priorities and is constantly challenged with using resources in the most effective and efficient manner while structurally balancing the budget.

To identify instructional priorities, the District relies on 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.

While redirecting resources to instructional priorities, the District is committed to doing so with a structurally balanced budget that restores fund balance over time. The target goal for TCAPS fund balance is 10%. As of fiscal year end 2018, the District has 8.4% fund balance. The District acknowledges the difficulty in adding to fund balance without impacting programming so the Board established specific targets using asset sales and/or one time revenue sources to achieve the goal of 10% fund balance over a period of time. It is the intent to work towards the 10% fund balance target by establishing short term (8.4% by 2020) goals and re-evaluating as necessary. 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 maintains a comprehensive 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 and improvements. 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. On August 7, 2018 the District asked voters to approve a new authorization that will provide the necessary capital resources for the next ten years. Maintaining a low millage rate has been a successful strategy, the bond proposal passed and the district is actively planning for improvements throughout the district.

Since 2004, proceeds from previously authorized bonds have been used for the following:

- Complete reconstruction of five elementary facilities;
- Partial reconstruction and additions to 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 \$11,941 for fiscal 2018) 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 (\$23,881 for fiscal 2018) 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 2018 fund balance and projected 2019 revenues are sufficient to meet the 2019 budget as presented to the Board in a public budget hearing in June of 2018.

## **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**

Located in Northwestern Lower Michigan, Traverse City Area Public Schools encompasses Grand Traverse County as well as small portions of Benzie and Leelanau Counties. The region's reputation as a foodie town, as a source of natural beauty, and as a vibrant and thriving community has grown exponentially over the last few years. In 2017, National Geographic identified the area's beaches as being among the "21 Best Beaches in the World"; in June 2018, Coastal Living named Traverse City one of "America's Happiest Seaside Towns", and Trip Advisor recognized Traverse City as one of the "23 Great American Small Cities to visit in 2018".

The economy of Northwest Lower Michigan remains relatively strong and relies on numerous industries including tourism, other service industries and health care. 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 92nd anniversary in 2018, and the Traverse City Film Festival, which celebrated its 14th year in 2018. 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 twenty-five cities to be so designated in the United States. The recognitions, attractions and activities draw a variety of visitors to the area and play an important role in the region's economic growth and development.

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. As the population ages, it is expected that demand for medical services will continue to grow. 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 remains the region's largest employer.

During fiscal year ended June 30, 2018, the area's major employers and their approximate number employed were as follows:

<b><u>Employer</u></b>	<b><u>Approximate Number Employed</u></b>
Munson Healthcare	3,634
Traverse City Area Public Schools	1,825
The Hillshire Brands Company	600
Northwestern Michigan College	575
Meijer, Inc.	475
Grand Traverse County Government	450
Grand Traverse Pavilions	415
Hagerty Insurance Agency	400
Traverse Bay Intermediate School District	300
Northern Lakes Community Mental Health	277

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

Property values have increased over the past year. We are aware that values in 2018 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**

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%
2017	\$4,717,990,638	3.58%

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, 2017.

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.

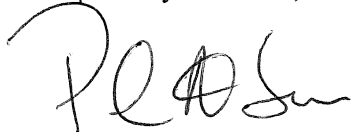
The Certificate of Excellence is valid for a period of one year. We believe our current report continues to conform to the program's requirements and are submitting it to ASBO to determine its eligibility for another certificate for the year ended June 30, 2018.

## **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 Julie Gorter, 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**  
Associate Superintendent, Finance and Operations



# Executive Team

## TCAPS 2017-2018 Playbook

### Why do we exist?

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

### How do we behave?

Safety: Provide a safe and secure learning and work environment.

Respect: Honor the rights, privacy, and voice of students and staff.

Improvement: Demonstrate a continuous improvement and lifelong learning mindset.

Collective Responsibility: Anchored in a culture that is collegial, collaborative, and professional.

### What do we do?

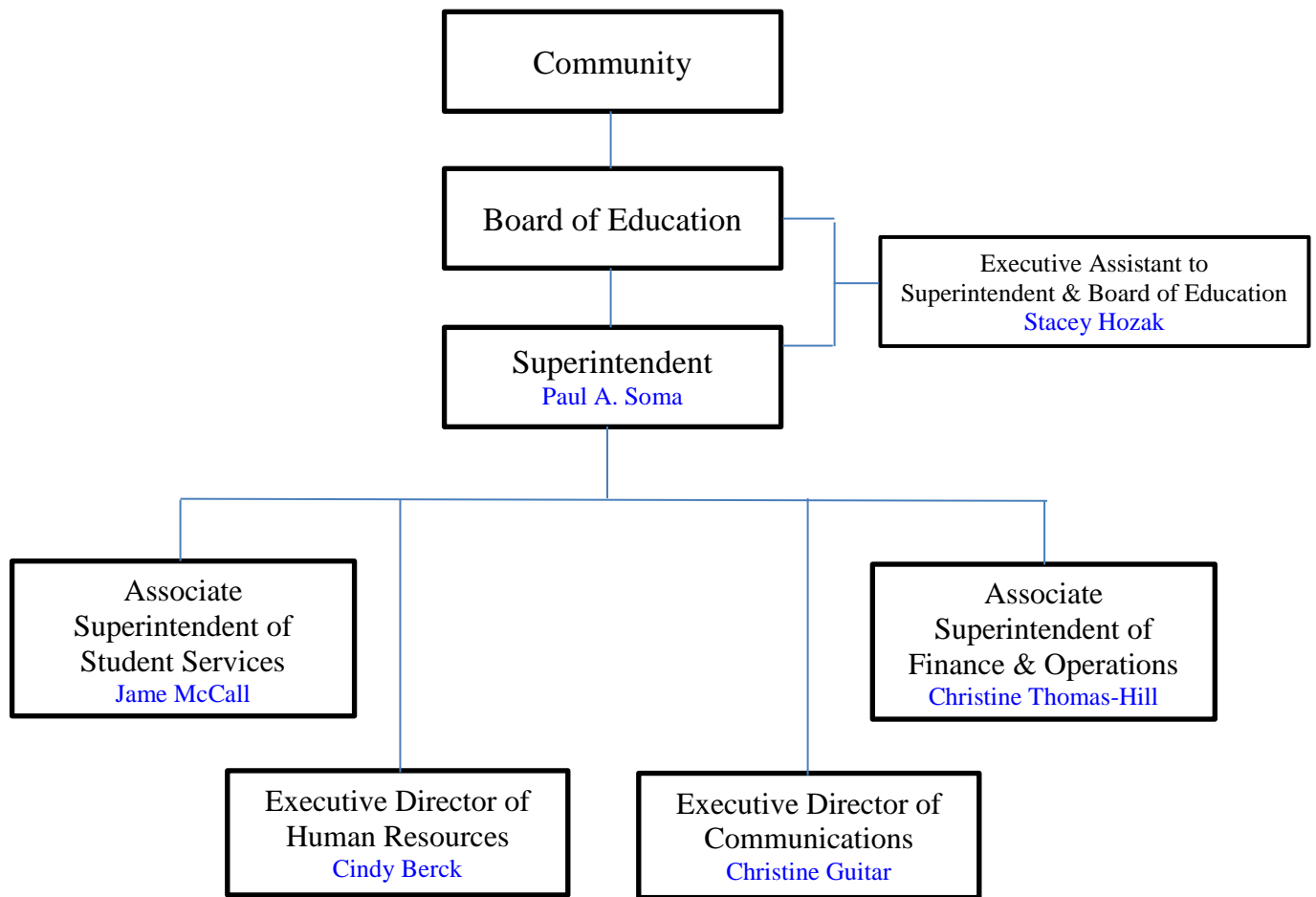
Offer and provide access to public education with relentless focus on student achievement and the community's return on investment.

### How will we succeed?

- Provide a safe, orderly, and respectful environment for students and staff (MDL: D5, E3, Blueprint Foundation).
- Provide a framework for effective instruction in every classroom (MDL: D2, E1-4, Instructional Infrastructure).
- Provide guaranteed and viable (effective) curriculum (MDL: D3, E1-3, Instructional Infrastructure).
  - Provide core education that meets the needs of at least 80% of students.
  - Provide interventions as part of MTSS to students whose needs are not met within the core education.
- Ensure sustainability of programming (MDL: D6, E1+3, Blueprint Foundation).
- Align goals vertically and horizontally throughout the organization (MDL: D4, E4, DAN/BAN, Driver Systems).
- Use data to assess academic growth, inform strategic decision making, and support continuous improvement (MDL: D1, E1-3, Performance Management).
- Ensure constituents have effective ways to provide input to the district (MDL: D4, E3, ISSN, DAN).



## 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
Jane Klegman .....	Trustee .....	December, 2020
Open Seat .....	Trustee .....	December, 2020

**District Executive Team**

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

**Official Issuing Report**

Christine Thomas-Hill .....	Associate Superintendent 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, 2017.**

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



A handwritten signature in black ink, reading 'Charles E. Peterson, Jr.', written over a horizontal line.

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

A handwritten signature in black ink, reading 'John D. Musso', written over a horizontal line.

**John D. Musso, CAE, RSBA**  
Executive Director

## 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, 2018, 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, 2018, 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.

### ***Emphasis of Matter - Change in Accounting Principle***

As discussed in Note 12 to the financial statements, Traverse City Area Public Schools implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 3, 2018 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 3, 2018

## 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, 2018. Please read it in conjunction with the transmittal letter found on pages 9 through 16 and the District’s financial statements, which immediately follow this analysis.

For the year ended June 30, 2018, Traverse City Area Public Schools implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These changes are significant at the government-wide level.

### OVERVIEW OF THE FINANCIAL STATEMENTS

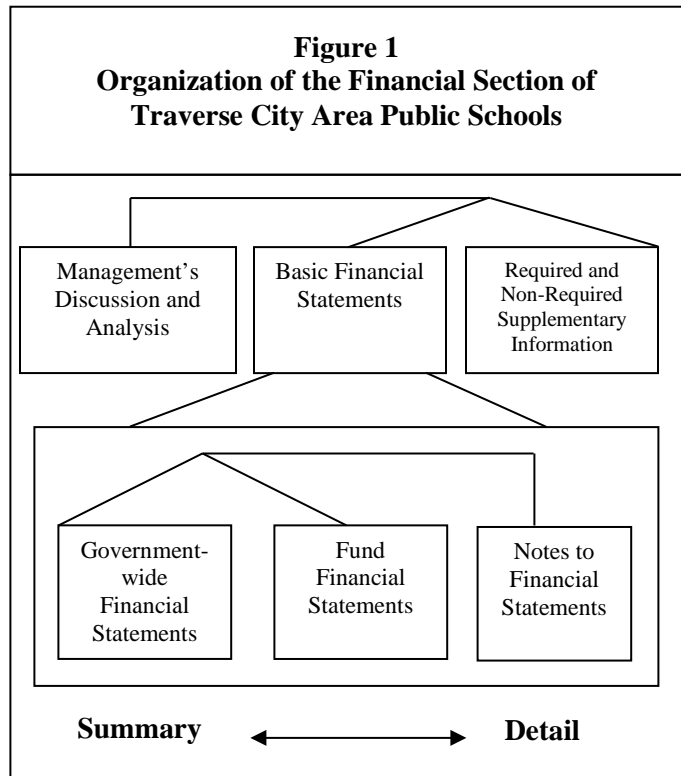
This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This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

<b>Figure 2</b> <b>Major Features of District-wide and Fund Financial Statements</b>			
	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 goods 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, 2018 and 2017. The District's combined net position as of June 30, 2018 totaled (\$78,789,425), which was an increase over the June 30, 2017 restated net position of (\$82,986,778).

**Figure 3**  
**Traverse City Area Public Schools' Net Position**

	2018	2017	Change
Current and other assets	\$ 47,078,291	\$ 45,959,960	\$ 1,118,331
Capital assets	145,476,685	139,435,364	6,041,321
Total assets	192,554,976	185,395,324	7,159,652
Deferred outflows of resources	39,118,570	21,683,066	17,435,504
Long-term liabilities outstanding	71,877,740	72,791,868	(914,128)
Other liabilities	15,149,151	12,154,694	2,994,457
Net pension liability	154,411,446	147,184,105	7,227,341
Net OPEB liability	52,792,245	-	52,792,245
Total liabilities	294,230,582	232,130,667	62,099,915
Deferred inflows of resources	16,232,389	5,046,046	11,186,343
Net position:			
Net investment in capital assets	95,277,393	93,414,229	1,863,164
Restricted	1,521,488	1,269,843	251,645
Unrestricted	(175,588,306)	(124,782,395)	(50,805,911)
Total net position	\$ (78,789,425)	\$ (30,098,323)	\$ (48,691,102)

The 2017 figures have not been updated for the adoption of GASB 75.

- 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 (\$78,789,425) at June 30, 2018 which is a 5.1% increase from the June 30, 2017 restated balance of (\$82,986,778). 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 \$4.7 million of the increase noted. This was partially offset by the sale of capital assets not fully depreciated, approximately \$3.6 million. The remaining increase is the result of 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 and the 2018 refunding of the 2008 refunded bonds. The increase in the unrestricted net position was a result of the increase in the net pension liability and net OPEB liability, combined with an increase in the general fund balance and a decrease in fund balance of several nonmajor 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**

	2018	2017	Change
Revenue:			
Program revenues:			
Charges for services	\$ 7,537,504	\$ 8,416,163	\$ (878,659)
Operating grants	8,307,183	8,070,545	236,638
General revenues:			
Property taxes	47,276,448	46,012,918	1,263,530
State aid - unrestricted	52,245,272	48,811,418	3,433,854
Other	4,509,646	3,278,771	1,230,875
Total revenues	<u>119,876,053</u>	<u>114,589,815</u>	<u>5,286,238</u>
Expenses:			
Instruction	58,791,022	57,716,952	1,074,070
Support services	40,837,582	40,163,580	674,002
Community services	3,433,432	3,592,029	(158,597)
Food services	4,318,478	4,835,049	(516,571)
Intergovernmental expenditures	2,388,784	2,329,778	59,006
Interest on long-term debt	1,776,008	2,249,605	(473,597)
Loss on sale of capital assets	1,550,797	-	1,550,797
Unallocated depreciation	2,582,597	2,640,866	(58,269)
Total expenses	<u>115,678,700</u>	<u>113,527,859</u>	<u>2,150,841</u>
Change in net position	<u>\$ 4,197,353</u>	<u>\$ 1,061,956</u>	<u>\$ 3,135,397</u>

The 2017 figures have not been updated for the adoption of GASB 75.

As shown in Figure 4 above, total revenues increased by \$5,286,238 or approximately 4.61%, while total expenses increased by \$2,150,841 or approximately 1.89%. The increase in total revenues is the result of increases across all categories except for charges for services.

The decrease in charges for services is the result of less tuition received from international exchange students to attend the District’s high schools and the discontinuation of transportation services to Kingsley Area Schools.

The increase in operating grants is the result of larger state allocations in At Risk, which was partially offset with smaller allocations for Title II, Great Start Readiness program (GSRP), local grants and reimbursements for food service.

The increase in property tax revenue is the result of small increases in taxable value for the 2017 tax year (which is reflected in the 2018 fiscal year).

The state aid unrestricted increase is mainly the result of pension related items for section 147 funding of approximately \$1.5 million, as well as an increase of approximately \$1.2 million from the increase in per pupil foundation, and approximately \$700,000 with our increase in enrollment.

Other revenue increased as a result of additional funding from the Traverse Bay Area ISD, recognizing proceeds from the sale of assets and an increase in investment earning.

The \$2,150,841 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, pension related items and the sale of capital assets.

## **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 \$32.16 million, which is a \$1.89 million decrease from the prior year. The decrease is mainly the result of bond expenditures exceeding revenues in the 2016 and 2018 capital projects funds by \$1.83 million. This was in addition to excess revenue over expenditures in the general fund of \$2.95 million, as well as expenditures exceeding revenues in the other nonmajor governmental funds of \$3.01 million. Further detail of these changes follows:

- Major capital project fund balances, in total, decreased by \$1.83 million. This decrease is the result of issuing bonds in fiscal year 2018 for capital purposes of \$12.43 million offset by expenditures of approximately \$14.40 million for capital projects, and \$111,922 for bond issuance costs. 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. 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 Eastern Elementary School, 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 Silver Lake Elementary School, 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 increased by approximately \$2.95 million. Although the final budget for the 2018 fiscal year had a projected increase of \$430,000, after our normal expected positive variance was taken into account, the District was projecting to increase fund balance by approximately \$2 million.

- Nonmajor governmental fund balance saw a decrease of approximately \$3.01 million. This decrease was the result of a decrease in the special revenue funds of approximately \$264,000 coupled with an increase of approximately \$220,000 in the debt service funds and a decrease of approximately \$2.97 million 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 and food service program. The decrease in nonmajor capital funds was the result of expenditures of approximately \$3.18 million from the 2014 capital project fund, which was partially offset by local revenue for future 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 2018 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 \$5,187,064 which was largely the result of recognizing additional local, federal and state program revenues, and recognizing the impact of 92 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 \$923,000 was the result of adjusting for actual property tax values in relation to the state and local portions of the foundation allowance by \$803,000, recognizing local grants, investment income and other miscellaneous revenue of \$230,000, and decreasing the international tuition revenue by \$110,000. 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 \$3,038,000. This increase is the result of accounting for actual allocations and carryover in state grants (i.e.: GSRP and At Risk) of \$1,902,000 and an increase in the categorical section 147 funding \$1,122,000. The remaining increase of \$14,000 was from an increase of 92 students over the original budget combined with the adjustment for actual property tax values in relation to the state portion of the per pupil foundation allowance mentioned earlier.
  3. The federal revenue increase of approximately \$533,000 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 \$693,000 is primarily the result of reinstating the budget of \$674,000 from the Traverse Bay Area Intermediate School District and increasing the miscellaneous local grants by \$49,000. These increases were offset by \$30,000 from modifications to prior period adjustments.
- Budgeted expenditures were increased \$6,004,407 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 \$3,557,000 in total from the original to the final budget. Additionally, accounting for miscellaneous local grants increased budgeted expenditures by \$208,000. The remaining increase of approximately \$2,239,000 was the result of one time expenditures of \$1,175,000 and minor adjustments across all accounts.

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

- The \$1,531,963 negative revenue variance is the result of deferring approximately \$1.44 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 remaining negative variance of approximately \$90,000 is a result of funds budgeted but not received on various other line items, mostly from local sources.
- The \$3,929,889 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 \$1.44 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 \$1.28 million of the fluctuation noted in instruction and instructional staff support functions is due to federal and state programming carryover, while the remaining \$159,000 is spread throughout the various other line items.
  2. The remaining positive budget variance of approximately \$2.49 million represents approximately 2.65% 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 for school districts in Michigan to overspend their formally adopted budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As shown in Figure 5, as of June 30, 2018, the District had approximately \$269.29 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 \$7.20 million, or 2.75% percent, from last year and is the result of the District's ongoing bond projects which are funded with proceeds from the 2014, 2016, and 2018 bond sales. An increase of \$1.16 million in accumulated depreciation offset the noted \$7.20 million increase in capital assets resulting in an increase in total capital assets of \$6.04 million, from approximately \$139.44 million to \$145.48 million (a 4.33% increase).

**Figure 5**  
**Changes in Traverse City Area Public Schools Capital Assets**

	2018			2017
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 3,006,539	\$ -	\$ 3,006,539	\$ 3,169,925
Construction in process	12,936,790	-	12,936,790	915,977
Land improvements	11,127,283	4,650,423	6,476,860	6,768,555
Building and additions	196,539,254	84,632,401	111,906,853	116,978,095
Machinery and equipment	35,187,266	27,613,873	7,573,393	8,164,761
Transportation equipment	10,496,005	6,919,755	3,576,250	3,438,051
Total	<u>\$ 269,293,137</u>	<u>\$ 123,816,452</u>	<u>\$ 145,476,685</u>	<u>\$ 139,435,364</u>

This year's additions of approximately \$17.92 million included equipment, technology, building renovations and additions, land and site 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 \$70,643,610 in general obligation bonds and \$1,234,130 in other long-term debt outstanding. The combined total reflects a decrease of \$914,128, or 1.26%, from the previous fiscal year. This change was the result of the District's payments on prior bonds in the current year combined with a bond refunding of \$4,400,000 and an issuance of new debt worth \$11,275,000. 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 current regulatory environment, staffing, housing and childcare challenges for the region, and the inequities of state funding for public education. Over the past two fiscal years, TCAPS has dealt with previous challenges of declining enrollment by exploring innovative opportunities to attract students, resulting in a stabilized or increased student population.

The first factor that could significantly impact the financial health of the District is the current state of the regulatory environment over public schools. While it is crucial to follow regulations, it has become increasingly difficult for public schools to operate many facets of the organization in the most effective and efficient manner due to the increased scrutiny from entities that enforce such regulations. There are multiple examples in our District where it has become a challenge to run programming in a manner which provides the best service to our students and parents due to heightened pressure and varying interpretations of legislation. Most recently, the biggest challenge the District struggles with is the conflict with licensed programs that provide instructional services to preschool children during the school day and before and after school care (extended day) for preschool through fifth grade students. In many instances these programs have requirements that do not align with operating a kindergarten through twelfth grade public school and because the regulations are designed for stand-alone childcare centers, the District struggles to operate programs that benefit students and parents in existing buildings without additional resources. The other challenge the District has experienced relative to the regulatory environment is the use of restricted federal and state funds and the interpretation of allowable uses of these resources. As legislation is passed and guidance is updated, there tends to be a lack of true understanding around the intent of legislation and/or different interpretations by those responsible for enforcing the regulations.

The second factor that could significantly impact the financial health of the school system continues to be 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. In addition, those seeking jobs within the Traverse City region struggle with the lack of affordable housing, lack of childcare providers, and low wages. Creativity with the District's open positions is crucial, and incentives are becoming increasingly important to supplement recruiting efforts. However, in many areas the District is facing competition in the region for a limited pool of candidates and the challenge tends to be the need to provide higher wages. 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.

The third factor is the continuation of funding public schools in the State of Michigan inequitably. For many years the support behind 2x funding has successfully impacted the foundation allowance for the lowest funded districts. However, the overall success of 2x funding has been misreported because the State continues to adjust the highest funded districts with categoricals. The end result is the State has not made significant progress on closing the gap when considering all sources of revenue appropriated for public schools. It has become more challenging for the lowest funded school districts to fight for equity when it continues to be reported that the gap has been closed or is very close to being closed. Given the complexity in public school funding, understanding the discrepancies within the big picture and not one particular line item is a challenge so great it may not be overcome any time soon.

As always, it is unknown if the State will provide future increases to schools, regardless of the ability within the State Aid Fund to cover those increases. This challenge is due to increased line items receiving appropriations from the K-12 State Aid Fund like higher education. For the fiscal year 2018, the State appropriated \$238 million to higher education from the K-12 State Aid budget. Unless the State finds a way to navigate budget 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 revenue opportunities.

One factor that continues to positively impact TCAPS is the addition of a homeschool program at the Interlochen Community School. 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 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 280 students in the 2018/2019 fiscal year. TCAPS may see a total FTE increase in this program of approximately 40 FTE from 2017/2018 which will positively impact the budget. In addition to the positive budget impact, this partnership is providing public school programming to nearly 300 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. As long as the State continues to promote and fund innovative programming such as the homeschool partnership, the District will continue to enhance these opportunities in lieu of traditional budget cutting in order to structurally maintain a balanced budget.

## **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, 2018**

	<b>Governmental activities</b>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 11,205,076
Receivables:	
Accounts receivable	337,825
Taxes receivable	73,196
Intergovernmental	10,771,629
Inventories	100,651
Prepays	1,429,606
Restricted cash and cash equivalents	23,160,308
Capital assets not being depreciated	15,943,329
Capital assets, net of accumulated depreciation	129,533,356
<b>TOTAL ASSETS</b>	<b>192,554,976</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Related to pensions	35,230,141
Related to OPEB	3,888,429
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>39,118,570</b>
<b>LIABILITIES:</b>	
Accounts payable	3,843,748
Accrued salaries and related items	7,222,149
Accrued retirement	2,780,127
Accrued interest	288,085
Unearned revenue	1,015,042
Noncurrent liabilities:	
Due within one year	14,322,561
Due in more than one year	57,555,179
Net pension liability	154,411,446
Net OPEB liability	52,792,245
<b>TOTAL LIABILITIES</b>	<b>294,230,582</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Related to pensions	8,273,896
Related to OPEB	1,784,763
Related to state aid funding for pension	6,173,730
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>16,232,389</b>
<b>NET POSITION:</b>	
Net investment in capital assets	95,277,393
Restricted for debt service	1,521,488
Unrestricted	(175,588,306)
<b>TOTAL NET POSITION</b>	<b>\$ (78,789,425)</b>

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, 2018**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net position
Governmental activities:				
Instruction	\$ 58,791,022	\$ 564,560	\$ 3,021,044	\$ (55,205,418)
Support services	40,837,582	1,669,033	2,658,890	(36,509,659)
Community services	3,433,432	3,147,617	237,837	(47,978)
Intergovernmental	2,388,784	-	3,241	(2,385,543)
Food services	4,318,478	2,156,294	2,386,171	223,987
Interest on long-term debt	1,776,008	-	-	(1,776,008)
Loss on sale of capital assets	1,550,797	-	-	(1,550,797)
Unallocated depreciation*	2,582,597	-	-	(2,582,597)
Total governmental activities	<u>\$ 115,678,700</u>	<u>\$ 7,537,504</u>	<u>\$ 8,307,183</u>	<u>(99,834,013)</u>
General revenues:				
Property taxes, levied for general purposes				32,562,900
Property taxes, levied for debt service				14,713,548
Investment earnings				423,896
State sources - unrestricted				52,245,272
Traverse Bay Area ISD				2,445,809
Other				<u>1,639,941</u>
Total general revenues				<u>104,031,366</u>
<b>CHANGE IN NET POSITION</b>				<b>4,197,353</b>
<b>NET POSITION, beginning of year, as restated</b>				<u><b>(82,986,778)</b></u>
<b>NET POSITION, end of year</b>				<u><u><b>\$ (78,789,425)</b></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, 2018**

	General fund	2016 Capital projects fund	2018 Capital projects fund	Total nonmajor funds	Total governmental funds
<b>ASSETS</b>					
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 7,601,235	\$ -	\$ -	\$ 3,603,841	\$ 11,205,076
Receivables:					
Property taxes receivable	43,698	-	-	29,498	73,196
Accounts receivable	297,149	-	-	40,676	337,825
Intergovernmental	10,611,384	-	-	160,245	10,771,629
Due from other funds	77,635	-	-	627,840	705,475
Inventories	58,957	-	-	41,694	100,651
Prepaid items	1,429,606	-	-	-	1,429,606
Restricted cash and cash equivalents	-	10,821,013	12,339,295	-	23,160,308
<b>TOTAL ASSETS</b>	<b>\$ 20,119,664</b>	<b>\$ 10,821,013</b>	<b>\$ 12,339,295</b>	<b>\$ 4,503,794</b>	<b>\$ 47,783,766</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 1,027,020	\$ 2,715,721	\$ -	\$ 101,007	\$ 3,843,748
Accrued salaries and related items	7,222,149	-	-	-	7,222,149
Accrued retirement	2,780,127	-	-	-	2,780,127
Due to other funds	9,898	269	-	695,308	705,475
Unearned revenue	941,561	-	-	73,481	1,015,042
<b>TOTAL LIABILITIES</b>	<b>11,980,755</b>	<b>2,715,990</b>	<b>-</b>	<b>869,796</b>	<b>15,566,541</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable revenue - property taxes	36,445	-	-	25,198	61,643
<b>FUND BALANCES:</b>					
Nonspendable:					
Inventories	58,957	-	-	41,694	100,651
Prepaid items	1,429,606	-	-	-	1,429,606
Restricted:					
Capital projects - bond proceeds	-	8,105,023	12,339,295	-	20,444,318
Debt service - general obligated debt	-	-	-	1,809,573	1,809,573
Food service - basic programs	-	-	-	587,829	587,829

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

	<b>General fund</b>	<b>2016 Capital projects fund</b>	<b>2018 Capital projects fund</b>	<b>Total nonmajor funds</b>	<b>Total governmental funds</b>
<b>FUND BALANCES (Concluded):</b>					
Assigned:					
Building carryover	\$ 705,078	\$ -	\$ -	\$ -	\$ 705,078
Building staff carryover	372,191	-	-	-	372,191
Department carryover	59,000	-	-	-	59,000
Severance pay	1,234,130	-	-	-	1,234,130
Subsequent year expenditures	1,264,297	-	-	-	1,264,297
Capital projects funds	-	-	-	945,742	945,742
Community service	-	-	-	223,962	223,962
Unassigned	2,979,205	-	-	-	2,979,205
TOTAL FUND BALANCES	<u>8,102,464</u>	<u>8,105,023</u>	<u>12,339,295</u>	<u>3,608,800</u>	<u>32,155,582</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 20,119,664</u>	<u>\$ 10,821,013</u>	<u>\$ 12,339,295</u>	<u>\$ 4,503,794</u>	<u>\$ 47,783,766</u>
<b>Total governmental fund balances</b>					\$ 32,155,582
Amounts reported for governmental activities in the statement of net position are difference because:					
Deferred outflows of resources - related to pensions				\$ 35,230,141	
Deferred outflows of resources - related to OPEB				3,888,429	
Deferred inflows of resources - related to pensions				(8,273,896)	
Deferred inflows of resources - related to OPEB				(1,784,763)	
Deferred inflows of resources - related to state pension funding				<u>(6,173,730)</u>	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:					22,886,181
The cost of the capital assets is				269,293,136	
Accumulated depreciation is				<u>(123,816,451)</u>	
					145,476,685
Long-term liabilities are not due and payable in the current period and are not reported in the funds:					
Bonds payable and other debt					(70,643,610)
Net pension liability					(154,411,446)
Net OPEB liability					(52,792,245)
Compensated absences and termination benefits					(1,234,130)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid					(288,085)
Unavailable revenue at June 30, 2018, expected to be collected after September 1, 2018					<u>61,643</u>
<b>Net position of governmental activities</b>					<u><u>\$ (78,789,425)</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, 2018**

	<u>General fund</u>	<u>2016 Capital projects fund</u>	<u>2018 Capital projects fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>REVENUES:</b>					
Local sources:					
Property taxes	\$ 32,571,182	\$ -	\$ -	\$ 14,720,437	\$ 47,291,619
Tuition	564,560	-	-	2,738,467	3,303,027
Investment earnings	139,467	227,463	20,441	36,525	423,896
Food sales and community service	-	-	-	2,139,288	2,139,288
Other	2,378,733	-	-	761,486	3,140,219
Total local sources	35,653,942	227,463	20,441	20,396,203	56,298,049
State sources	55,774,382	-	-	415,402	56,189,784
Federal sources	1,741,882	-	-	2,225,214	3,967,096
Intergovernmental revenues	2,664,557	-	-	-	2,664,557
Total revenues	95,834,763	227,463	20,441	23,036,819	119,119,486
<b>EXPENDITURES:</b>					
Current:					
Instruction	58,242,611	-	-	-	58,242,611
Supporting services	37,550,856	-	-	-	37,550,856
Food service activities	-	-	-	4,279,627	4,279,627
Community service activities	82,836	-	-	3,308,636	3,391,472
Intergovernmental expenditures	54,378	-	-	-	54,378
Capital outlay	-	14,396,929	169	3,482,348	17,879,446

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>2018 Capital projects fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>EXPENDITURES (Concluded):</b>					
Debt service:					
Principal repayment	\$ -	\$ -	\$ -	\$ 12,580,000	\$ 12,580,000
Interest	-	-	-	1,807,982	1,807,982
Bond issuance costs	-	-	111,922	49,268	161,190
Payment to refunded bond escrow agent	-	-	-	243,000	243,000
Other	-	500	-	15,689	16,189
Total expenditures	<u>95,930,681</u>	<u>14,397,429</u>	<u>112,091</u>	<u>25,766,550</u>	<u>136,206,751</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(95,918)</u>	<u>(14,169,966)</u>	<u>(91,650)</u>	<u>(2,729,731)</u>	<u>(17,087,265)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from issuance of bonds	-	-	11,275,000	4,400,000	15,675,000
Premium on issuance of bonds	-	-	1,155,945	-	1,155,945
Payment to refunded bond escrow agent	-	-	-	(4,350,732)	(4,350,732)
Proceeds from sale of capital assets	2,013,678	-	-	-	2,013,678
Proceeds from sale of other asset	700,445	-	-	-	700,445
Transfers in	446,497	-	-	311,893	758,390
Transfers out	(115,511)	-	-	(642,879)	(758,390)
Total other financing sources (uses)	<u>3,045,109</u>	<u>-</u>	<u>12,430,945</u>	<u>(281,718)</u>	<u>15,194,336</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>2,949,191</u>	<u>(14,169,966)</u>	<u>12,339,295</u>	<u>(3,011,449)</u>	<u>(1,892,929)</u>
<b>FUND BALANCES:</b>					
Beginning of year	<u>5,153,273</u>	<u>22,274,989</u>	<u>-</u>	<u>6,620,249</u>	<u>34,048,511</u>
End of year	<u>\$ 8,102,464</u>	<u>\$ 8,105,023</u>	<u>\$ 12,339,295</u>	<u>\$ 3,608,800</u>	<u>\$ 32,155,582</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, 2018**

**Net change in fund balances total governmental funds** \$ (1,892,929)

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	(8,317,966)
Capital outlay	17,923,763
Book value of capital assets disposed of during the year	(3,564,476)

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	320,059
Accrued interest payable, end of the year	(288,085)

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:

Proceeds from issuance of bonds	(15,675,000)
Premium on issuance of bonds	(1,155,945)
Payment to refunded bond escrow agent	4,593,732
Payments on debt	12,580,000
Amortization of bond premium	481,170

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	(76,814)
Unavailable revenue, end of the year	61,643

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	1,324,301
Accrued compensated absences and termination benefits, end of the year	(1,234,130)

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	(1,459,489)
OPEB related items	506,226

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension and OPEB contributions subsequent to the measurement period:

State aid funding for pension and OPEB, beginning of year	6,245,023
State aid funding for pension, end of year	(6,173,730)

<b>Change in net position of governmental activities</b>	<b>\$ 4,197,353</b>
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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, 2018**

	<u><b>Agency fund</b></u>
<b>ASSETS:</b>	
Cash	<u><u>\$ 1,296,239</u></u>
<b>LIABILITIES:</b>	
Due to student and other groups	<u><u>\$ 1,296,239</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 2018 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, 2016, and 2018 school bonds' activity:

	<u>2014 Bonds</u>	<u>2016 Bonds</u>	<u>2018 Bonds</u>
Revenue	<u>\$ 36,622</u>	<u>\$ 289,909</u>	<u>\$ 20,441</u>
Expenditures and transfers	<u>\$ 13,536,622</u>	<u>\$ 19,745,167</u>	<u>\$ 112,091</u>

The above revenue figures do not include original 2014, 2016, and 2018 school bond proceeds of \$13,500,000, \$27,560,281, and \$12,430,945 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 2008, 2010, 2012, 2014, 2016, 2008 refunding, and 2018 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 two 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 funds are 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, 2018. 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 2 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

**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)**

5. Defined benefit plan

For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits 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.

6. 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 has two items that qualify for reporting in this category. They are the pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

**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. 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 four items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary. The fourth 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.

8. 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.

9. 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.

**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)**

10. 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.

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.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Revenues and Expenditures/Expenses (Continued)**

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.

For the year ended June 30, 2018, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
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.

**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)**

4. Long-term obligations (Concluded)

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.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

As of June 30, 2018, the District had the following investments:

<b>Investment Type</b>	<b>Fair value</b>	<b>Weighted average maturity (years)</b>	<b>Rating</b>	<b>%</b>
MILAF External Investment pool - MIMAX	\$ 1,057,504	0.0027	AAAm	4.17%
MBIA External Investment pool - CLASS	1,128,387	0.0027	AAAm	4.45%
Federated Treasury obligations - money market	23,160,308	0.0027	AAAm	91.38%
Total fair value	<u>\$ 25,346,199</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>0.0027</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, 2018, 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.



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

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

Michigan Class fund is a local governmental investment pool as defined by GASB and as such are recorded at fair value. These funds are subject to the fair value disclosure.

**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.

**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, 2018, \$9,699,061 of the District's bank balance of \$10,699,061 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.

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

**NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)**

**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.

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.

Michigan Class investments are level 2.

The following is a market value summary by the level of the inputs used, as of June 30, 2018, 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.

At June 30, 2018, the carrying amount is as follows:

Deposits - including fiduciary funds of \$1,296,239	\$ 10,315,424
Investments	<u>25,346,199</u>
	<u><u>\$ 35,661,623</u></u>

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

Cash agency fund	\$ 1,296,239
Government-wide:	
Cash and cash equivalents	11,205,076
Restricted cash and cash equivalents - capital projects	<u>23,160,308</u>
	<u><u>\$ 35,661,623</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, 2017	Additions	Reclassifications / deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 3,169,925	\$ 59,614	\$ 223,000	\$ 3,006,539
Construction in progress	915,977	14,166,693	2,145,880	12,936,790
Total capital assets not being depreciated	4,085,902	14,226,307	2,368,880	15,943,329
Capital assets being depreciated:				
Land improvements	10,933,998	251,150	57,865	11,127,283
Buildings and additions	199,132,187	2,485,600	5,078,533	196,539,254
Machinery and equipment	38,038,957	2,046,029	4,897,720	35,187,266
Transportation equipment	9,903,770	1,060,557	468,322	10,496,005
Total capital assets being depreciated	258,008,912	5,843,336	10,502,440	253,349,808
Less accumulated depreciation:				
Land improvements	4,165,443	530,180	45,200	4,650,423
Buildings and additions	82,154,092	4,321,397	1,843,088	84,632,401
Machinery and equipment	29,874,196	2,544,031	4,804,354	27,613,873
Transportation equipment	6,465,719	922,358	468,322	6,919,755
Total accumulated depreciation	122,659,450	8,317,966	7,160,964	123,816,452
Total capital assets being depreciated, net	135,349,462	(2,474,630)	3,341,476	129,533,356
Net capital assets	\$ 139,435,364	\$ 11,751,677	\$ 5,710,356	\$ 145,476,685

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

Instructional	\$ 23,777
Support service	3,352,202
Food service	20,809
Community service	4,175
Intergovernmental	2,334,406
Unallocated	2,582,597
	<u>\$ 8,317,966</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, 2018:

	Accumulated compensated absences	Accumulated termination benefits	Bonds and other debt	Total
Balance, July 1, 2017	\$ 417,700	\$ 906,601	\$ 71,467,567	\$ 72,791,868
Additions	369,700	180,270	16,830,945	17,380,915
Deletions	417,700	222,441	17,654,902	18,295,043
Balance, June 30, 2018	369,700	864,430	70,643,610	71,877,740
Due within one year	369,700	217,861	13,735,000	14,322,561
Due in more than one year	\$ -	\$ 646,569	\$ 56,908,610	\$ 57,555,179

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, 2018 is comprised of the following issues:

	<u>Amount outstanding</u>	<u>Original borrowing</u>
2010 School building and site bonds due in annual installments of \$5,425,000 to \$5,475,000 through May 1, 2020, with interest at 3.38% to 3.50%.	\$ 10,900,000	\$ 23,250,000
2012 School building and site bonds due in annual installments of \$1,800,000 to \$3,000,000 through May 1, 2022, with interest at 2.30%.	9,750,000	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 1.05% to 2.65%.	8,900,000	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%.	23,675,000	26,880,000
2018 School building and site bonds due in annual installments of \$1,000,000 to \$2,025,000 through May 1, 2028, with interest at 2.00% to 5.00%.	11,275,000	11,275,000
2018 Refunding bonds due in annual installments of \$2,165,000 to \$2,235,000 through May 1, 2020, with interest at 2.29%.	4,400,000	4,400,000
Plus premiums on bond issuance, net of amortization	<u>1,743,610</u>	
Total general obligation bonded debt	70,643,610	
Other accrued benefits:		
Obligation under contract for compensated absences	369,700	
Obligation under contract for termination benefits	<u>864,430</u>	
Total general long term debt	<u><u>\$ 71,877,740</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, 2018, \$9,645,000 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, 2018 \$1,809,573 is available to service the general obligation debt.

The annual requirements to amortize debt outstanding as of June 30, 2018, including interest payments of \$7,275,860 are as follows:

Year ending June 30,	Principal	Interest	Amounts payable
2019	\$ 13,735,000	\$ 1,844,663	\$ 15,579,663
2020	13,165,000	1,495,831	14,660,831
2021	9,025,000	1,115,926	10,140,926
2022	9,175,000	905,788	10,080,788
2023	6,300,000	678,726	6,978,726
2024 - 2028	17,500,000	1,234,926	18,734,926
	68,900,000	7,275,860	76,175,860
Premium on bond issuance	1,743,610	-	1,743,610
Compensated absences	369,700	-	369,700
Termination benefits	864,430	-	864,430
	<u>\$ 71,877,740</u>	<u>\$ 7,275,860</u>	<u>\$ 79,153,600</u>

On February 14, 2018, the District issued refunding bonds of \$4,400,000 with an interest rate of 2.29% and made a payment of \$243,000 to refund the District's outstanding 2008 refunding bonds with an interest rate of 5.00%. The bonds mature May 1, 2020. The refunding bonds were issued at par and, after paying issuance costs of \$49,268, the net proceeds were \$4,350,732. The net proceeds from the issuance of the refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full.

As a result of the advance refunding, the District reduced its total debt service requirements by \$371,985, which resulted in an economic gain (difference between present value of the debt service payment on the old and new debt) of \$362,266.

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

**NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund payable and receivable balances at June 30, 2018 are as follows:

Payable fund		Receivable fund	
General	\$ 9,898	General	\$ 77,635
2016 Capital projects	269	2016 Capital projects	-
Other nonmajor governmental	695,308	Other nonmajor governmental	627,840
	<u>\$ 705,475</u>		<u>\$ 705,475</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.

**NOTE 6 - RETIREMENT AND POST RETIREMENT BENEFITS**

**Plan Description**

The Michigan Public School Employees' Retirement System (MPSERS) (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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

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

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.

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

**NOTE 6 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Benefits Provided - Overall**

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPSERS 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	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

**Benefits Provided - Pension**

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

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%.

**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 (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus Plan member. Pension Plus Plan 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 Plan members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus Plan members.



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

**NOTE 6 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**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.

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

**Option 1** - Members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

**Option 2** - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic Plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

**Option 3** - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

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

**NOTE 6 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Pension Reform 2012 (Continued)**

**Option 4** - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

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.

**Pension Reform of 2017**

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

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

**NOTE 6 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Benefits Provided - Other Postemployment Benefit (OPEB)**

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree 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.

**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.

**Regular Retirement (no reduction factor for age)**

Eligibility - A Basic plan member may retire at 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 60<sup>th</sup> 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.

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

**NOTE 6 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Regular Retirement (no reduction factor for age) (Concluded)**

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

**Member Contributions**

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. 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 Postemployment 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.

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2016 valuation will be amortized over a 22-year period for fiscal 2017.

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:

	<u>Pension</u>	<u>Other Postemployment Benefit</u>
October 1, 2016 - September 30, 2017	15.27% - 19.03%	5.69% - 5.91%
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

The District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately \$15,799,000, with \$15,605,000 specifically for the Defined Benefit Plan.

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

**NOTE 6 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Employer Contributions (Concluded)**

The District's OPEB contributions for the year ended June 30, 2018 were equal to the required contribution total. OPEB benefits were approximately \$4,583,000, with \$4,382,000 specifically for the Defined Benefit Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

**Pension Liabilities**

At June 30, 2018, the District reported a liability of \$154,411,446 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2016 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, 2017 and 2016, the District's proportion was 0.59586% and 0.58994%.

<u><i>MPSERS (Plan) Non-university employers</i></u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Total pension liability	\$ 72,407,218,688	\$ 67,917,445,078
Plan fiduciary net position	\$ 46,492,967,573	\$ 42,968,263,308
Net pension liability	\$ 25,914,251,115	\$ 24,949,181,770
Proportionate share	0.59586%	0.58994%
Net pension liability for the District	\$ 154,411,446	\$ 147,184,105

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

For the year ended June 30, 2018, the District recognized pension expense of approximately \$17,064,000.

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

**NOTE 6 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

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

At June 30, 2018, 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	\$ 16,917,001	\$ -
Net difference between projected and actual plan investment earnings	-	7,381,883
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,512,439	134,348
Differences between expected and actual experience	1,341,941	757,665
Reporting Unit's contributions subsequent to the measurement date	14,458,760	-
	<u>\$ 35,230,141</u>	<u>\$ 8,273,896</u>

\$14,458,760, 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:

Year ended September 30,	Amount
2018	\$ 3,835,936
2019	6,201,515
2020	2,624,114
2021	(164,080)

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

**NOTE 6 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

**OPEB Liabilities**

At June 30, 2018, the District reported a liability of \$52,792,245 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.59615%.

<u>MPERS (Plan) Non-university employers</u>	<u>September 30, 2017</u>
Total OPEB liability	\$ 13,920,945,991
Plan fiduciary net position	\$ 5,065,474,948
Net OPEB liability	\$ 8,855,471,043
Proportionate share	0.59615%
Net OPEB liability for the District	\$ 52,792,245

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the District recognized OPEB expense of approximately \$3,876,000.

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

**NOTE 6 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Concluded)**

At June 30, 2018, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual plan investment earnings	\$ -	\$ 1,222,681
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,739	-
Differences between expected and actual experience	-	562,082
Reporting Unit's contributions subsequent to the measurement date	3,884,690	-
	<u>\$ 3,888,429</u>	<u>\$ 1,784,763</u>

\$3,884,690, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2018	\$ (430,456)
2019	(430,456)
2020	(430,456)
2021	(430,456)
2022	(59,200)

**Actuarial Assumptions**

**Investment rate of return for pension** - 7.5% 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).



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

**NOTE 6 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Actuarial Assumptions (Continued)**

**Investment rate of return for OPEB** - 7.5% a year, compounded annually net of investment and administrative expenses.

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

**Inflation** - 3.0%.

**Mortality assumptions** - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2025 using projection scale BB (for men, 80% of the table rates were used and for women, 70% of the table rates were used).

**Experience study** - The annual actuarial valuation report of the System used for these statements is dated September 30, 2016. Assumption changes as a result of an experience study for the 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 and Other Postemployment Benefit plan investments** - The pension rate was 7.5% (7% Pension Plus Plan), and the Other Postemployment Benefit rate was 7.5%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**Cost of living pension adjustments** - 3.0% annual non-compounded for MIP members.

**Healthcare cost trend rate for Other Postemployment Benefit** - 7.5% for year one and graded to 3.5% to year twelve.

**Additional assumptions for Other Postemployment Benefit only - applies to individuals hired before September 4, 2012:**

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

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

**NOTE 6 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Actuarial Assumptions (Continued)**

The target asset allocation at September 30, 2017 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%	5.60%
Alternate Investment Pools	18.00%	8.70%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	(0.10%)
Real Estate and Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.00%
Short Term Investment Pools	2.00%	(0.90%)
	<u>100.00%</u>	

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

**Pension discount rate** - The discount rate used to measure the total pension liability was 7.5% (7.0% for Pension Plus Plan). This discount rate was based on the long-term rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that plan members contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**OPEB discount rate** - The discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

**NOTE 6 - RETIREMENT 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 7.5% (7.0% 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 one percentage point lower or one percentage point higher than the current rate:

	Pension		
	1% Decrease (6.5% - 6.0%)	Discount rate (7.5% - 7.0%)	1% Increase (8.5% - 8.0%)
Reporting Unit's proportionate share of the net pension liability	<u>\$ 201,146,756</u>	<u>\$ 154,411,446</u>	<u>\$ 115,063,292</u>

**Sensitivity of the net OPEB liability to changes in the discount rate** - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Other postemployment benefit		
	1% Decrease (6.5%)	Discount rate (7.5%)	1% Increase (8.5%)
Reporting Unit's proportionate share of the net other postemployment benefit liability	<u>\$ 61,834,977</u>	<u>\$ 52,792,245</u>	<u>\$ 45,117,797</u>

**Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates** - The following presents the Reporting Unit's proportionate share of the net Other Postemployment Benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net Other Postemployment Benefit liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	Other postemployment benefit		
	1% Decrease (6.5% decreasing to 2.5%)	Healthcare cost trend rates (7.5% decreasing to 3.5%)	1% Increase (8.5% decreasing to 4.5%)
Reporting Unit's proportionate share of the net other postemployment benefit liability	<u>\$ 44,707,935</u>	<u>\$ 52,792,245</u>	<u>\$ 61,971,415</u>

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

**NOTE 6 - RETIREMENT AND POST RETIREMENT BENEFITS (Concluded)**

**Pension and OPEB Plan Fiduciary Net Position**

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2017 Comprehensive Annual Financial Report.

**Payable to the Pension and OPEB Plan** - At year end the School District is current on all required pension and Other Postemployment Benefit 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 from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

**Other Information**

On December 20, 2017, the Michigan Supreme Court affirmed that Public Act 75 of 2010 is unconstitutional as it substantially impaired the employee's employment contracts by involuntarily reducing the employee's wages by 3%. As a result, the funds collected pursuant to Public Act 75 before the effective date of Public Act 300 of 2012, must be refunded to the employees in accordance with the Michigan Court of Claims judgment on the aforementioned court case. Effective September 30, 2017, the 3% contribution collected under Public Act 75, which amounted to approximately \$554 million (including interest), was posted as a liability on the plan's CAFR report.

**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, 2018 for any of the prior 3 years.

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

**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 \$105,502 to the community services fund. The community service fund transferred \$226,497 to the general fund. The food service fund transferred \$220,000 to the general fund. The 2008 refunding debt service fund transferred \$196,382 to the 2018 refunding debt service 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. The transfer from the food service fund to the general fund was related to indirect costs. The transfer from the 2008 refunding debt service fund to the 2018 refunding debt service fund was made to move the remaining fund balance after the refunding was completed in 2018.

**NOTE 10 - COMMITMENTS**

The District has active capital projects outstanding at June 30, 2018. Approximately \$20,444,000 is restricted and recorded as fund balance in the 2016 and 2018 capital projects funds.

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

**NOTE 11 - 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	\$ 35,192
Grand Traverse County	Brownfield	166,157
Grand Traverse County	PILOT	728,022
Grand Traverse County	NEZ	1,562
		<u>\$ 930,933</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 - NEW ACCOUNTING STANDARD**

For the year ended June 30, 2018, the District implemented the following new pronouncement: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**Summary:**

GASB Statement No. 75 requires governments that participate in defined benefit Other Postemployment 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. The Statement 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 - NEW ACCOUNTING STANDARD (Concluded)**

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

	Governmental activities
Net position as previously stated July 1, 2017	\$ (30,098,323)
Adoption of GASB Statement 75:	
Net other postemployment liability	(55,684,123)
Deferred outflows	4,489,318
Deferred inflows	(1,693,650)
Net position as restated July 1, 2017	<u><u>\$ (82,986,778)</u></u>

**NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

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.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**TRAVERSE CITY AREA PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
YEAR ENDED JUNE 30, 2018**

	<b>GAAP Basis</b>			<b>Variance with</b>
	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>final budget</b>
<b>REVENUES:</b>				
Local sources	\$ 34,985,725	\$ 35,909,073	\$ 35,653,942	\$ (255,131)
State sources	53,523,835	56,561,722	55,774,382	(787,340)
Federal sources	1,820,986	2,353,542	1,741,882	(611,660)
Intergovernmental revenues	1,849,116	2,542,389	2,664,557	122,168
Total revenues	92,179,662	97,366,726	95,834,763	(1,531,963)
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic programs	47,471,506	50,353,680	49,358,243	995,437
Added needs	9,587,347	10,218,065	8,884,368	1,333,697
Total instruction	57,058,853	60,571,745	58,242,611	2,329,134
Supporting services:				
Pupil services	3,549,868	3,859,923	3,630,196	229,727
Instructional staff	4,468,243	5,185,018	4,753,741	431,277
General administration	607,679	756,448	806,689	(50,241)
School administration	6,775,546	6,955,930	6,924,413	31,517
Business services	1,835,198	1,991,717	1,793,490	198,227
Operation/maintenance	9,092,915	9,515,222	9,487,265	27,957
Pupil transportation	5,333,444	5,477,449	5,342,191	135,258
Central services	2,962,019	3,086,265	2,952,881	133,384
Other support services	1,999,655	2,176,638	1,859,990	316,648
Total supporting services	36,624,567	39,004,610	37,550,856	1,453,754
Community services	80,743	176,757	82,836	93,921
Intergovernmental expenditures	92,000	107,458	54,378	53,080
Total expenditures	93,856,163	99,860,570	95,930,681	3,929,889
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(1,676,501)	(2,493,844)	(95,918)	2,397,926
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of capital assets	55,000	2,003,800	2,013,678	9,878
Proceeds from sale of other asset	-	700,000	700,445	445
Transfers in	239,907	459,111	446,497	(12,614)
Transfers out	(239,321)	(239,500)	(115,511)	123,989
Total other financing sources (uses)	55,586	2,923,411	3,045,109	121,698
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (1,620,915)</u>	<u>\$ 429,567</u>	<u>2,949,191</u>	<u>\$ 2,519,624</u>
<b>FUND BALANCE:</b>				
Beginning of year			5,153,273	
End of year			<u>\$ 8,102,464</u>	

**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 4 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting Unit's proportion of net pension liability (%)	0.59586%	0.58994%	0.59021%	0.57383%
Reporting Unit's proportionate share of net pension liability	\$ 154,411,446	\$ 147,184,105	\$ 144,159,119	\$ 126,394,985
Reporting Unit's covered-employee payroll	\$ 50,196,537	\$ 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	307.61%	296.15%	292.35%	258.60%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	64.21%	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 PENSION CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST 4 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 15,604,894	\$ 13,959,190	\$ 13,090,244	\$ 10,368,358
Contributions in relation to statutorily required contributions	<u>15,604,894</u>	<u>13,959,190</u>	<u>13,090,244</u>	<u>10,368,358</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 50,494,918	\$ 51,887,935	\$ 49,633,783	\$ 49,366,555
Contributions as a percentage of covered-employee payroll	30.90%	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  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE  
SHARE OF THE NET OPEB LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST FISCAL YEAR (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2017</u>
Reporting Unit's proportion of net OPEB liability (%)	0.59615%
Reporting Unit's proportionate share of net OPEB liability	\$ 52,792,245
Reporting Unit's covered-employee payroll	\$ 50,196,537
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	105.17%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	36.39%

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 OPEB CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST FISCAL YEAR (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2018</u>
Statutorily required contributions	\$ 4,382,400
Contributions in relation to statutorily required contributions	<u>4,382,400</u>
Contribution deficiency (excess)	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 50,494,918
Contributions as a percentage of covered-employee payroll	8.68%

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, 2018**

**Changes of benefit terms:** There were no changes of benefit terms in the plan year ended September 30, 2017.

**Changes of assumptions:** There were no changes of benefit assumptions in the plan year ended September 30, 2017.

## **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, 2018**

	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget</b>
<b>LOCAL SOURCES:</b>			
Property taxes	\$ 32,511,696	\$ 32,571,182	\$ 59,486
Tuition	556,989	564,560	7,571
Investment earnings	130,000	139,467	9,467
Other local revenue	2,710,388	2,378,733	(331,655)
<b>TOTAL LOCAL SOURCES</b>	<b>35,909,073</b>	<b>35,653,942</b>	<b>(255,131)</b>
<b>STATE SOURCES:</b>			
Foundation grant	41,462,119	41,353,090	(109,029)
Special education	2,195,124	2,195,124	-
At risk	3,137,458	2,555,345	(582,113)
Other state revenue	9,767,021	9,670,823	(96,198)
<b>TOTAL STATE SOURCES</b>	<b>56,561,722</b>	<b>55,774,382</b>	<b>(787,340)</b>
<b>FEDERAL SOURCES:</b>			
Title I	1,438,085	958,656	(479,429)
Title II - improving teacher quality	522,548	473,698	(48,850)
Other federal revenue	392,909	309,528	(83,381)
<b>TOTAL FEDERAL SOURCES</b>	<b>2,353,542</b>	<b>1,741,882</b>	<b>(611,660)</b>
<b>INTERGOVERNMENTAL SOURCES:</b>			
Special education - ISD and LEA revenue	2,282,616	2,445,809	163,193
Other	259,773	218,748	(41,025)
<b>TOTAL INTERGOVERNMENTAL SOURCES</b>	<b>2,542,389</b>	<b>2,664,557</b>	<b>122,168</b>
<b>TOTAL REVENUES</b>	<b>97,366,726</b>	<b>95,834,763</b>	<b>(1,531,963)</b>
<b>OTHER FINANCING SOURCES:</b>			
Proceeds from sale of capital assets	2,003,800	2,013,678	9,878
Proceeds from sale of other assets	700,000	700,445	445
Transfers in	459,111	446,497	(12,614)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>3,162,911</b>	<b>3,160,620</b>	<b>(2,291)</b>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$ 100,529,637</b>	<b>\$ 98,995,383</b>	<b>\$ (1,534,254)</b>

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**YEAR ENDED JUNE 30, 2018**

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
<b>INSTRUCTION:</b>			
Basic programs:			
Elementary:			
Salaries	\$ 12,889,364	\$ 12,723,335	\$ 166,029
Benefits	9,554,661	9,248,266	306,395
Purchased services	520,019	619,996	(99,977)
Supplies and materials	811,577	953,484	(141,907)
Other expenditures	48,132	8,000	40,132
Capital outlay	9,124	5,124	4,000
Total elementary	<u>23,832,877</u>	<u>23,558,205</u>	<u>274,672</u>
Middle school:			
Salaries	6,054,262	5,874,099	180,163
Benefits	4,163,322	4,120,233	43,089
Purchased services	150,700	159,856	(9,156)
Supplies and materials	252,966	121,187	131,779
Other expenditures	-	12,582	(12,582)
Capital outlay	2,015	1,515	500
Total middle school	<u>10,623,265</u>	<u>10,289,472</u>	<u>333,793</u>
High school:			
Salaries	8,144,610	7,988,192	156,418
Benefits	5,595,612	5,530,671	64,941
Purchased services	828,592	749,829	78,763
Supplies and materials	314,376	285,234	29,142
Other expenditures	35,500	11,769	23,731
Capital outlay	26,200	48,403	(22,203)
Total high school	<u>14,944,890</u>	<u>14,614,098</u>	<u>330,792</u>
Pre-school:			
Salaries	523,007	473,745	49,262
Benefits	342,446	333,733	8,713
Purchased services	4,328	1,805	2,523
Supplies and materials	33,333	36,077	(2,744)
Total pre-school	<u>903,114</u>	<u>845,360</u>	<u>57,754</u>

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**YEAR ENDED JUNE 30, 2018**  
**(Continued)**

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
<b>INSTRUCTION (Continued):</b>			
Summer school:			
Salaries	\$ 24,388	\$ 22,375	\$ 2,013
Benefits	11,570	10,206	1,364
Purchased services	11,826	17,846	(6,020)
Supplies and materials	1,750	681	1,069
Total summer school	49,534	51,108	(1,574)
Total basic programs	50,353,680	49,358,243	995,437
Added needs:			
Special education:			
Salaries	3,782,170	3,748,846	33,324
Benefits	2,870,944	2,813,882	57,062
Purchased services	85,159	91,445	(6,286)
Supplies and materials	21,724	17,973	3,751
Other expenditures	707	104	603
Capital outlay	9,896	6,643	3,253
Total special education	6,770,600	6,678,893	91,707
Compensatory education:			
Salaries	1,411,176	1,161,793	249,383
Benefits	839,891	695,680	144,211
Purchased services	74,624	56,919	17,705
Supplies and materials	455,700	55,210	400,490
Other expenditures	435,682	12,163	423,519
Capital outlay	214	-	214
Total compensatory education	3,217,287	1,981,765	1,235,522

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**YEAR ENDED JUNE 30, 2018**  
**(Continued)**

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
<b>INSTRUCTION (Concluded):</b>			
Vocational education:			
Salaries	\$ 121,832	\$ 114,982	\$ 6,850
Benefits	82,979	82,540	439
Purchased services	15,481	2,442	13,039
Supplies and materials	1,921	3,077	(1,156)
Capital outlay	7,965	20,669	(12,704)
Total vocational education	<u>230,178</u>	<u>223,710</u>	<u>6,468</u>
Total added needs	<u>10,218,065</u>	<u>8,884,368</u>	<u>1,333,697</u>
<b>TOTAL INSTRUCTION</b>	<u>60,571,745</u>	<u>58,242,611</u>	<u>2,329,134</u>
<b>SUPPORTING SERVICES:</b>			
Pupil services:			
Salaries	2,157,879	2,099,179	58,700
Benefits	1,596,454	1,484,707	111,747
Purchased services	49,112	30,899	18,213
Supplies and materials	12,970	12,526	444
Other expenditures	39,258	2,885	36,373
Capital outlay	4,250	-	4,250
Total pupil services	<u>3,859,923</u>	<u>3,630,196</u>	<u>229,727</u>
Instructional staff:			
Salaries	2,533,716	2,393,410	140,306
Benefits	1,701,039	1,615,121	85,918
Purchased services	750,515	599,364	151,151
Supplies and materials	153,581	107,507	46,074
Other expenditures	35,685	28,256	7,429
Capital outlay	10,482	10,083	399
Total instructional staff	<u>5,185,018</u>	<u>4,753,741</u>	<u>431,277</u>

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**YEAR ENDED JUNE 30, 2018**  
**(Continued)**

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
<b>SUPPORTING SERVICES (Continued):</b>			
General administration:			
Salaries	\$ 283,019	\$ 295,112	\$ (12,093)
Benefits	185,713	182,311	3,402
Purchased services	245,650	301,527	(55,877)
Supplies and materials	11,176	3,865	7,311
Other expenditures	30,090	22,610	7,480
Capital outlay	800	1,264	(464)
Total general administration	<u>756,448</u>	<u>806,689</u>	<u>(50,241)</u>
School administration:			
Salaries	4,083,800	4,030,985	52,815
Benefits	2,809,855	2,832,628	(22,773)
Purchased services	34,517	36,196	(1,679)
Supplies and materials	19,048	22,513	(3,465)
Other expenditures	8,710	2,091	6,619
Total school administration	<u>6,955,930</u>	<u>6,924,413</u>	<u>31,517</u>
Business services:			
Salaries	821,981	814,728	7,253
Benefits	607,385	606,063	1,322
Purchased services	263,175	193,917	69,258
Supplies and materials	142,146	95,930	46,216
Other expenditures	151,281	79,161	72,120
Capital outlay	5,749	3,691	2,058
Total business services	<u>1,991,717</u>	<u>1,793,490</u>	<u>198,227</u>
Operations and maintenance:			
Salaries	2,994,399	2,934,370	60,029
Benefits	2,229,656	2,173,061	56,595
Purchased services	2,124,165	1,971,411	152,754
Supplies and materials	2,070,202	2,309,203	(239,001)
Other expenditures	5,000	3,273	1,727
Capital outlay	91,800	95,947	(4,147)
Total operations and maintenance	<u>9,515,222</u>	<u>9,487,265</u>	<u>27,957</u>

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**YEAR ENDED JUNE 30, 2018**  
**(Continued)**

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
<b>SUPPORTING SERVICES (Concluded):</b>			
Pupil transportation:			
Salaries	\$ 2,117,648	\$ 2,033,781	\$ 83,867
Benefits	1,697,359	1,639,785	57,574
Purchased services	1,036,227	1,097,836	(61,609)
Supplies and materials	622,715	567,727	54,988
Other expenditures	3,500	3,062	438
Total pupil transportation	<u>5,477,449</u>	<u>5,342,191</u>	<u>135,258</u>
Central services:			
Salaries	1,433,202	1,427,510	5,692
Benefits	1,017,040	1,019,285	(2,245)
Purchased services	432,746	327,265	105,481
Supplies and materials	57,226	54,434	2,792
Other expenditures	144,201	118,656	25,545
Capital outlay	1,850	5,731	(3,881)
Total central services	<u>3,086,265</u>	<u>2,952,881</u>	<u>133,384</u>
Other support services:			
Salaries	551,438	567,942	(16,504)
Benefits	571,573	337,003	234,570
Purchased services	829,620	780,244	49,376
Supplies and materials	50,197	26,186	24,011
Other expenditures	164,310	135,763	28,547
Capital outlay	9,500	12,852	(3,352)
Total other support services	<u>2,176,638</u>	<u>1,859,990</u>	<u>316,648</u>
<b>TOTAL SUPPORTING SERVICES</b>	<u>39,004,610</u>	<u>37,550,856</u>	<u>1,453,754</u>

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
YEAR ENDED JUNE 30, 2018  
(Concluded)**

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
<b>COMMUNITY SERVICES:</b>			
Salaries	\$ 26,524	\$ 14,942	\$ 11,582
Benefits	11,813	6,621	5,192
Purchased services	90,763	49,169	41,594
Supplies and materials	38,700	10,547	28,153
Other expenditures	7,524	1,557	5,967
Capital outlay	1,433	-	1,433
	<u>176,757</u>	<u>82,836</u>	<u>93,921</u>
<b>TOTAL COMMUNITY SERVICES</b>			
	<u>176,757</u>	<u>82,836</u>	<u>93,921</u>
<b>INTERGOVERNMENTAL EXPENDITURES:</b>			
Payments to other governmental units	107,458	54,378	53,080
	<u>107,458</u>	<u>54,378</u>	<u>53,080</u>
<b>TOTAL EXPENDITURES</b>	<u><u>\$ 99,860,570</u></u>	<u><u>\$ 95,930,681</u></u>	<u><u>\$ 3,929,889</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 2008, 2008 refunding, 2010, 2012, 2014, 2016, and 2018 refunding bond issues.

### **Capital Projects Funds**

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 two nonmajor capital projects fund for various assigned purposes.



**TRAVERSE CITY AREA PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2018**

	<b>Special revenue</b>	<b>Debt service</b>	<b>Capital projects</b>	<b>Total nonmajor funds</b>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 820,551	\$ 1,833,888	\$ 949,402	\$ 3,603,841
Accounts receivable	40,676	-	-	40,676
Property taxes receivable	-	29,498	-	29,498
Intergovernmental	160,245	-	-	160,245
Due from other funds	-	627,840	-	627,840
Inventories	41,694	-	-	41,694
<b>TOTAL ASSETS</b>	<b>\$ 1,063,166</b>	<b>\$ 2,491,226</b>	<b>\$ 949,402</b>	<b>\$ 4,503,794</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 58,835	\$ 38,512	\$ 3,660	\$ 101,007
Due to other funds	77,365	617,943	-	695,308
Unearned revenue	73,481	-	-	73,481
<b>TOTAL LIABILITIES</b>	<b>209,681</b>	<b>656,455</b>	<b>3,660</b>	<b>869,796</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenue - property taxes	-	25,198	-	25,198
<b>FUND BALANCES:</b>				
Nonspendable for inventories	41,694	-	-	41,694
Restricted	587,829	1,809,573	-	2,397,402
Assigned:				
Capital projects	-	-	945,742	945,742
Community service	223,962	-	-	223,962
<b>TOTAL FUND BALANCES</b>	<b>853,485</b>	<b>1,809,573</b>	<b>945,742</b>	<b>3,608,800</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 1,063,166</b>	<b>\$ 2,491,226</b>	<b>\$ 949,402</b>	<b>\$ 4,503,794</b>

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
**YEAR ENDED JUNE 30, 2018**

	<b>Special revenue</b>	<b>Debt service</b>	<b>Capital projects</b>	<b>Total nonmajor funds</b>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ -	\$ 14,720,437	\$ -	\$ 14,720,437
Investment earnings	-	26,460	10,065	36,525
Food sales and community service	2,139,288	-	-	2,139,288
Tuition	2,738,467	-	-	2,738,467
Other	446,156	-	315,330	761,486
Total local sources	5,323,911	14,746,897	325,395	20,396,203
State sources	295,957	119,445	-	415,402
Federal sources	2,225,214	-	-	2,225,214
Total revenues	7,845,082	14,866,342	325,395	23,036,819
<b>EXPENDITURES:</b>				
Current:				
Food service activities	4,279,627	-	-	4,279,627
Community service activity	3,308,636	-	-	3,308,636
Capital outlay	189,738	-	3,292,610	3,482,348
Debt service:				
Principal repayment	-	12,580,000	-	12,580,000
Interest expense	-	1,807,982	-	1,807,982
Bond issuance costs	-	49,268	-	49,268
Payment to refunded bond escrow agent	-	243,000	-	243,000
Other expense	-	15,689	-	15,689
Total expenditures	7,778,001	14,695,939	3,292,610	25,766,550
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	67,081	170,403	(2,967,215)	(2,729,731)
<b>OTHER FINANCING SOURCES (USES):</b>				
Refunding bonds issued	-	4,400,000	-	4,400,000
Payment to refunded bond escrow agent	-	(4,350,732)	-	(4,350,732)
Transfers in	115,511	196,382	-	311,893
Transfers out	(446,497)	(196,382)	-	(642,879)
Total other financing sources (uses)	(330,986)	49,268	-	(281,718)
<b>NET CHANGE IN FUND BALANCES</b>	(263,905)	219,671	(2,967,215)	(3,011,449)
<b>FUND BALANCES:</b>				
Beginning of year	1,117,390	1,589,902	3,912,957	6,620,249
End of year	\$ 853,485	\$ 1,809,573	\$ 945,742	\$ 3,608,800

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
JUNE 30, 2018**

	<u>Food service</u>	<u>Community service</u>	<u>Total special revenue funds</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 654,078	\$ 166,473	\$ 820,551
Accounts receivable	36,163	4,513	40,676
Intergovernmental	97,335	62,910	160,245
Inventories	41,694	-	41,694
TOTAL ASSETS	<u>\$ 829,270</u>	<u>\$ 233,896</u>	<u>\$ 1,063,166</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ 48,901	\$ 9,934	\$ 58,835
Due to other funds	77,365	-	77,365
Unearned revenue	73,481	-	73,481
TOTAL LIABILITIES	<u>199,747</u>	<u>9,934</u>	<u>209,681</u>
<b>FUND BALANCES:</b>			
Nonspendable for inventories	41,694	-	41,694
Restricted	587,829	-	587,829
Assigned:			
Community service	-	223,962	223,962
TOTAL FUND BALANCES	<u>629,523</u>	<u>223,962</u>	<u>853,485</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 829,270</u>	<u>\$ 233,896</u>	<u>\$ 1,063,166</u>

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2018**

	<u>Food service</u>	<u>Community service</u>	<u>Total special revenue funds</u>
<b>REVENUES:</b>			
Sales	\$ 1,773,340	\$ -	\$ 1,773,340
Tuition	-	2,738,467	2,738,467
State sources	295,957	-	295,957
Federal sources	2,090,214	135,000	2,225,214
Admissions	-	365,948	365,948
Other	382,954	63,202	446,156
	<u>4,542,465</u>	<u>3,302,617</u>	<u>7,845,082</u>
Total revenues			
<b>EXPENDITURES:</b>			
Salaries	1,289,313	1,599,509	2,888,822
Benefits	722,098	1,217,216	1,939,314
Purchased services	148,575	212,234	360,809
Supplies and materials	2,099,525	166,848	2,266,373
Capital outlay	179,693	10,045	189,738
Other expenses	20,116	112,829	132,945
	<u>4,459,320</u>	<u>3,318,681</u>	<u>7,778,001</u>
Total expenditures			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>83,145</u>	<u>(16,064)</u>	<u>67,081</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	10,009	105,502	115,511
Transfers out	(220,000)	(226,497)	(446,497)
	<u>(209,991)</u>	<u>(120,995)</u>	<u>(330,986)</u>
Total other financing sources (uses)			
<b>NET CHANGE IN FUND BALANCES</b>	(126,846)	(137,059)	(263,905)
<b>FUND BALANCES:</b>			
Beginning of year	<u>756,369</u>	<u>361,021</u>	<u>1,117,390</u>
End of year	<u>\$ 629,523</u>	<u>\$ 223,962</u>	<u>\$ 853,485</u>

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**BUDGETARY COMPARISON SCHEDULE - FOOD SERVICE FUND**  
**YEAR ENDED JUNE 30, 2018**

	<b>GAAP Basis</b>			
	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget</b>
<b>REVENUES:</b>				
Local sources	\$ 2,285,167	\$ 2,147,371	\$ 2,156,294	\$ 8,923
State sources	303,031	301,087	295,957	(5,130)
Federal sources	2,018,652	2,261,542	2,090,214	(171,328)
Total revenues	<u>4,606,850</u>	<u>4,710,000</u>	<u>4,542,465</u>	<u>(167,535)</u>
<b>EXPENDITURES:</b>				
Current:				
Food services:				
Salaries and wages	1,399,211	1,319,169	1,289,313	29,856
Employee benefits	771,982	754,694	722,098	32,596
Purchased services	143,517	146,875	148,575	(1,700)
Supplies and other	2,252,140	2,264,262	2,119,641	144,621
Capital outlay	50,000	215,000	179,693	35,307
Total expenditures	<u>4,616,850</u>	<u>4,700,000</u>	<u>4,459,320</u>	<u>240,680</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(10,000)</u>	<u>10,000</u>	<u>83,145</u>	<u>73,145</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	10,000	10,000	10,009	9
Transfers out	-	(220,000)	(220,000)	-
Total other financing sources (uses)	<u>10,000</u>	<u>(210,000)</u>	<u>(209,991)</u>	<u>9</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>(126,846)</u>	<u>\$ 73,154</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>756,369</u>	
End of year			<u>\$ 629,523</u>	

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**BUDGETARY COMPARISON SCHEDULE - COMMUNITY SERVICE FUND**  
**YEAR ENDED JUNE 30, 2018**

	GAAP Basis			
	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local sources	\$ 3,484,400	\$ 3,320,497	\$ 3,147,617	\$ (172,880)
Federal sources	135,000	135,000	135,000	-
Intergovernmental revenues	-	20,000	20,000	-
Total revenues	3,619,400	3,475,497	3,302,617	(172,880)
EXPENDITURES:				
Current:				
Community services:				
Salaries and wages	1,779,818	1,700,281	1,599,509	100,772
Employee benefits	1,345,598	1,271,913	1,217,216	54,697
Purchased services	241,540	263,738	212,234	51,504
Supplies and other	338,057	368,953	279,677	89,276
Capital outlay	29,937	18,932	10,045	8,887
Total expenditures	3,734,950	3,623,817	3,318,681	305,136
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(115,550)	(148,320)	(16,064)	132,256
OTHER FINANCING SOURCES (USES):				
Transfers in	229,321	229,500	105,502	(123,998)
Transfers out	(239,907)	(239,111)	(226,497)	12,614
Total other financing sources (uses)	(10,586)	(9,611)	(120,995)	(111,384)
NET CHANGE IN FUND BALANCE				
	\$ (126,136)	\$ (157,931)	(137,059)	\$ 20,872
FUND BALANCE:				
Beginning of year			361,021	
End of year			\$ 223,962	

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
DEBT SERVICE FUNDS  
JUNE 30, 2018**

	<b>2008</b>	<b>2008 Refunding</b>	<b>2010</b>	<b>2012</b>	<b>2014</b>	<b>2016</b>	<b>2018 Refunding</b>	<b>Total debt service funds</b>
<b>ASSETS:</b>								
Cash and cash equivalents	\$ 411,554	\$ 198,791	\$ 535,345	\$ 112,677	\$ 248,341	\$ 327,180	\$ -	\$ 1,833,888
Due from other funds	1	1	408,261	-	23,194	1	196,382	627,840
Property taxes receivable	-	-	-	-	29,498	-	-	29,498
<b>TOTAL ASSETS</b>	<b>\$ 411,555</b>	<b>\$ 198,792</b>	<b>\$ 943,606</b>	<b>\$ 112,677</b>	<b>\$ 301,033</b>	<b>\$ 327,181</b>	<b>\$ 196,382</b>	<b>\$ 2,491,226</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES:</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 38,512	\$ -	\$ -	\$ 38,512
Due to other funds	411,555	198,792	4,635	745	-	2,216	-	617,943
<b>TOTAL LIABILITIES</b>	<b>411,555</b>	<b>198,792</b>	<b>4,635</b>	<b>745</b>	<b>38,512</b>	<b>2,216</b>	<b>-</b>	<b>656,455</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>								
Unavailable revenue - property taxes	-	-	-	-	25,198	-	-	25,198
<b>FUND BALANCES:</b>								
Restricted for debt service	-	-	938,971	111,932	237,323	324,965	196,382	1,809,573
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 411,555</b>	<b>\$ 198,792</b>	<b>\$ 943,606</b>	<b>\$ 112,677</b>	<b>\$ 301,033</b>	<b>\$ 327,181</b>	<b>\$ 196,382</b>	<b>\$ 2,491,226</b>

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2018**

	2008	2008 Refunding	2010	2012	2014	2016	2018 Refunding	Total debt service funds
<b>REVENUES:</b>								
Local sources:								
Property taxes	\$ 2,933,012	\$ 2,443,974	\$ 5,107,276	\$ 755,624	\$ 1,012,977	\$ 2,467,574	\$ -	\$ 14,720,437
Interest	3,565	2,643	11,687	681	1,083	6,801	-	26,460
State sources	27,260	19,940	38,338	6,165	7,610	20,132	-	119,445
Total revenues	2,963,837	2,466,557	5,157,301	762,470	1,021,670	2,494,507	-	14,866,342
<b>EXPENDITURES:</b>								
Principal repayment	3,175,000	2,280,000	4,000,000	475,000	750,000	1,900,000	-	12,580,000
Interest expense	119,063	226,375	509,719	235,175	206,150	511,500	-	1,807,982
Bond issuance costs	-	-	-	-	-	-	49,268	49,268
Payment to refunded bond escrow agent	-	243,000	-	-	-	-	-	243,000
Other	3,943	2,335	4,490	922	1,141	2,858	-	15,689
Total expenditures	3,298,006	2,751,710	4,514,209	711,097	957,291	2,414,358	49,268	14,695,939
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(334,169)	(285,153)	643,092	51,373	64,379	80,149	(49,268)	170,403
<b>OTHER FINANCING SOURCES (USES):</b>								
Refunding bonds issued	-	-	-	-	-	-	4,400,000	4,400,000
Payment to refunded bond escrow agent	-	-	-	-	-	-	(4,350,732)	(4,350,732)
Transfers in	-	-	-	-	-	-	196,382	196,382
Transfers out	-	(196,382)	-	-	-	-	-	(196,382)
Total other financing sources (uses)	-	(196,382)	-	-	-	-	245,650	49,268
<b>NET CHANGE IN FUND BALANCES</b>	(334,169)	(481,535)	643,092	51,373	64,379	80,149	196,382	219,671
<b>FUND BALANCES:</b>								
Beginning of year	334,169	481,535	295,879	60,559	172,944	244,816	-	1,589,902
End of year	\$ -	\$ -	\$ 938,971	\$ 111,932	\$ 237,323	\$ 324,965	\$ 196,382	\$ 1,809,573



**TRAVERSE CITY AREA PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
CAPITAL PROJECTS FUNDS  
YEAR ENDED JUNE 30, 2018**

	<b>Capital projects</b>	<b>2014 Capital projects fund</b>	<b>Total nonmajor capital projects</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 949,402	\$ -	\$ 949,402
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 3,660	\$ -	\$ 3,660
Fund balances:			
Assigned	945,742	-	945,742
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 949,402</b>	<b>\$ -</b>	<b>\$ 949,402</b>

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
CAPITAL PROJECTS FUNDS  
YEAR ENDED JUNE 30, 2018**

	<u>Capital projects</u>	<u>2014 Capital projects fund</u>	<u>Total nonmajor capital projects</u>
<b>REVENUE:</b>			
Other local revenue	\$ 315,330	\$ -	\$ 315,330
Investment earnings	<u>-</u>	<u>10,065</u>	<u>10,065</u>
Total revenues	315,330	10,065	325,395
<b>EXPENDITURES:</b>			
Capital outlay	<u>111,102</u>	<u>3,181,508</u>	<u>3,292,610</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>204,228</u>	<u>(3,171,443)</u>	<u>(2,967,215)</u>
<b>NET CHANGE IN FUND BALANCES</b>	204,228	(3,171,443)	(2,967,215)
<b>FUND BALANCES:</b>			
Beginning of year	<u>741,514</u>	<u>3,171,443</u>	<u>3,912,957</u>
End of year	<u><u>\$ 945,742</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 945,742</u></u>

## **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, 2018**

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2018</b>
Business finance	\$ 2,445	\$ -	\$ -	\$ 2,445
Blair	21,852	37,980	32,111	27,721
International School - BV	996	-	-	996
Central	76,472	66,445	72,469	70,448
Cherry Knoll	18,587	30,664	30,121	19,130
Courtade	12,887	27,328	25,116	15,099
Central Senior	103,194	524,629	435,807	192,016
Curriculum - I	577	-	-	577
District	86,595	41,318	39,569	88,344
Eastern	16,403	16,703	21,912	11,194
East Middle School	70,147	101,015	106,606	64,556
Elementary	8,820	939	900	8,859
English Second Language	3,514	-	-	3,514
Food Service - Admin	-	1,896	711	1,185
Front Street Writer	674	-	-	674
Human resources	220	385	75	530
Home School	1,207	10,768	9,173	2,802
Interlochen	19	-	19	-
Long Lake	13,085	34,965	37,048	11,002
Montessori	20,602	36,998	38,811	18,789
Music	446	76,016	19,088	57,374
Nursing	4,689	6,299	6,262	4,726
Oak Park Elementary	343	-	-	343
Old Mission	17,901	9,889	14,032	13,758
Operations/maintenance	492	-	-	492
Quality schools	10,061	-	-	10,061
Reading Center	4,000	-	-	4,000
Silver Lake	18,501	18,153	26,582	10,072
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, 2018**  
**(Concluded)**

	<b>Balance</b>				<b>Balance</b>
	<b>July 1, 2017</b>	<b>Additions</b>	<b>Deductions</b>		<b>June 30, 2018</b>
Technology	\$ 39,447	\$ 48,532	\$ 4,161	\$	83,818
Traverse Heights	4,658	22,006	24,451		2,213
Transportation	2,978	768	417		3,329
Traverse Senior	37,467	16,707	21,862		32,312
Willow Hill	28,025	63,082	67,490		23,617
West Middle School	43,940	154,152	132,687		65,405
West Senior	174,733	576,874	544,343		207,264
Westwoods	15,065	69,367	66,001		18,431
West Middle School - Athletics	5,502	30,679	33,251		2,930
Central Senior - Athletics	32,104	314,480	282,765		63,819
East Middle School - Athletics	38,058	19,519	18,520		39,057
Senior High Coop - Athletics	(1,192)	16,301	14,855		254
West Senior - Athletics	53,926	231,015	187,180		97,761
	<u>\$ 1,004,762</u>	<u>\$ 2,605,872</u>	<u>\$ 2,314,395</u>	<u>\$</u>	<u>1,296,239</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, 2018**

2010 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>	
2018	3.38%	\$ -	\$ -	\$ 187,360	\$ 187,360
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>\$ 10,900,000</u>	<u>\$ 283,173</u>	<u>\$ 283,173</u>	<u>\$ 11,466,346</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, 2018**  
**(Continued)**

2012 School Building and Site Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2018	2.30%	\$ -	\$ -	\$ 112,125	\$ 112,125
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>\$ 9,750,000</u>	<u>\$ 306,188</u>	<u>\$ 306,188</u>	<u>\$ 10,362,376</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, 2018**  
**(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>	
2018	1.05%	\$ -	\$ -	\$ 99,138	\$ 99,138
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>\$ 8,900,000</u>	<u>\$ 424,946</u>	<u>\$ 424,946</u>	<u>\$ 9,749,892</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, 2018**  
**(Continued)**

2016 School Building and Site Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2018	2.00%	\$ -	\$ -	\$ 236,750	\$ 236,750
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>\$ 23,675,000</u>	<u>\$ 1,187,250</u>	<u>\$ 1,187,250</u>	<u>\$ 26,049,500</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**  
**BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS**  
**JUNE 30, 2018**  
**(Continued)**

2018 Refunding Bonds

Calendar year	Interest rate	Principal due May 1,	Interest due		Total due annually
			May 1	November 1	
2018	2.29%	\$ -	\$ -	\$ 71,931	\$ 71,931
2019	2.29%	2,235,000	50,380	24,789	2,310,169
2020	2.29%	2,165,000	24,789	-	2,189,789
Total 2018 refunded bonded debt		<u>\$ 4,400,000</u>	<u>\$ 75,169</u>	<u>\$ 96,721</u>	<u>\$ 4,571,890</u>

The above bonds dated February 14, 2018 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was \$4,400,000.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS**  
**JUNE 30, 2018**  
**(Concluded)**

2018 School Building and Site Bonds

Calendar year	Interest rate	Principal May 1,	Interest due		Total due annually
			May 1	November 1	
2018	2.00%	\$ -	\$ -	\$ 211,106	\$ 211,106
2019	2.00%	2,025,000	240,500	220,250	2,485,750
2020	4.00%	1,200,000	220,250	196,250	1,616,500
2021	4.00%	1,000,000	196,250	176,250	1,372,500
2022	5.00%	1,000,000	176,250	151,250	1,327,500
2023	5.00%	1,000,000	151,250	126,250	1,277,500
2024	5.00%	1,000,000	126,250	101,250	1,227,500
2025	5.00%	1,000,000	101,250	76,250	1,177,500
2026	5.00%	1,000,000	76,250	51,250	1,127,500
2027	5.00%	1,025,000	51,250	25,625	1,101,875
2028	5.00%	1,025,000	25,625	-	1,050,625
Total 2018 bonded debt		<u>\$ 11,275,000</u>	<u>\$ 1,365,125</u>	<u>\$ 1,335,731</u>	<u>\$ 13,975,856</u>

The above bonds dated May 23, 2018 were issued for the purpose of erecting, furnishing and equipping an addition or additions to and/or remodeling, refurbishing, 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 \$11,275,000.

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
SCHEDULE OF PROPERTY TAX DATA  
YEAR ENDED JUNE 30, 2018**

	2018					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
<b>Other Information:</b>								
State-equalized valuation of property assessed in the Traverse City Area School District:								
Grand Traverse County:								
Acme Township	\$ 161,901,448	\$ 204,000	\$ 15,715,700	\$ 109,266,084	\$ 287,087,232	18.0	6.0	3.1
Blair Township	155,952,319	335,500	5,708,012	91,327,278	253,323,109	18.0	6.0	3.1
East Bay Township	323,954,411	3,484,800	6,348,200	214,087,919	547,875,330	18.0	6.0	3.1
Garfield Township	385,339,112	14,464,200	41,675,400	415,206,200	856,684,912	18.0	6.0	3.1
Grant Township	12,299,872	-	30,800	8,268,476	20,599,148	18.0	6.0	3.1
Green Lake Township	160,131,413	724,600	2,732,000	90,405,048	253,993,061	18.0	6.0	3.1
Long Lake Township	358,717,241	359,900	1,371,900	119,282,005	479,731,046	18.0	6.0	3.1
Peninsula Township	489,332,071	-	3,804,000	181,725,511	674,861,582	18.0	6.0	3.1
Union Township	8,019,059	-	114,800	7,726,479	15,860,338	18.0	6.0	3.1
Whitewater Township	156,396	-	-	521,949	678,345	18.0	6.0	3.1
City of Traverse City	406,801,163	13,965,500	35,018,800	470,708,130	926,493,593	18.0	6.0	3.1
Leelanau County:								
Elmwood Township	188,753,139	296,100	5,983,100	82,106,756	277,139,095	18.0	6.0	3.1
Solon Township	41,386,566	2,400	33,300	14,294,698	55,716,964	18.0	6.0	3.1
Traverse City Annexed	15,937,796	-	652,600	17,056,975	33,647,371	18.0	6.0	3.1
Benzie County - Almira Township	30,372,617	-	5,400	3,921,495	34,299,512	18.0	6.0	3.1
<b>Total</b>	<b>\$2,739,054,623</b>	<b>\$ 33,837,000</b>	<b>\$ 119,194,012</b>	<b>\$1,825,905,003</b>	<b>\$ 4,717,990,638</b>			
<b>Official Student Enrollment</b>								9,896

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**PROPERTY TAX DATA**  
**JUNE 30, 2018**

<u>Fiscal year</u>	<u>Delinquent July 1, 2017</u>	<u>Original tax levy</u>	<u>Collections, adjustments, and write-offs</u>	<u>Delinquent June 30, 2018</u>
General fund				
2018	\$ -	\$ 31,499,860	\$ 31,465,124	\$ 34,736
2017	20,604	-	11,642	8,962
2016	<u>25,969</u>	<u>-</u>	<u>25,969</u>	<u>-</u>
Total general fund	<u>46,573</u>	<u>31,499,860</u>	<u>31,502,735</u>	<u>43,698</u>
Debt service funds				
2018	-	14,652,615	14,639,569	13,046
2017	20,954	-	4,502	16,452
2016	<u>13,080</u>	<u>-</u>	<u>13,080</u>	<u>-</u>
Total debt service funds	<u>34,034</u>	<u>14,652,615</u>	<u>14,657,151</u>	<u>29,498</u>
Total	<u>\$ 80,607</u>	<u>\$ 46,152,475</u>	<u>\$ 46,159,886</u>	<u>\$ 73,196</u>

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
GENERAL FUND BALANCE ASSIGNMENTS BY BUILDING  
JUNE 30, 2018**

Site	Amount
Blair	\$ 7,732
Central Grade	872
Cherry Knoll	23,275
Courtade	2,307
Eastern	48,114
Long Lake	15,980
Montessori	29,617
Silver Lake	12,962
Westwoods	19,184
Willow Hill	52,874
East Middle School	47,591
West Middle School	92,837
Central Sr. High	67,295
West Sr. High	164,048
Traverse City Sr. High	120,390
	\$ 705,078

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**TRAVERSE CITY AREA PUBLIC SCHOOLS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
STATISTICAL SECTION OVERVIEW  
2017-2018**

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  
2017-2018**

**FINANCIAL TRENDS**

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Financial Trends**  
**Net Position by Component**  
**2009-2018**

	Fiscal Year <sup>1</sup>				
	2009	2010	2011	2012	2013
<b>Assets</b>					
Cash and cash equivalents	\$ 14,611,529	\$ 12,589,490	\$ 12,156,507	\$ 11,210,030	\$ 12,895,329
Investments	3,000,000	1,000,000	-	-	-
Receivables:					
Accounts receivable	628,450	1,042,673	879,406	322,162	325,854
Interest receivable	192,523	30,211	36,444	-	11,349
Taxes receivable	96,708	82,787	75,463	53,190	40,199
Intergovernmental	9,115,042	9,730,944	9,175,291	8,926,478	9,576,068
Inventories	149,583	280,310	228,477	203,018	192,493
Prepays	506,912	169,661	591,746	631,822	620,343
Restricted investments - capital projects	14,290,255	27,336,654	15,084,385	17,887,161	10,347,589
Deferred charges, net of amortization	408,674	447,096	390,480	397,715	-
Capital assets not being depreciated	17,794,166	5,550,079	16,129,380	4,067,006	6,085,369
Capital assets, net of accumulated depreciation	119,428,355	135,687,696	132,210,877	144,107,081	142,221,768
<b>Total Assets</b>	<b>180,222,197</b>	<b>193,947,601</b>	<b>186,958,456</b>	<b>187,805,663</b>	<b>182,316,361</b>
<b>Deferred Outflows of Resources</b>					
Related to pension	-	-	-	-	-
Related to OPEB	-	-	-	-	-
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>					
Accounts payable	3,824,651	2,175,899	3,482,134	1,388,744	2,776,347
Accrued salaries and related items	10,989,645	9,890,188	9,004,961	9,002,216	10,731,273
Accrued retirement	-	-	-	-	-
Accrued interest	718,444	705,315	554,237	491,035	465,255
Accrued expenses	-	-	-	-	-
Unearned revenue	801,711	637,053	370,569	865,768	1,085,522
Noncurrent liabilities					
Due within one year	10,576,637	11,333,955	11,200,065	10,768,858	10,456,969
Due in more than one year	74,833,240	86,982,170	76,198,871	77,058,072	67,210,648
Net pension liability	-	-	-	-	-
Net OPEB liability	-	-	-	-	-
<b>Total Liabilities</b>	<b>101,744,328</b>	<b>111,724,580</b>	<b>100,810,837</b>	<b>99,574,693</b>	<b>92,726,014</b>
<b>Deferred Inflows of Resources</b>					
Related to pensions	-	-	-	-	-
Related to OPEB	-	-	-	-	-
Related to state aid funding for pension	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position</b> <sup>2</sup>					
Net investment in capital assets	66,805,994	71,210,191	75,332,973	78,554,525	80,744,965
Restricted for debt service	1,222,402	1,838,217	1,471,476	970,735	965,709
Restricted for food service	-	-	803,192	778,379	695,621
Unrestricted	10,449,473	9,174,613	8,539,978	7,927,331	7,184,052
<b>Total Net Position</b>	<b>\$ 78,477,869</b>	<b>\$ 82,223,021</b>	<b>\$ 86,147,619</b>	<b>\$ 88,230,970</b>	<b>\$ 89,590,347</b>

<sup>1</sup> Years 2014-2018 continue on following page.

<sup>2</sup> 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**  
**2009-2018 (Continued from previous page)**

	Fiscal Year				
	<u>2014</u>	<u>2015</u> <sup>1</sup>	<u>2016</u>	<u>2017</u>	<u>2018</u> <sup>2</sup>
<b>Assets</b>					
Cash and cash equivalents	\$ 12,712,398	\$ 11,576,501	\$ 8,905,885	\$ 7,496,774	\$ 11,205,076
Investments	-	-	-	-	-
Receivables:					
Accounts receivable	333,350	477,778	1,079,941	593,504	337,825
Interest receivable	-	38,435	-	16,792	-
Taxes receivable	58,438	82,080	208,087	80,607	73,196
Intergovernmental	9,699,500	10,232,956	11,564,548	10,584,780	10,771,629
Inventories	156,430	124,661	147,596	129,254	100,651
Prepays	615,828	657,067	654,660	1,139,190	1,429,606
Restricted investments - capital projects	17,217,592	10,740,928	31,887,552	25,919,059	23,160,308
Deferred charges, net of amortization	-	-	-	-	-
Capital assets not being depreciated	5,473,651	4,157,624	3,858,346	4,085,902	15,943,329
Capital assets, net of accumulated depreciation	141,109,454	140,182,582	139,413,586	135,349,462	129,533,356
<b>Total Assets</b>	<b>187,376,641</b>	<b>178,270,612</b>	<b>197,720,201</b>	<b>185,395,324</b>	<b>192,554,976</b>
<b>Deferred Outflows of Resources</b>					
Related to pension	-	13,905,319	19,047,562	21,683,066	35,230,141
Related to OPEB	-	-	-	-	3,888,429
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>13,905,319</b>	<b>19,047,562</b>	<b>21,683,066</b>	<b>39,118,570</b>
<b>Liabilities</b>					
Accounts payable	3,378,426	2,809,580	2,828,756	1,070,775	3,843,748
Accrued salaries and related items	10,018,965	9,610,148	7,923,219	6,966,659	7,222,149
Accrued retirement	-	-	2,439,904	2,644,637	2,780,127
Accrued interest	423,897	355,043	341,403	320,059	288,085
Accrued expenses	-	-	-	-	-
Unearned revenue	987,146	767,930	968,323	1,152,564	1,015,042
Noncurrent liabilities:					
Due within one year	11,632,361	12,186,862	12,386,418	13,187,157	14,322,561
Due in more than one year	69,219,947	57,086,955	72,465,197	59,604,711	57,555,179
Net pension liability	-	126,394,985	144,159,119	147,184,105	154,411,446
Net OPEB liability	-	-	-	-	52,792,245
<b>Total Liabilities</b>	<b>95,660,742</b>	<b>209,211,503</b>	<b>243,512,339</b>	<b>232,130,667</b>	<b>294,230,582</b>
<b>Deferred Inflows of Resources</b>					
Related to pensions	-	13,973,255	477,673	494,673	8,273,896
Related to OPEB	-	-	-	-	1,784,763
Related to state aid funding for pension	-	-	3,938,030	4,551,373	6,173,730
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>13,973,255</b>	<b>4,415,703</b>	<b>5,046,046</b>	<b>16,232,389</b>
<b>Net Position:</b>					
Net investment in capital assets	83,000,074	86,607,926	90,095,597	93,414,229	95,277,393
Restricted for debt service	1,400,691	1,140,931	1,175,922	1,269,843	1,521,488
Restricted for food service	456,408	-	-	-	-
Unrestricted	6,858,726	(118,757,684)	(122,431,798)	(124,782,395)	(175,588,306)
<b>Total Net Position</b>	<b>\$ 91,715,899</b>	<b>\$ (31,008,827)</b>	<b>\$ (31,160,279)</b>	<b>\$ (30,098,323)</b>	<b>\$ (78,789,425)</b>

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

<sup>2</sup> Net position was restated for fiscal year 2018 as of July 1, 2017 with the implementation of GASB Statement 75.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Financial Trends**  
**Changes in Net Position**  
**2009-2018**

	Fiscal Year <sup>1</sup>				
	<u>2009</u>	<u>2010</u>	<u>2011</u> <sup>2</sup>	<u>2012</u> <sup>2</sup>	<u>2013</u> <sup>2</sup>
<b>Expenses:</b>					
Governmental activities:					
Instruction	\$ 51,993,177	\$ 51,220,987	\$ 50,211,938	\$ 50,120,841	\$ 50,502,874
Support services	36,391,259	35,448,026	36,379,536	34,833,461	35,856,404
Community services	2,099,316	2,353,964	2,276,499	2,758,948	2,862,822
Intergovernmental expenditures	1,069,193	1,273,171	1,834,820	2,164,661	1,981,786
Food services	4,636,239	4,693,754	5,030,158	5,194,391	5,018,794
Athletics	1,800,612	1,821,406	-	-	-
Interest on long-term debt	3,540,779	3,281,521	3,628,290	3,264,483	3,126,214
Loss on sale of capital assets	-	-	-	-	-
Unallocated depreciation	2,930,231	2,853,358	2,827,239	2,819,505	2,782,606
Total governmental expenses	<u>104,460,806</u>	<u>102,946,187</u>	<u>102,188,480</u>	<u>101,156,290</u>	<u>102,131,500</u>
<b>Program Revenues:</b>					
Governmental activities:					
Charges for services:					
Instruction	38,800	53,547	27,437	26,599	27,689
Support services	973,387	879,795	1,341,978	1,430,231	1,737,376
Community services	1,841,344	1,935,045	1,808,821	2,340,537	2,366,565
Intergovernmental expenditures	793,485	869,168	192,333	-	-
Food services	2,789,172	2,610,690	2,535,031	2,480,276	2,340,875
Athletics	325,097	294,619	-	-	-
Total charges for services	<u>6,761,285</u>	<u>6,642,864</u>	<u>5,905,600</u>	<u>6,277,643</u>	<u>6,472,505</u>
Operating Grants:					
Instruction	3,437,781	4,447,035	3,018,237	2,778,072	2,923,171
Support services	1,991,899	2,482,500	1,840,474	1,593,571	1,545,300
Community services	424,930	538,238	523,656	387,140	378,750
Intergovernmental expenditures	531,010	419,612	476,284	638,676	124,365
Food services	1,991,757	2,247,461	2,452,936	2,732,010	2,553,481
Athletics	-	-	-	-	-
Total operating grants	<u>8,377,377</u>	<u>10,134,846</u>	<u>8,311,587</u>	<u>8,129,469</u>	<u>7,525,067</u>
Total program revenues	<u>15,138,662</u>	<u>16,777,710</u>	<u>14,217,187</u>	<u>14,407,112</u>	<u>13,997,572</u>
Net (Expense) revenue and changes in net position	<u>(89,322,144)</u>	<u>(86,168,477)</u>	<u>(87,971,293)</u>	<u>(86,749,178)</u>	<u>(88,133,928)</u>
<b>General Revenues:</b>					
Property taxes, levied for general purposes	31,385,902	32,091,911	31,427,030	30,319,933	30,113,413
Property taxes, levied for debt service	12,999,715	13,528,657	13,149,336	12,868,574	12,926,697
Investment earnings	1,005,016	136,734	64,770	42,414	43,258
State sources	41,034,677	38,451,970	41,718,402	41,505,060	43,483,230
Federal sources	3,830,651	2,888,624	2,306,326	1,300,289	-
Gain on sale of capital assets	-	-	-	-	-
Traverse Bay Area ISD	2,359,389	2,185,850	2,102,855	2,099,850	2,476,455
Other	625,437	629,883	1,127,172	696,409	847,967
Total general revenues	<u>93,240,787</u>	<u>89,913,629</u>	<u>91,895,891</u>	<u>88,832,529</u>	<u>89,891,020</u>
<b>CHANGE IN NET POSITION</b>	<u>3,918,643</u>	<u>3,745,152</u>	<u>3,924,598</u>	<u>2,083,351</u>	<u>1,757,092</u>
<b>NET POSITION, beginning of year</b>	<u>74,559,226</u>	<u>78,477,869</u>	<u>82,223,021</u>	<u>86,147,619</u>	<u>87,833,255</u> <sup>3</sup>
<b>NET POSITION, end of year</b>	<u>\$ 78,477,869</u>	<u>\$ 82,223,021</u>	<u>\$ 86,147,619</u>	<u>\$ 88,230,970</u>	<u>\$ 89,590,347</u>

<sup>1</sup> Years 2014-2018 continue on following page.

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

<sup>3</sup> Net position was restated for fiscal year 2013 as of July 1, 2012 with the implementation of GASB Statement 65.

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**Changes in Net Position**  
**2009-2018 (Continued from previous page)**

	Fiscal Year				
	<u>2014</u> <sup>1</sup>	<u>2015</u> <sup>1</sup>	<u>2016</u> <sup>1</sup>	<u>2017</u> <sup>1</sup>	<u>2018</u> <sup>1</sup>
<b>Expenses:</b>					
Governmental activities:					
Instruction	\$ 52,189,870	\$ 54,737,324	\$ 55,520,571	\$ 57,716,952	\$ 58,791,022
Support services	36,573,556	37,471,024	38,769,671	40,163,580	40,837,582
Community services	2,749,851	2,843,193	3,286,091	3,592,029	3,433,432
Intergovernmental expenditures	2,185,749	2,025,826	2,192,058	2,329,778	2,388,784
Food services	5,206,132	4,947,800	4,930,308	4,835,049	4,318,478
Athletics	-	-	-	-	-
Interest on long-term debt	2,750,174	2,451,022	2,113,909	2,249,605	1,776,008
Loss on sale of capital assets	-	-	-	-	1,550,797
Unallocated depreciation	2,728,445	2,673,975	2,651,801	2,640,866	2,582,597
Total governmental expenses	<u>104,383,777</u>	<u>107,150,164</u>	<u>109,464,409</u>	<u>113,527,859</u>	<u>115,678,700</u>
<b>Program Revenues:</b>					
Governmental activities:					
Charges for services:					
Instruction	300,820	639,121	754,798	1,056,231	564,560
Support services	1,877,815	1,838,218	1,901,006	1,911,478	1,669,033
Community services	2,483,558	2,671,291	2,960,156	3,111,957	3,147,617
Intergovernmental expenditures	-	-	-	-	-
Food services	2,343,823	2,405,556	2,351,646	2,336,497	2,156,294
Athletics	-	-	-	-	-
Total charges for services	<u>7,006,016</u>	<u>7,554,186</u>	<u>7,967,606</u>	<u>8,416,163</u>	<u>7,537,504</u>
Operating Grants:					
Instruction	3,287,017	3,566,976	3,719,940	3,704,172	3,021,044
Support services	1,493,960	1,866,170	1,907,790	1,538,251	2,658,890
Community services	307,761	243,089	226,469	215,533	237,837
Intergovernmental expenditures	3,400	962	34,960	3,730	3,241
Food services	2,593,682	2,602,292	2,601,641	2,608,859	2,386,171
Athletics	-	-	-	-	-
Total operating grants	<u>7,685,820</u>	<u>8,279,489</u>	<u>8,490,800</u>	<u>8,070,545</u>	<u>8,307,183</u>
Total program revenues	<u>14,691,836</u>	<u>15,833,675</u>	<u>16,458,406</u>	<u>16,486,708</u>	<u>15,844,687</u>
Net (Expense) revenue and changes in net position	<u>(89,691,941)</u>	<u>(91,316,489)</u>	<u>(93,006,003)</u>	<u>(97,041,151)</u>	<u>(99,834,013)</u>
<b>General Revenues:</b>					
Property taxes, levied for general purposes	30,559,501	30,913,145	31,334,760	31,830,413	32,562,900
Property taxes, levied for debt service	13,218,886	13,487,310	13,864,161	14,182,505	14,713,548
Investment earnings	32,677	31,014	39,501	138,609	423,896
State sources	44,985,902	47,703,689	44,619,923	48,811,418	52,245,272
Federal sources	-	-	-	-	-
Gain on sale of capital assets	-	-	-	-	-
Traverse Bay Area ISD	1,683,320	2,318,809	2,048,828	2,038,122	2,445,809
Other	1,337,207	1,211,832	947,378	1,102,040	1,639,941
Total general revenues	<u>91,817,493</u>	<u>95,665,799</u>	<u>92,854,551</u>	<u>98,103,107</u>	<u>104,031,366</u>
<b>CHANGE IN NET POSITION</b>	<u>2,125,552</u>	<u>4,349,310</u>	<u>(151,452)</u>	<u>1,061,956</u>	<u>4,197,353</u>
<b>NET POSITION, beginning of year</b>	<u>89,590,347</u>	<u>(35,358,137)</u> <sup>2</sup>	<u>(31,008,827)</u>	<u>(31,160,279)</u>	<u>(82,986,778)</u> <sup>3</sup>
<b>NET POSITION, end of year</b>	<u>\$ 91,715,899</u>	<u>\$ (31,008,827)</u>	<u>\$ (31,160,279)</u>	<u>\$ (30,098,323)</u>	<u>\$ (78,789,425)</u>

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

<sup>2</sup> Net position was restated for fiscal year 2015 as of July 1, 2014 with the implementation of GASB Statements 68 and 71.

<sup>3</sup> Net position was restated for fiscal year 2018 as of July 1, 2017 with the implementation of GASB Statement 75.

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**Fund Balances - Governmental Funds**  
**2009-2018**

	Fiscal Year				
	2009	2010	2011	2012	2013
<b>General Fund</b>					
Nonspendable	\$ 551,588	\$ 352,881	\$ 726,290	\$ 684,154	\$ 672,974
Assigned	5,171,148	6,143,736	5,469,043	5,260,693	4,593,098
Unrestricted, unassigned	5,119,624	2,500,895	2,565,268	2,262,138	1,863,251
<b>Total general fund</b>	<u>10,842,360</u>	<u>8,997,512</u>	<u>8,760,601</u>	<u>8,206,985</u>	<u>7,129,323</u>
<b>Other governmental funds</b>					
Nonmajor Special Revenue Funds					
Nonspendable	104,907	97,090	93,933	150,686	139,862
Assigned	-	-	-	329,576	482,742
Restricted	1,210,734	1,169,431	1,051,947	778,379	695,621
Nonmajor Debt Service Funds					
Restricted	1,940,846	2,543,532	2,025,713	1,461,770	1,430,964
Major Capital Projects Funds					
Restricted	12,696,914	26,611,912	12,746,197	16,537,981	8,844,427
Assigned nonmajor capital projects funds	133,879	105,582	658,696	487,805	659,329
<b>Total other governmental funds</b>	<u>16,087,280</u>	<u>30,527,547</u>	<u>16,576,486</u>	<u>19,746,197</u>	<u>12,252,945</u>
<b>Total governmental funds</b>	<u>\$ 26,929,640</u>	<u>\$ 39,525,059</u>	<u>\$ 25,337,087</u>	<u>\$ 27,953,182</u>	<u>\$ 19,382,268</u>

	Fiscal Year				
	2014	2015	2016	2017	2018
<b>General Fund</b>					
Nonspendable	\$ 696,864	\$ 718,437	\$ 730,261	\$ 1,209,417	\$ 1,488,563
Assigned	3,498,533	3,409,215	3,982,515	3,801,866	3,634,696
Unrestricted, unassigned	2,323,340	2,564,871	1,383,412	141,990	2,979,205
<b>Total general fund</b>	<u>6,518,737</u>	<u>6,692,523</u>	<u>6,096,188</u>	<u>5,153,273</u>	<u>8,102,464</u>
<b>Other governmental funds</b>					
Nonmajor Special Revenue Funds					
Nonspendable	75,394	63,291	71,995	59,027	41,694
Assigned	659,234	661,429	618,143	361,021	223,962
Restricted	456,408	627,117	599,733	697,342	587,829
Nonmajor Debt Service Funds					
Restricted	1,824,588	1,495,974	1,517,325	1,589,902	1,809,573
Major Capital Projects Funds					
Restricted	16,041,654	10,329,070	30,487,278	25,446,432	20,444,318
Assigned nonmajor capital projects funds	784,368	800,851	814,606	741,514	945,742
<b>Total other governmental funds</b>	<u>19,841,646</u>	<u>13,977,732</u>	<u>34,109,080</u>	<u>28,895,238</u>	<u>24,053,118</u>
<b>Total governmental funds</b>	<u>\$ 26,360,383</u>	<u>\$ 20,670,255</u>	<u>\$ 40,205,268</u>	<u>\$ 34,048,511</u>	<u>\$ 32,155,582</u>

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
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**Financial Trends**  
**Changes in Fund Balances - Governmental Funds**  
**2009-2018**

	Fiscal Year <sup>1</sup>				
	2009	2010	2011 <sup>2</sup>	2012 <sup>2</sup>	2013 <sup>2</sup>
<b>Revenues</b>					
Local sources:					
Property taxes	\$ 44,424,412	\$ 45,631,392	\$ 44,577,929	\$ 43,197,524	\$ 43,030,247
Tuition	1,809,063	1,929,545	1,786,229	2,093,387	2,143,782
Investment earnings	1,005,016	136,734	64,770	42,414	43,258
Food sales, athletics, and community service	2,543,149	2,372,927	2,028,740	2,156,083	2,078,681
Other	3,126,951	3,140,062	2,815,204	2,559,136	2,880,736
Total local sources	52,908,591	53,210,660	51,272,872	50,048,544	50,176,704
State sources	43,353,456	40,632,501	43,351,831	43,357,564	45,662,899
Federal sources	9,592,984	10,477,842	8,791,885	7,416,739	5,080,617
Incoming transfers	2,316,242	2,185,850	2,102,855	2,167,903	2,368,559
Intermediate sources	246,971	196,212	191,198	257,908	589,950
Total revenues	108,418,244	106,703,065	105,710,641	103,248,658	103,878,729
<b>Expenditures</b>					
Current:					
Instruction	52,529,287	51,484,101	50,250,087	50,162,272	50,535,662
Supporting services	33,953,094	32,845,232	33,606,811	31,798,179	32,811,130
Food service activities	4,624,599	4,674,381	4,954,369	5,156,384	4,999,233
Athletic activities	1,736,814	1,754,200	-	-	-
Community service activities	2,093,887	2,348,137	2,271,282	2,701,894	2,847,341
Intergovernmental expenditures	621,858	483,075	473,738	542,407	215,059
Capital outlay	20,946,211	10,657,878	14,390,680	7,673,292	7,984,676
Debt service:					
Principal repayment	8,760,771	9,929,612	10,556,432	10,192,858	9,887,278
Interest expense	3,902,792	3,294,650	3,779,368	3,327,685	3,151,994
Payment to refunded bond escrow	-	-	-	-	-
Bond issuance costs	-	86,398	-	60,505	-
Other expense	27,930	17,182	19,846	17,087	17,270
Total expenditures	129,197,243	117,574,846	120,302,613	111,632,563	112,449,643
Excess of revenues over (under) expenditures	(20,778,999)	(10,871,781)	(14,591,972)	(8,383,905)	(8,570,914)
<b>Other Financing Sources (Uses)</b>					
Proceed from issuance of bonds	-	23,250,000	-	11,000,000	-
Proceed from bond refunding	-	-	-	-	-
Proceed from capital lease	492,339	-	-	-	-
Bond premium	-	217,200	-	-	-
Payment to refunded bond escrow account	-	-	-	-	-
Proceeds sale of capital assets	-	-	404,000	-	-
Proceeds sale of other assets	-	-	-	-	-
Transfers in	2,586,909	2,153,544	676,067	574,310	501,107
Transfers out	(2,586,909)	(2,153,544)	(676,067)	(574,310)	(501,107)
Total other financing sources (uses)	492,339	23,467,200	404,000	11,000,000	-
<b>Net change in fund balance</b>	<b>\$ (20,286,660)</b>	<b>\$ 12,595,419</b>	<b>\$ (14,187,972)</b>	<b>\$ 2,616,095</b>	<b>\$ (8,570,914)</b>
Debt service as a percentage of noncapital expenditures	11.7%	12.5%	13.6%	13.1%	12.5%

<sup>1</sup> Years 2014-2018 continue on following page.

<sup>2</sup> 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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**Changes in Fund Balances - Governmental Funds**  
**2009-2018 (Continued from previous page)**

	<b>Fiscal Year</b>				
<b>Revenues</b>	<b><u>2014</u><sup>1</sup></b>	<b><u>2015</u><sup>1</sup></b>	<b><u>2016</u><sup>1</sup></b>	<b><u>2017</u><sup>1</sup></b>	<b><u>2018</u><sup>1</sup></b>
Local sources:					
Property taxes	\$ 43,763,585	\$ 44,376,578	\$ 45,188,615	\$ 46,018,903	\$ 47,291,619
Tuition	2,505,089	2,947,460	3,303,699	3,754,986	3,303,027
Investment earnings	32,677	31,014	39,501	138,609	423,896
Food sales, athletics, and community service	2,131,316	2,171,325	2,139,439	2,139,981	2,139,288
Other	2,975,467	3,012,727	2,901,547	3,180,509	3,140,219
Total local sources	51,408,134	52,539,104	53,572,801	55,232,988	56,298,049
State sources	47,889,660	51,333,157	52,322,505	52,664,068	56,189,784
Federal sources	4,441,531	4,271,004	4,235,458	4,453,872	3,967,096
Incoming transfers	1,708,084	2,332,348	2,061,437	2,048,122	2,445,809
Intermediate sources	778,568	999,984	1,048,480	573,887	218,748
Total revenues	106,225,977	111,475,597	113,240,681	114,972,937	119,119,486
<b>Expenditures</b>					
Current:					
Instruction	52,186,563	55,233,442	56,226,291	57,462,857	58,242,611
Supporting services	33,413,865	34,410,938	35,332,760	35,938,445	37,550,856
Food service activities	5,194,052	4,943,768	4,933,613	4,798,847	4,279,627
Athletic activities	-	-	-	-	-
Community service activities	2,734,921	2,832,346	3,282,625	3,547,648	3,391,472
Intergovernmental expenditures	40,375	67,879	89,528	63,796	54,378
Capital outlay	6,553,947	5,865,169	7,233,755	5,349,440	17,879,446
Debt service:					
Principal repayment	10,010,000	11,165,000	11,745,000	11,915,000	12,580,000
Interest expense	2,791,532	2,519,876	2,127,549	2,270,949	1,807,982
Payment to refunded bond escrow	-	110,000	-	-	243,000
Bond issuance costs	72,091	38,580	277,022	-	161,190
Other expense	19,066	17,307	17,806	18,917	16,189
Total expenditures	113,016,412	117,204,305	121,265,949	121,365,899	136,206,751
Excess of revenues over (under) expenditures	(6,790,435)	(5,728,708)	(8,025,268)	(6,392,962)	(17,087,265)
<b>Other Financing Sources (Uses)</b>					
Proceed from issuance of bonds	13,500,000	-	26,880,000	-	11,275,000
Proceed from bond refunding	-	2,300,000	-	-	4,400,000
Proceed from capital lease	-	-	-	-	-
Bond premium	-	-	680,281	-	1,155,945
Payment to refunded bond escrow account	-	(2,261,420)	-	-	(4,350,732)
Proceeds sale of capital assets	268,550	-	-	236,205	2,013,678
Proceeds sale of other assets	-	-	-	-	700,445
Transfers in	478,824	280,172	535,006	269,999	758,390
Transfers out	(478,824)	(280,172)	(535,006)	(269,999)	(758,390)
Total other financing sources (uses)	13,768,550	38,580	27,560,281	236,205	15,194,336
<b>Net change in fund balance</b>	<b>\$ 6,978,115</b>	<b>\$ (5,690,128)</b>	<b>\$ 19,535,013</b>	<b>\$ (6,156,757)</b>	<b>\$ (1,892,929)</b>
Debt service as a percentage of noncapital expenditures	12.1%	12.4%	12.4%	12.2%	12.5%

<sup>1</sup> 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 2008-2009 through 2017-2018**

<b>Governmental Activities:</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011 <sup>1</sup></b>	<b>2011-2012 <sup>1</sup></b>	<b>2012-2013 <sup>1</sup></b>
Expenses					
Instruction	\$ 51,993,177	\$ 51,220,987	\$ 50,211,938	\$ 50,120,841	\$ 50,502,874
Supporting Services	36,391,259	35,448,026	36,379,536	34,833,461	35,856,404
Community Service Activities	2,099,316	2,353,964	2,276,499	2,758,948	2,862,822
Intergovernmental expenditures	1,069,193	1,273,171	1,834,820	2,164,661	1,981,786
Food Service	4,636,239	4,693,754	5,030,158	5,194,391	5,018,794
Athletics	1,800,612	1,821,406	-	-	-
Interest on Long-Term Debt	3,540,779	3,281,521	3,628,290	3,264,483	3,126,214
Loss on sale of capital assets	-	-	-	-	-
Unallocated Depreciation	2,930,231	2,853,358	2,827,239	2,819,505	2,782,606
Total Governmental Activities	<u>\$ 104,460,806</u>	<u>\$ 102,946,187</u>	<u>\$ 102,188,480</u>	<u>\$ 101,156,290</u>	<u>\$ 102,131,500</u>

<b>Governmental Activities:</b>	<b>2013-2014 <sup>1</sup></b>	<b>2014-2015 <sup>1</sup></b>	<b>2015-2016 <sup>1</sup></b>	<b>2016-2017 <sup>1</sup></b>	<b>2017-2018 <sup>1</sup></b>
Expenses					
Instruction	\$ 52,189,870	\$ 54,737,324	\$ 55,520,571	\$ 57,716,952	\$ 58,791,022
Supporting Services	36,573,556	37,471,024	38,769,671	40,163,580	40,837,582
Community Service Activities	2,749,851	2,843,193	3,286,091	3,592,029	3,433,432
Intergovernmental expenditures	2,185,749	2,025,826	2,192,058	2,329,778	2,388,784
Food Service	5,206,132	4,947,800	4,930,308	4,835,049	4,318,478
Athletics	-	-	-	-	-
Interest on Long-Term Debt	2,750,174	2,451,022	2,113,909	2,249,605	1,776,008
Loss on sale of capital assets	-	-	-	-	1,550,797
Unallocated Depreciation	2,728,445	2,673,975	2,651,801	2,640,866	2,582,597
Total Governmental Activities	<u>\$ 104,383,777</u>	<u>\$ 107,150,164</u>	<u>\$ 109,464,409</u>	<u>\$ 113,527,859</u>	<u>\$ 115,678,700</u>

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

Source: Compiled by TCAPS Business Office

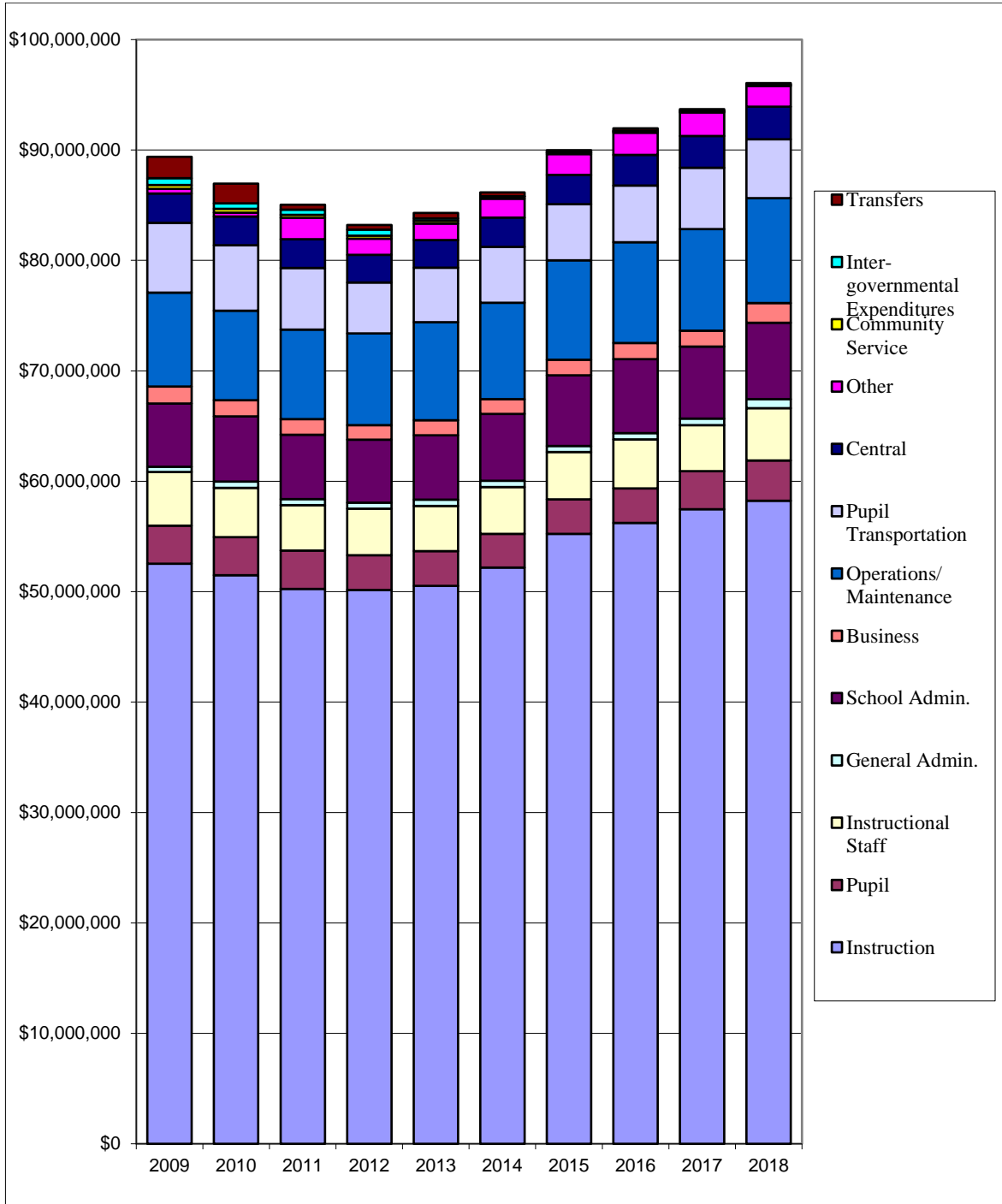
**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Financial Trends**  
**Statement of Revenues by Source - Government-Wide**  
**Fiscal Years 2008-2009 through 2017-2018**

<b>Revenues</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012</b>	<b>2012-2013</b>
Program revenues:					
Charges for services	\$ 6,761,285	\$ 6,642,864	\$ 5,905,600	\$ 6,277,643	\$ 6,472,505
Federal & State Categorical Grants	8,377,377	10,134,846	8,311,587	8,129,469	7,525,067
General Revenues:					
Property Taxes	44,385,617	45,620,568	44,576,366	43,188,507	43,040,110
State Aid - Unrestricted	41,034,677	38,451,970	41,718,402	41,505,060	43,483,230
Federal - Unrestricted	3,830,651	2,888,624	2,306,326	1,300,289	-
Other	3,989,842	2,952,467	3,294,797	2,838,673	3,367,680
Total Revenue	<u>\$ 108,379,449</u>	<u>\$ 106,691,339</u>	<u>\$ 106,113,078</u>	<u>\$ 103,239,641</u>	<u>\$ 103,888,592</u>

<b>Revenues</b>	<b>2013-2014</b>	<b>2014-2015</b>	<b>2015-2016</b>	<b>2016-2017</b>	<b>2017-2018</b>
Program revenues:					
Charges for services	\$ 7,006,016	\$ 7,554,186	\$ 7,967,606	\$ 8,416,163	\$ 7,537,504
Federal & State Categorical Grants	7,685,820	8,279,489	8,490,800	8,070,545	8,307,183
General Revenues:					
Property Taxes	43,778,387	44,400,455	45,198,921	46,012,918	47,276,448
State Aid - Unrestricted	44,985,902	47,703,689	44,619,923	48,811,418	52,245,272
Federal - Unrestricted	-	-	-	-	-
Other	3,053,204	3,561,655	3,035,707	3,278,771	4,509,646
Total Revenue	<u>\$ 106,509,329</u>	<u>\$ 111,499,474</u>	<u>\$ 109,312,957</u>	<u>\$ 114,589,815</u>	<u>\$ 119,876,053</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 2008-2009 through 2017-2018**



**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Financial Trends**  
**General Fund - Expenditures and Transfers by Function**  
**Fiscal Years 2008-2009 through 2017-2018**

Year Ended June 30	Support Services						
	Instruction	Pupil	Instructional Staff	General Admin.	School Admin.	Business	Operations/ Maintenance
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
2018	58,242,611	3,630,196	4,753,741	806,689	6,924,413	1,793,490	9,487,265

Year Ended June 30	Support Services			Community Service	Inter- governmental Expenditures	Transfers	Total Expenditures and Transfers
	Pupil Transportation	Central	Other				
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 <sup>1</sup>	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
2018	5,342,191	2,952,881	1,859,990	82,836	54,378	115,511	96,046,192

<sup>1</sup> 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 2008-2009 through 2017-2018**

Year Ended June 30	Instruction	Pupil	Instructional Staff	General Admin.	School Admin.	Business
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%
2018	60.64%	3.78%	4.95%	0.84%	7.21%	1.87%

Year Ended June 30	Operations/ Maintenance	Pupil Transportation	Central	Other	Community Service	Inter- governmental Expenditures
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%
2018	9.88%	5.56%	3.07%	1.94%	0.09%	0.06%

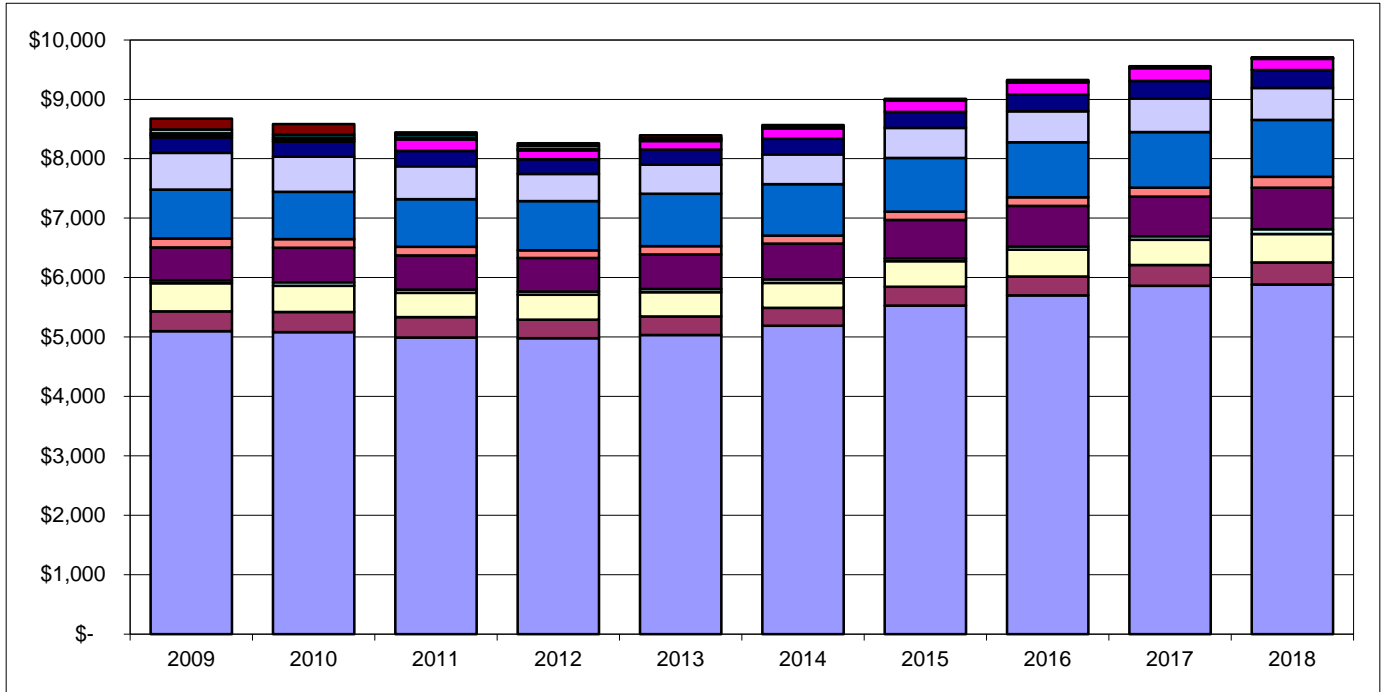
Year Ended June 30	Debt Service	Transfers	Total Expenditures and Transfers
2009	0.00%	2.15%	100.00%
2010	0.00%	2.07%	100.00%
2011	0.00%	0.52%	100.00%
2012	0.00%	0.50%	100.00%
2013	0.00%	0.59%	100.00%
2014	0.00%	0.39%	100.00%
2015	0.00%	0.19%	100.00%
2016	0.00%	0.23%	100.00%
2017	0.00%	0.14%	100.00%
2018	0.00%	0.12%	100.00%

<sup>1</sup> 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 <sup>1</sup>**  
**Fiscal Years 2008-2009 through 2017-2018**

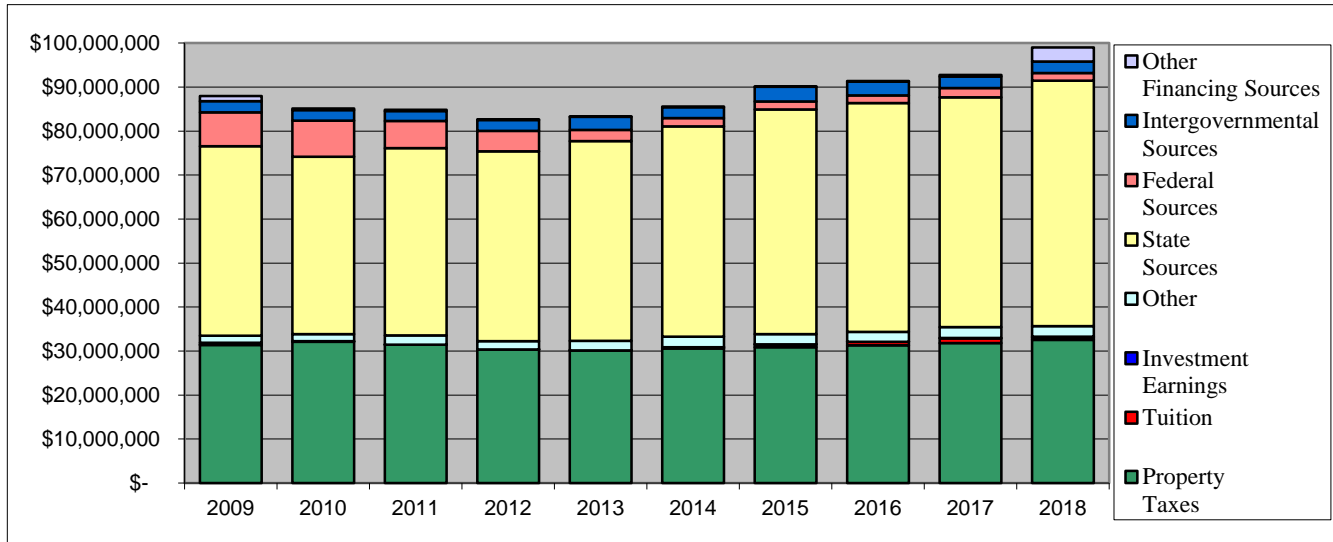


Year Ended	Instruction	Pupil	Instruc-tional Staff	Gen. Admin.	School Admin.	Business	Oper./ Maint.	Pupil Trans.	Central	Other	Comm. Service	Inter Gov. Exp.	Oper. Trans.	Total Expenditures and Transfers
2009	\$ 5,099	\$ 335	\$ 471	\$ 47	\$ 556	\$ 150	\$ 825	\$ 614	\$ 258	\$ 40	\$ 35	\$ 60	\$ 186	\$ 8,676
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
2018	5,885	367	480	82	700	181	959	540	298	188	8	5	12	9,706

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 2008-2009 through 2017-2018**



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
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
2018	32,571,182	564,560	139,467	2,378,733	55,774,382	1,741,882	2,664,557	3,160,620	98,995,383

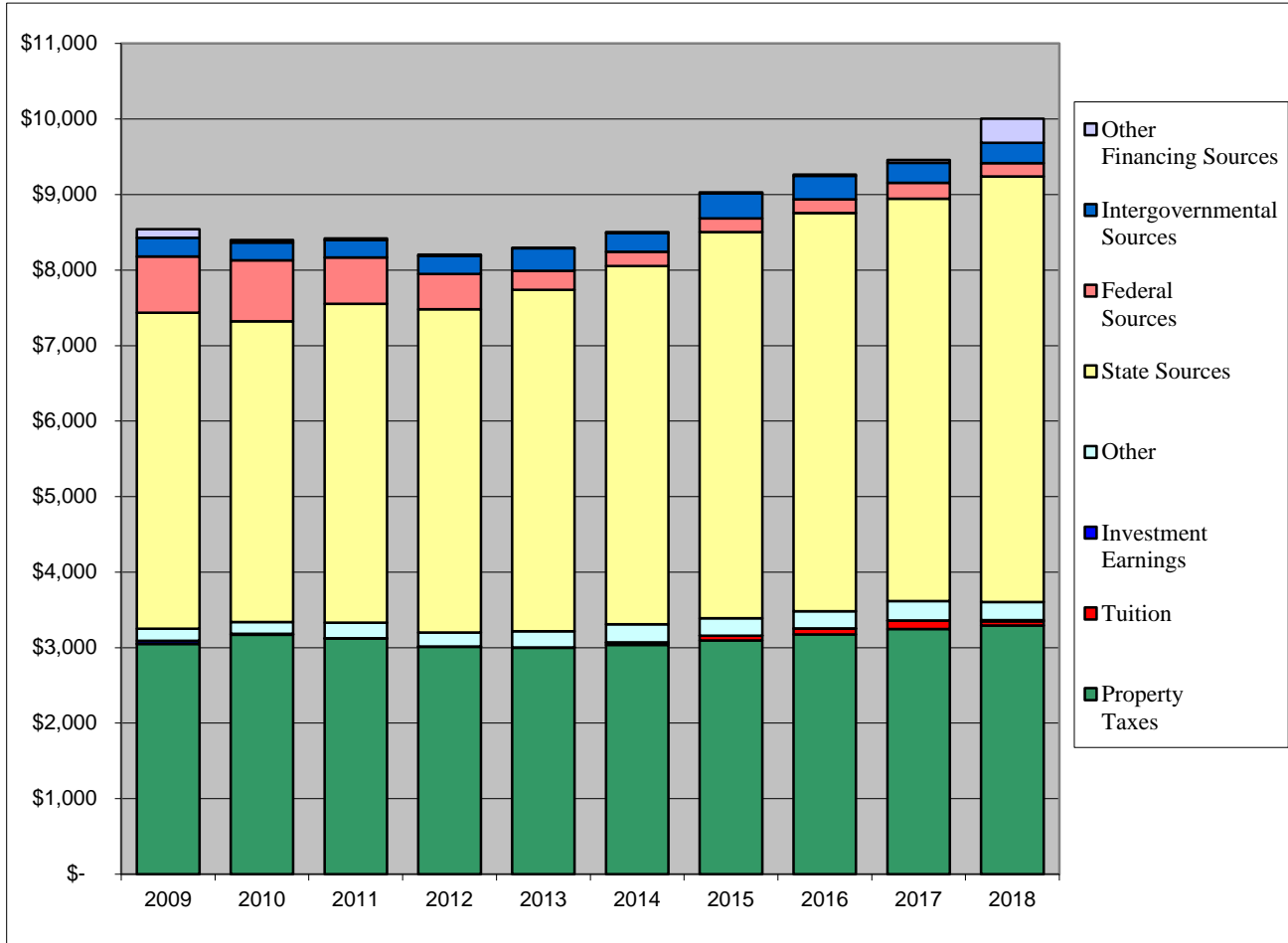
Sources of Revenues as a Percentage of Total Revenue									
Year Ended June 30	Property Taxes	Tuition	Investment Earnings	Other	State Sources	Federal Sources	Intergovernmental Sources	Other Financing Sources	Total Revenues and Other Financing Sources
2009	35.70%	0.03%	0.48%	1.87%	48.95%	8.73%	2.91%	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%
2018	32.90%	0.57%	0.14%	2.40%	56.34%	1.76%	2.69%	3.19%	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 <sup>1</sup>**  
**Fiscal Years 2008-2009 through 2017-2018**



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 <sup>2</sup>
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
2018	3,291	57	14	240	5,636	176	269	319	10,004	9,896

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

<sup>2</sup> 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 2008-2009 through 2017-2018**

Fiscal Year	General Fund	Total	% of General Fund
	Equity	Expenditures and Transfers Out	
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%
2017-2018	8,102,464	96,046,192	8.44%

Source: Compiled by TCAPS Business Office

Fiscal Year	General Fund	Total	% of General Fund
	Equity	Revenue and Transfers In	
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%
2017-2018	8,102,464	98,995,383	8.18%

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 2008-2009 through 2017-2018**

**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	
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%	11,642	31,752,351	99.97%	
2017-2018	2017	31,499,860	31,465,124	99.89%	-	31,465,124	99.89%	

**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	
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%	4,502	14,133,112	99.88%	
2017-2018	2017	14,652,615	14,639,569	99.91%	-	14,639,569	99.91%	

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 2008-2009 through 2017-2018**

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Assessed Value</u>	<u>Estimated Cash Value</u>
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
2017-2018	2017	5,949,588,727	11,899,177,454

Source: Compiled by TCAPS Business Office

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Revenue & Debt Capacity**  
**Tax Rates - Overlapping <sup>1</sup>**  
**Tax Years 2008-2017**

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)
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
2017	18.0000	3.1000	6.0000	2.9234	2.7420	8.3224	2.9593	4.2628

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)
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
2017	2.2957	2.0845	6.6486	0.3420	0.9467	1.4582	2.3203	0.7284

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)
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
2017	2.0000	0.7290	2.6067	1.6354	3.0298	1.2289	2.0920	13.4367

<sup>1</sup> 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 2008-2009 through 2017-2018**

Fiscal Year	Tax Year	Population <sup>1</sup> (Estimated)	Assessed Valuation	Gross Bonded Debt <sup>2</sup>	Debt Service Monies Available	Net Bonded Debt <sup>2</sup>	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2008-2009	2008	85,939	\$5,703,739,754	\$ 82,745,935	\$ 1,940,846	\$ 80,805,089	1.42%	\$ 940
2009-2010	2009	86,767	5,625,858,267	96,130,898	2,543,532	93,587,366	1.66%	1,079
2010-2011	2010	86,954	5,329,477,145	85,816,939	2,025,713	83,791,226	1.57%	964
2011-2012	2011	88,141	5,016,234,260	86,457,980	1,461,770	84,996,210	1.69%	964
2012-2013	2012	89,112	4,907,996,827	76,406,599	1,430,964	74,975,635	1.53%	841
2013-2014	2013	89,982	5,000,341,519	79,624,685	1,824,588	77,800,097	1.56%	865
2014-2015	2014	90,782	5,123,856,539	68,061,350	1,495,974	66,565,376	1.30%	733
2015-2016	2015	91,636	5,315,168,275	83,663,613	1,517,325	82,146,288	1.55%	896
2016-2017	2016	92,084	5,546,848,735	71,467,567	1,589,902	69,877,665	1.26%	759
2017-2018	2017	91,807	5,949,588,727	70,643,610	1,809,573	68,834,037	1.16%	750

<sup>1</sup> Source: U.S. Census Bureau; Grand Traverse County

<sup>2</sup> Presented net of original discounts and premiums.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Revenue & Debt Capacity**  
**Ratio of Net General Bonded Debt Outstanding**  
**Fiscal Years 2008-2009 through 2017-2018**

<u>Fiscal Year</u>	<u>General Obligation Bonds <sup>1</sup></u>	<u>Monies Restricted for Debt Service</u>	<u>Net Bonded Debt <sup>1</sup></u>	<u>Percentage of Taxable Value <sup>2</sup></u>	<u>Per Capita <sup>3</sup></u>
2008-2009	\$ 82,745,935	\$ 1,940,846	\$ 80,805,089	1.92%	\$ 940
2009-2010	96,130,898	2,543,532	93,587,366	2.15%	1,079
2010-2011	85,816,939	2,025,713	83,791,226	1.96%	964
2011-2012	86,457,980	1,461,770	84,996,210	2.03%	964
2012-2013	76,406,599	1,430,964	74,975,635	1.79%	841
2013-2014	79,624,685	1,824,588	77,800,097	1.81%	865
2014-2015	68,061,350	1,495,974	66,565,376	1.52%	733
2015-2016	83,663,613	1,517,325	82,146,288	1.84%	899
2016-2017	71,467,567	1,589,902	69,877,665	1.53%	759
2017-2018	70,643,610	1,809,573	68,834,037	1.46%	750

<sup>1</sup> Presented net of original discounts and premiums.

<sup>2</sup> Property Taxable Value data provided in Demographic & Economic Information - Property Value & Construction Schedule.

<sup>3</sup> 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 2008-2009 through 2017-2018**

Fiscal Year	General Obligation Bonds <sup>1</sup>	Limited Obligation Bonds <sup>2</sup>	Capital Leases	Monies Restricted for Debt Service	Total Net Outstanding Debt <sup>1</sup>	Percentage of Personal Income <sup>3</sup>	Per Capita <sup>3</sup>
2008-2009	\$ 82,745,935	\$ 776,180	\$ 382,400	\$ 1,940,846	\$ 81,963,669	2.60%	\$ 954
2009-2010	96,130,898	691,568	264,126	2,543,532	94,543,060	3.19%	1,090
2010-2011	85,816,939	190,136	136,886	2,025,713	84,118,248	2.63%	967
2011-2012	86,457,980	97,278	-	1,461,770	85,093,488	2.50%	965
2012-2013	76,406,599	-	-	1,430,964	74,975,635	2.11%	841
2013-2014	79,624,685	-	-	1,824,588	77,800,097	2.16%	865
2014-2015	68,061,350	-	-	1,495,974	66,565,376	1.73%	733
2015-2016	83,663,613	-	-	1,517,325	82,146,288	2.02%	896
2016-2017	71,467,567	-	-	1,589,902	69,877,665	1.69%	759
2017-2018	70,643,610	-	-	1,809,573	68,834,037	1.63%	750

<sup>1</sup> Presented net of original discounts and premiums.

<sup>2</sup> 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.

<sup>3</sup> 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**  
**2009-2018**

**Legal Debt Margin Calculation for Fiscal Year 2018**

Assessed Value	\$ 5,949,588,727
Debt limit (15% of assessed value)	892,438,309
Debt applicable to limit:	
General obligation bonds	68,900,000
Less: Amount set aside for repayment of general obligation debt	<u>1,809,573</u>
Total net debt applicable to limit	<u>67,090,427</u>
Legal debt margin	<u><u>\$ 825,347,882</u></u>

	<b>Fiscal Year</b>				
	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>
Debt Limit	\$ 855,560,963	\$ 843,878,740	\$ 799,421,572	\$ 752,435,139	\$ 736,199,524
Total net debt applicable to limit	<u>78,369,154</u>	<u>91,171,468</u>	<u>81,634,287</u>	<u>83,098,230</u>	<u>73,339,036</u>
Legal debt margin	<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>	<u><u>\$ 662,860,488</u></u>
Total net debt applicable to the limit as a percentage of debt limit	9.16%	10.80%	10.21%	11.04%	9.96%

	<b>Fiscal Year</b>				
	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Debt Limit	\$ 750,051,228	\$ 768,578,481	\$ 797,275,241	\$ 832,027,310	\$ 892,438,309
Total net debt applicable to limit	<u>76,435,412</u>	<u>65,584,026</u>	<u>80,697,675</u>	<u>68,710,098</u>	<u>67,090,427</u>
Legal debt margin	<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>	<u><u>\$ 825,347,882</u></u>
Total net debt applicable to the limit as a percentage of debt limit	10.19%	8.53%	10.12%	8.26%	7.52%

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Revenue & Debt Capacity**  
**Schedule of Direct and Overlapping Debt**  
**6/30/2018**

<b>Direct Debt</b>	<b>Debt Outstanding</b>	<b>Percent Applicable to School District <sup>1</sup></b>	<b>Amount Applicable to School District <sup>1</sup></b>	<b>Debt Principal Per Capita (Pop 91,807)</b>	<b>Percent of STV <sup>2</sup></b>
General Obligation Bonds	\$ 68,900,000	100.00%	\$ 68,900,000	\$ 750	1.46%
Total Direct Debt	68,900,000		68,900,000	750	1.46%
<b>Overlapping Debt <sup>3</sup></b>					
Traverse City	12,895,000	100.00%	12,895,000	140	0.27%
Acme Township	1,638,440	86.92%	1,424,132	16	0.03%
Blair Township	6,205,000	95.14%	5,903,437	64	0.13%
East Bay Township	6,198,531	100.00%	6,198,531	68	0.13%
Elmwood Township	861,365	90.70%	781,258	9	0.02%
Garfield Township	2,688,090	100.00%	2,688,090	29	0.06%
Green Township	206,152	92.22%	190,113	2	0.00%
Long Lake Township	-	100.00%	-	-	0.00%
Peninsula Township	8,428,574	100.00%	8,428,574	92	0.18%
Whitewater Township	-	0.35%	-	-	0.00%
Benzie County	5,610,000	2.85%	159,885	2	0.00%
Grand Traverse County	18,054,565	88.68%	16,010,788	174	0.34%
Leelanau County	3,925,000	13.83%	542,828	6	0.01%
Northwestern Community College	26,950,000	88.68%	23,899,260	260	0.51%
Traverse Area District Library	-	88.75%	-	-	0.00%
Traverse City-Garfield Recreational Authority	4,110,000	100.00%	4,110,000	45	0.09%
Total Overlapping Debt	97,770,717		83,231,896	907	1.76%
Total Direct and Overlapping Debt	\$ 166,670,717		\$ 152,131,896	\$ 1,657	3.22%

<sup>1</sup> 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.

<sup>2</sup> 2017 Taxable Value equal to \$4,717,990,638.

<sup>3</sup> 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 2008-2017**

Tax Year	Valuation <sup>1</sup>					Tax Levy (Mills) <sup>1</sup>			
	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
2017	2,739,054,623	33,837,000	119,194,012	1,825,905,003	4,717,990,638	6.00	18.0000	6.00	3.10

<sup>1</sup> 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 2008-2009 through 2017-2018**

School Year	Number of Staff			Total
	Instructional Employees	Administrative Employees	Support/Non-Instructional Employees	
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
2017-2018	534	84	601	1,219

Source: TCAPS Human Resources Department

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Demographic & Economic Information**  
**School District Demographic Statistics**  
**Fiscal Years 2008-2009 through 2017-2018**

Fiscal Year	Population	Personal Income (Thousands)	Per Capita Income	% of Michigan	% of U.S.	Unemployment Rate <sup>1</sup>
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	3,840,464	42,298	103.31%	91.03%	4.7%
2015-2016	91,624 <sup>2</sup>	4,061,650 <sup>2</sup>	44,330 <sup>2</sup>	101.34% <sup>2</sup>	90.68% <sup>2</sup>	4.1% <sup>2</sup>
2016-2017	92,084 <sup>2</sup>	4,128,494 <sup>2</sup>	44,834 <sup>2</sup>	100.17% <sup>2</sup>	90.14% <sup>2</sup>	4.3% <sup>2</sup>
2017-2018	91,807 <sup>2</sup>	4,229,897 <sup>2</sup>	45,868 <sup>2</sup>	100.28% <sup>2</sup>	89.94% <sup>2</sup>	4.5% <sup>2</sup>

<sup>1</sup> Unemployment rate listed for 2017-2018 is the average YTD through 06/30/18; previous years are calendar annual average rates (not seasonally adjusted); Grand Traverse County.

<sup>2</sup> 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 2008-2009 through 2017-2018**

Fiscal Year	Tax Year	Valuation <sup>1</sup>					New Residential Building Permits <sup>2</sup>	
		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
2017-2018	2017	2,739,054,623	33,837,000	119,194,012	1,825,905,003	4,717,990,638	600	116,510,580

<sup>1</sup> 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.

<sup>2</sup> 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 2008 and 2017**

2008		Taxable Valuation and Industrial Facilities Tax Valuation	
Principal Taxpayer	Product/Service	Total	Percent of Total
Great Wolf Lodge of TC, LLC	Lodge	\$ 20,067,900	0.48%
Grand Traverse Band of Ottawa Indians	Resort	18,997,456	0.45%
Cento Bradley GTII LLC	Home Depot	18,524,850	0.44%
Consumers Energy	Utility	17,096,352	0.41%
Sara Lee Corp.	Frozen Foods	16,494,680	0.39%
Michigan Consolidated Gas (DTE Energy)	Utility	14,581,700	0.35%
Grand Traverse Mall, Ltd.	Retail Shopping Mall	14,560,260	0.35%
Arbors of Traverse LLC	Apartments	10,488,020	0.25%
Cherryland Electric Co-op	Utility	10,262,102	0.24%
State of Michigan	Government	9,160,500	0.22%
Subtotal		150,233,820	3.57%
All Others		4,058,968,567	96.43%
Totals		\$ 4,209,202,387	100.00%

2017		Taxable Valuation and Industrial Facilities Tax Valuation	
Principal Taxpayer	Product/Service	Total	Percent of Total
Consumers Energy	Utility	\$ 25,354,118	0.54%
Grand Traverse Mall Ltd Pt.	Retail Shopping Mall	21,593,800	0.46%
Grand Traverse Resort & Spa, LLC	Resort	15,069,524	0.32%
CEGM Traverse City, LLC	Condominiums	14,010,300	0.30%
DTE Gas	Utility	12,072,606	0.26%
MI Electric Transmission Co.	Utility	12,034,758	0.26%
Liv Arbors	Apartments	10,808,982	0.23%
Brixmore Property Group	Real Estate	10,168,524	0.22%
Wolverine Power Supply Co-op	Utility	9,897,388	0.21%
Cherryland Electric Corp.	Utility	9,845,294	0.21%
Subtotal		140,855,294	2.99%
All Others		4,577,135,344	97.01%
Totals		\$ 4,717,990,638	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 2008-2009 and 2017-2018**

Employer	Product/Service	2008/2009	
		Approximate Number Employed	% of Total Employed <sup>1</sup>
Munson Healthcare	Health Care	4,370	10.31%
Traverse City Area Public Schools	Education	1,444	3.41%
Traverse Bay Entertainment (EDC)	Gaming	1,190	2.81%
Interlochen Center for the Arts	Education	360-1,100	2.59%
Grand Traverse Resort & Casinos	Hotel/Gaming	600-900	2.12%
Northwestern Michigan College	Education	665	1.57%
Sara Lee Bakeries	Frozen Food	650	1.53%
Traverse Bay ISD	Education	620	1.46%
Cherry Growers Inc.	Fruit Processing	225-600	1.41%
Meijer	Retail/Groceries	450	1.06%

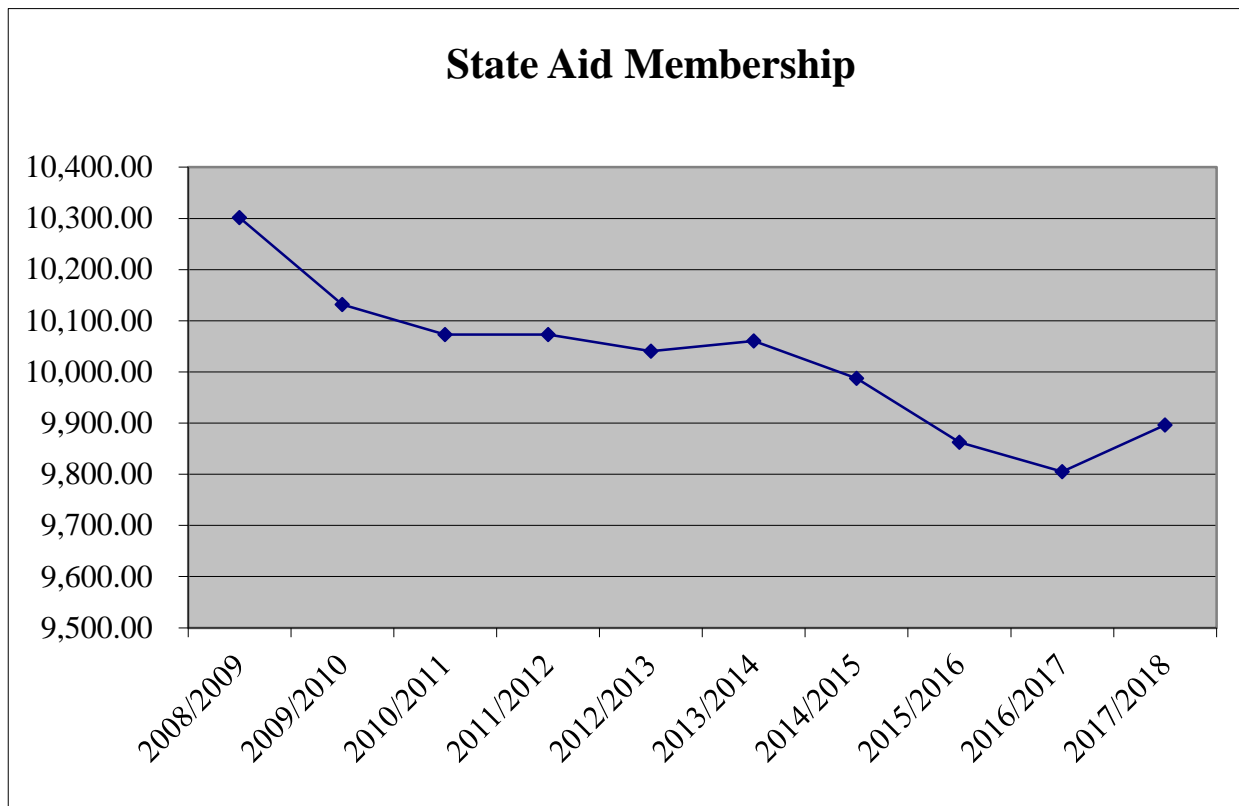
Employer	Product/Service	2017/2018	
		Approximate Number Employed	% of Total Employed <sup>1</sup>
Munson Healthcare	Health Care	3,634	7.24%
Traverse City Area Public Schools	Education	1,825	3.64%
The Hillshire Brands Company	Frozen Food	600	1.20%
Northwestern Michigan College	Education	575	1.15%
Meijer, Inc.	Retail/Groceries	475	0.95%
Grand Traverse County Government	Government	450	0.90%
Grand Traverse Pavilions Foundation, Inc.	Senior Housing	415	0.83%
Hagerty Insurance Agency	Insurance	400	0.80%
Traverse Bay Intermediate School District	Education	300	0.60%
Northern Lakes Community Mental Health	Health Care	277	0.55%

<sup>1</sup> 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, Networks Northwest, Grand Traverse County and individual employers

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Demographic & Economic Information**  
**School District State Aid Membership**  
**Fiscal Years 2008-2009 through 2017-2018**

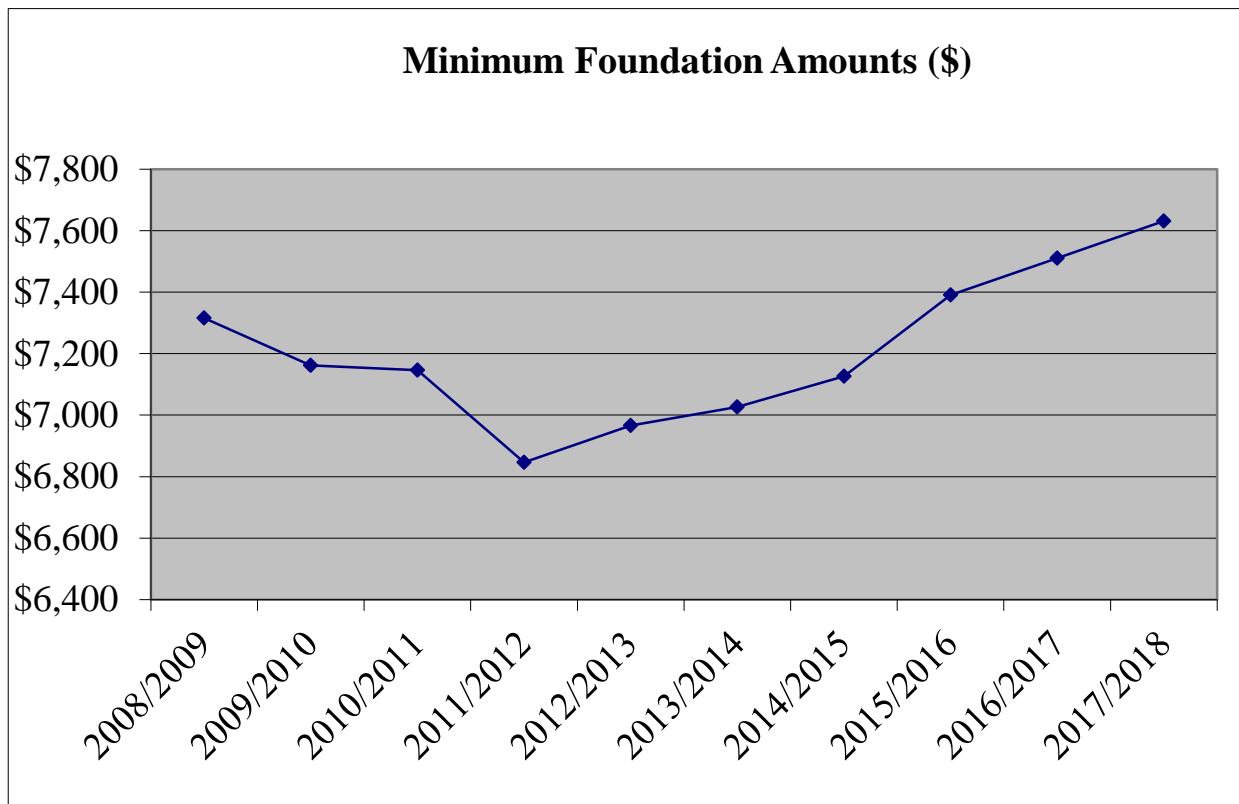
<b>Fiscal Year</b>	<b>Total F.T.E.</b>
2008/2009	10,301.43
2009/2010	10,131.80
2010/2011	10,073.00
2011/2012	10,072.97
2012/2013	10,040.69
2013/2014	10,060.43
2014/2015	9,987.35
2015/2016	9,862.59
2016/2017	9,805.08
2017/2018	9,896.39



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 2008-2009 through 2017-2018**

<b>Fiscal Year</b>	<b>Minimum Foundation Amounts (\$)</b>
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
2017/2018	7,631



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 2017-2018**

Location	Structure <sup>1</sup>	Contents <sup>1</sup>	Site Improvements <sup>1</sup>	Total Insured
Bertha Vos Elementary <sup>2</sup>	\$ 5,499,449	\$ 828,960	\$ 55,374	\$ 6,383,783
Blair Elementary	8,291,988	1,351,241	169,556	9,812,785
Central Grade Elementary	24,520,874	3,195,870	68,596	27,785,340
Cherry Knoll Elementary	8,233,620	1,229,514	216,811	9,679,945
Courtade Elementary	8,706,170	1,274,251	128,792	10,109,213
Eastern Elementary <sup>2</sup>	5,648,643	1,052,645	96,965	6,798,253
Interlochen Community School <sup>3</sup>	6,307,839	1,186,858	155,698	7,650,395
Long Lake Elementary	9,210,140	1,349,160	126,201	10,685,501
Montessori @ Glenn Loomis	7,720,806	1,443,834	108,603	9,273,243
Oak Park Elementary	6,001,859	1,031,837	73,902	7,107,598
Old Mission Peninsula School <sup>4</sup>	6,621,208	1,106,747	151,959	7,879,914
Silver Lake Elementary	7,110,612	1,271,130	157,519	8,539,261
Traverse Heights Elementary	9,588,326	1,382,452	178,905	11,149,683
Westwoods Elementary	7,112,796	1,278,931	174,475	8,566,202
Willow Hill Elementary	7,578,272	1,157,726	221,407	8,957,405
East Middle School	31,105,876	4,388,454	913,756	36,408,086
West Middle School	35,442,469	5,384,118	1,188,824	42,015,411
Central High School	44,953,495	5,478,936	1,176,685	51,609,116
Traverse City High School	7,127,260	1,146,281	58,026	8,331,567
West Senior High School	42,736,093	5,232,217	1,462,228	49,430,538
Boardman Administration Bldg.	3,828,047	1,312,745	-	5,140,792
Bus Garage	1,408,701	3,076,224	-	4,484,925
Facilities Building	1,079,935	1,486,745	-	2,566,680
Data Center/Sabin Building	6,961,003	1,453,199	343,665	8,757,867
Coast Guard Warehouse/Fields	1,203,533	9,362	445,658	1,658,553
Thirlby Field	2,863,488	73,867	1,677,961	4,615,316
	<u>\$ 306,862,502</u>	<u>\$ 49,183,304</u>	<u>\$ 9,351,566</u>	
<b>Total Real &amp; Personal Property</b>				<u>\$ 365,397,372</u>

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

<sup>2</sup> The Bertha Vos Elementary closed as an International Baccalaureate Primary Years Programme (candidate) at the end of the 2015/2016 school year. The building housed Eastern Elementary staff and students (effective April 2017 through the end of the 2017/18 school year). The Eastern Elementary building was closed April 2017 for demolition; construction occurred during the 2017/2018 school year. Values represent building prior to demolition.

<sup>3</sup> 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.

<sup>4</sup> Old Mission was sold 04/26/17 to the Old Mission Peninsula Education Foundation; the deed was held in escrow until they took possession 07/01/18.

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Operational Information**  
**Summary of Owned Buildings and Sites**  
**June 30, 2018**

Building	Year of	Number of	Square Footage	Acreage	Number of Classrooms		Number of Students <sup>1</sup>		
	Construction or Purchase				Stories	Total	Vacant	Total	K-5
INSTRUCTIONAL									
Elementary Schools									
Bertha Vos Elementary <sup>2</sup>	1953	one	35,320	6.0	13	0	314	276	
Blair Elementary	1990	one	50,562	110.0	18	2	295	249	
Central Grade Elementary	1922	two	144,717	4.4	32	0	721	634	
Cherry Knoll Elementary	1956	one	48,600	4.1	20	0	469	429	
Courtade Elementary	1991	one	52,984	16.0	23	5	334	284	
Eastern Elementary <sup>2</sup>	-	-	-	12.0	0	0	0	0	
Long Lake Elementary	2011	one	50,752	33.1	18	0	370	322	
Montessori at Glenn Loomis	1957	one	47,156	4.6	16	0	371	295	
Oak Park Elementary <sup>3</sup>	1950	one	36,565	3.5	9	0	15	0	
Old Mission Peninsula School <sup>4</sup>	1956	one	39,304	9.0	15	7	177	152	
Silver Lake Elementary <sup>5</sup>	1987	one	49,515	16.0	21	0	366	336	
Traverse Heights Elementary	1950	one	57,873	14.0	24	0	261	226	
Westwoods Elementary	1990	one	47,408	16.1	20	0	490	432	
Willow Hill Elementary	1949	one	46,813	10.0	20	0	499	465	
Interlochen Community School <sup>6</sup>	1950	one	41,224	10.2	13	9	183	149	
Secondary Schools									
East Middle School	1991	one	190,508	90.0	75	-	884		
West Middle School	1969	one	208,004	80.0	75	-	1,223		
Central High School	1958	one	315,330	36.3	70	-	1,387		
Traverse City High School	1949	one	45,997	7.1	19	-	196		
West Senior High School	1997	two	271,190	100.0	75	-	1,657		
Total Instructional			1,779,822	582.4	576	23	10,212	4,249	
NON-INSTRUCTIONAL									
Boardman Administration Bldg.	1914	three	36,175	1.0					
Bus Garage	1971	one	22,612	14.0					
Facilities 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 <sup>th</sup> Street Property <sup>7</sup>	2001	-	-	0.0					
Lockman Outdoor Education Center	1975	-	-	212.0					
BAAS Property	1942	-	-	80.0					
Church Road Property	1942	-	-	40.0					
Potter Forest Property	1940	-	-	80.0					

<sup>1</sup> Based on October 2017 count data; the total number includes Early Childhood programming at the elementary buildings and grades 6-12 at Interlochen Community School.

<sup>2</sup> The Bertha Vos Elementary closed as an International Baccalaureate Primary Years Programme (candidate) at the end of the 2015/2016 school year. The building housed Eastern Elementary staff and students (effective April 2017 through the end of the 2017/18 school year). The Eastern Elementary building was closed April 2017 for demolition; construction occurred during the 2017/2018 school year.

<sup>3</sup> 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.

<sup>4</sup> Old Mission was sold 04/26/17 to the Old Mission Peninsula Education Foundation; the deed was held in escrow until they took possession 07/01/18.

<sup>5</sup> Silver Lake addition which included 5 classrooms was completed in December of 2017 and was occupied beginning January 3, 2018. The district purchased an adjacent 1.02 acres which closed on December 15, 2017.

<sup>6</sup> 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.

<sup>7</sup> The 13th Street property was sold on September 22, 2017.

Source: Compiled by TCAPS Business Office

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Operational Information**  
**School Building Information <sup>1</sup>**  
**Fiscal Years 2008-2009 through 2017-2018**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Bertha Vos Elementary <sup>2</sup></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	0	0	0	0	42	57	60	55	290	276
<u>Blair Elementary</u>										
Square feet	42,000	42,000	42,000	42,000	42,000	50,562	50,562	50,562	50,562	50,562
Capacity	350	350	350	350	350	475	475	475	475	476
Enrollment	292	290	271	283	307	280	293	264	269	249
<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	579	563	594	584	624	623	631	644	658	634
<u>Cherry Knoll Elementary</u>										
Square feet	48,800	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	319	356	373	363	374	369	379	386	405	429
<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	380	387	368	339	319	307	324	289	268	284
<u>Eastern Elementary <sup>2</sup></u>										
Square feet	34,226	34,226	34,226	34,226	34,226	34,226	34,226	34,226	0	0
Capacity	300	300	300	300	300	300	300	300	0	0
Enrollment	255	228	244	249	274	268	293	279	0	0
<u>Interlochen Community School <sup>3</sup></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	292	283	268	255	231	239	190	170	0	0
<u>Long Lake Elementary (old) <sup>4</sup></u>										
Square feet	38,648	38,648	38,648	38,648	38,648	38,648	38,648	38,648	0	0
Capacity	350	350	350	350	350	350	350	350	0	0
Enrollment	288	289	279	0	0	0	0	0	0	0
<u>Long Lake Elementary (new) <sup>4</sup></u>										
Square feet				50,750	50,750	50,750	50,750	50,750	50,750	50,750
Capacity				540	540	540	540	540	540	540
Enrollment				277	274	292	275	266	301	322
<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	328	333	331	348	340	354	322	331	316	327

<sup>1</sup> This schedule continues on the following page.

<sup>2</sup> The Bertha Vos Elementary closed as an International Baccalaureate Primary Years Programme (candidate) at the end of the 2015/2016 school year. The building housed Eastern Elementary staff and students (effective April 2017 through the end of the 2017/18 school year). The Eastern Elementary building was closed April 2017 for demolition; construction occurred during the 2017/2018 school year.

<sup>3</sup> 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.

<sup>4</sup> 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.



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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u><b>Oak Park Elementary</b></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><b>Old Mission Peninsula School</b></u> <sup>1</sup>										
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	194	200	207	200	174	178	164	168	151	152
<u><b>Silver Lake Elementary</b></u> <sup>2</sup>										
Square feet	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	49,515
Capacity	350	350	350	350	350	350	350	350	350	645
Enrollment	279	271	277	290	266	273	281	271	375	336
<u><b>Traverse Heights Elementary</b></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	252	252	214	213	236	253	221	225	246	226
<u><b>Westwoods Elementary</b></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	348	356	386	407	407	383	371	365	426	432
<u><b>Willow Hill Elementary</b></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	410	427	441	468	476	468	442	438	457	465
<u><b>East Middle School</b></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	954	921	937	949	946	902	842	874	918	884
<u><b>West Middle School</b></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	1,214	1,209	1,174	1,187	1,171	1,164	1,207	1,233	1,180	1,223
<u><b>Central High School</b></u>										
Square feet	280,087	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	1,751
Enrollment	1,597	1,494	1,458	1,435	1,436	1,490	1,419	1,353	1,371	1,387
<u><b>Traverse City High School</b></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	151	182	181	188	189	173	219	199	214	196
<u><b>West Senior High School</b></u>										
Square feet	256,086	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	1,876
Enrollment	1,854	1,820	1,770	1,738	1,638	1,656	1,567	1,552	1,602	1,657

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

<sup>2</sup> Silver Lake addition was completed in December of 2017 and was occupied by students beginning January 3, 2018.  
Source: Compiled by TCAPS Business Office

**TRAVERSE CITY AREA PUBLIC SCHOOLS**  
**Comprehensive Annual Financial Report**  
**Operating Statistics**  
**Fiscal Years 2008-2009 through 2017-2018**

<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>
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
2017-2018	115,678,700	9,896	11,689	1.0%	534	18.5

Source: Compiled by TCAPS Business Office

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

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 7/1/2017	Current year receipts (cash basis)	Current year expenditures	Accrued revenue at 6/30/2018	Current year cash transferred to subrecipient
<b>US Department of Agriculture:</b>									
Passed Through the Michigan Department of Education:									
Child Nutrition Cluster:									
Non-Cash Assistance (Donated foods):									
National School Lunch Program:									
Entitlement	N/A	10.555	\$ 276,594	\$ -	\$ -	\$ 276,594	\$ 276,594	\$ -	\$ -
Cash Assistance (Donated foods):									
National School Lunch Program:									
2016-2017	171960	10.555	1,489,188	1,340,060	37,264	186,392	149,128	-	-
2016-2017 Snack	171980	10.555	10,028	10,028	237	237	-	-	-
2017-2018	181960	10.555	1,317,574	-	-	1,258,817	1,317,574	58,757	-
			<u>2,816,790</u>	<u>1,350,088</u>	<u>37,501</u>	<u>1,445,446</u>	<u>1,466,702</u>	<u>58,757</u>	<u>-</u>
Total CFDA #10.555 National School Lunch Program			<u>3,093,384</u>	<u>1,350,088</u>	<u>37,501</u>	<u>1,722,040</u>	<u>1,743,296</u>	<u>58,757</u>	<u>-</u>
Cash Assistance:									
School Breakfast Program:									
2016-2017	171970	10.553	367,745	333,917	11,451	45,279	33,828	-	-
2017-2018	181970	10.553	302,938	-	-	288,436	302,938	14,502	-
			<u>670,683</u>	<u>333,917</u>	<u>11,451</u>	<u>333,715</u>	<u>336,766</u>	<u>14,502</u>	<u>-</u>
Total CFDA #10.553 School Breakfast Program			<u>3,487,473</u>	<u>1,684,005</u>	<u>48,952</u>	<u>1,779,161</u>	<u>1,803,468</u>	<u>73,259</u>	<u>-</u>
Cash Assistance Total			<u>3,764,067</u>	<u>1,684,005</u>	<u>48,952</u>	<u>2,055,755</u>	<u>2,080,062</u>	<u>73,259</u>	<u>-</u>
Total Child Nutrition Cluster									

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, 2018**  
**(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 7/1/2017	Current year receipts (cash basis)	Current year expenditures	Accrued revenue at 6/30/2018	Current year cash transferred to subrecipient
<u>U.S. Department of Agriculture (Concluded):</u>									
Passed Through the Michigan Department of Education:									
Child and Adult Care Food Program									
2016-2017	171920	10.558	\$ 13,390	\$ 12,678	\$ 323	\$ 1,035	\$ 712	\$ -	\$ -
2017-2018	181920	10.558	9,440	-	-	9,440	9,440	-	-
Total CFDA #10.558			22,830	12,678	323	10,475	10,152	-	-
Total Michigan Department of Education			3,786,897	1,696,683	49,275	2,066,230	2,090,214	73,259	-
Passed Through the Michigan Fitness Foundation:									
State Administrative Matching Grants for the Supplemental Nutrition Assistance	17-99011	10.561	75,000	57,420	36,738	42,837	6,099	-	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance	16-99011-1	10.561	75,000	-	-	21,876	50,794	28,918	-
Total CFDA #10.561			150,000	57,420	36,738	64,713	56,893	28,918	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			3,936,897	1,754,103	86,013	2,130,943	2,147,107	102,177	-
<u>U.S. Department of Education:</u>									
Direct Programs:									
Indian Education Grants to Local Educational Agencies	S060A160803	84.060A	55,502	54,780	16,181	16,181	-	-	-
Indian Education Grants to Local Educational Agencies	S060A170803	84.060A	52,872	-	-	41,251	52,843	11,592	-
Total CFDA #84.060A			108,374	54,780	16,181	57,432	52,843	11,592	-

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, 2018**  
**(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 7/1/2017	Current year receipts (cash basis)	Current year expenditures	Accrued revenue at 6/30/2018	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	172320/1617	84.196A	\$ 53,366	\$ 36,905	\$ 9,913	\$ 9,913	\$ -	\$ -	\$ -
Education for Homeless Children and Youth	182320/1718	84.196A	73,102	-	-	31,265	45,485	14,220	-
Total CFDA #84.196A			126,468	36,905	9,913	41,178	45,485	14,220	-
Twenty-First Century Community Learning Centers	172110/I14003	84.287C	135,000	130,457	39,528	39,528	-	-	-
Twenty-First Century Community Learning Centers	182110/I14003	84.287C	135,000	-	-	72,090	135,000	62,910	-
Total CFDA #84.287C			270,000	130,457	39,528	111,618	135,000	62,910	-
Title I Grants to Local Educational Agencies	171530/1617	84.010A	1,332,020	1,125,807	355,205	401,889	46,684	-	-
Title I Grants to Local Educational Agencies	181530/1718	84.010A	1,391,400	-	-	693,823	911,972	218,149	-
Total CFDA #84.010A			2,723,420	1,125,807	355,205	1,095,712	958,656	218,149	-
Supporting Effective Instruction State Grants	170520/1617	84.367A	766,551	581,793	190,067	190,067	-	-	-
Supporting Effective Instruction State Grants	180520/1718	84.367A	522,548	-	-	445,265	473,698	28,433	-
Total CFDA #84.367A			1,289,099	581,793	190,067	635,332	473,698	28,433	-
English Language Acquisition State Grants:									
Title III Limited English Proficient Students	170580/1617	84.365A	45,880	34,872	22,315	22,315	-	-	-
Title III Immigrant Students	170570/1617	84.365A	28,361	7,512	7,512	7,512	-	-	-
Title III Limited English Proficient Students	180580/1718	84.365A	40,746	-	-	24,721	37,699	12,978	3,241
Title III Immigrant Students	180570/1718	84.365A	27,102	-	-	8,239	8,620	381	-
Total CFDA #84.365			142,089	42,384	29,827	62,787	46,319	13,359	3,241
Title IV Part A Student Support and Academic Assistance Program	180750 - 1718	84.424A	18,722	-	-	17,989	17,989	-	-
Total Michigan Department of Education			4,569,798	1,917,346	624,540	1,964,616	1,677,147	337,071	3,241

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, 2018  
(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 7/1/2017	Current year receipts (cash basis)	Current year expenditures	Accrued revenue at 6/30/2018	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	160460/1516	84.173A	\$ 83,289	\$ 4,615	\$ 4,615	\$ 4,615	\$ -	\$ -	\$ -
Special Education Preschool Grants	170460/1617	84.173A	88,054	88,054	88,054	90,113	2,059	-	-
Special Education Preschool Grants	180460/1718	84.173A	77,207	-	-	-	77,207	77,207	-
Total CFDA #84.173A			248,550	92,669	92,669	94,728	79,266	77,207	-
Total passed through the Traverse Bay Area Intermediate School District			248,550	92,669	92,669	94,728	79,266	77,207	-
TOTAL U.S. DEPARTMENT OF EDUCATION			4,926,722	2,064,795	733,390	2,116,776	1,809,256	425,870	3,241
<u>U.S. Department of Health and Human Services:</u>									
Passed Through the Traverse Bay Area Intermediate School District:									
Medical Assistance Program		93.778	10,733	-	-	10,733	10,733	-	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			10,733	-	-	10,733	10,733	-	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 8,874,352	\$ 3,818,898	\$ 819,403	\$ 4,258,452	\$ 3,967,096	\$ 528,047	\$ 3,241

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, 2018**

**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, 2018. 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 \$3,241 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	\$ 1,741,882
Other nonmajor governmental funds (special revenue fund)	<u>2,225,214</u>
Total financial assistance	<u><u>\$ 3,967,096</u></u>

**NOTE 4 - PROGRAM CLUSTERS**

Program clusters contained within the schedule are as follows:

Child Nutrition Cluster consists of CFDA #10.553 and #10.555. The Special Education Cluster consists of CFDA #84.173A.

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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, 2018, 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 3, 2018.

**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.

*Manes Costeiran PC*

October 3, 2018

**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, 2018. 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, 2018.

### **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 3, 2018

**TRAVERSE CITY AREA PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**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
84.010A	Title I Part A

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, 2018**

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 3, 2018

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, 2018, 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 3, 2018 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 2017-18 school year there was an increase in the fund balance of the general fund of approximately \$2,949,191, mainly due to the Board's decision regarding some property sales. The year-end general fund balance as of June 30, 2018 stands at 8.45% of general fund expenditures, which is below the board established target of 10%. The 2018-19 general fund budget shows expenditures exceeding revenues, however, given TCAPS history of approximately a 1% variance, this looks to be a balanced budget. 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%.

## **Micro-purchase threshold**

During the review of the District's federal policies and procedures, we noted that the micro-purchase threshold was stated at \$3,500. This was recently updated to \$10,000 in the Uniform Guidance. We recommend that the District's federal policies and procedures simply reference the threshold established in the Uniform Guidance requirements rather than a fixed dollar value. Doing this will allow the District to not have to update the federal policies and procedures every time the Uniform Guidance changes.

## **Federal Awards Spending**

It was noted during the year that the District did not spend 95% of the amount allocated for parental involvement in the Title I program. While this amount is not material and is not significant to warrant a finding, we believe it is important to inform management. We recommend that the District spend at least 95% of the amount that is allocated for parental involvement in the Title I program.

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 3, 2018

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, 2018, and have issued our report thereon dated October 3, 2018. 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 tests 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. During 2018 the District implemented Governmental Accounting Standard No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The application of existing policies was not changed during 2018. 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 were:

Estimates have been used to calculate the net pension liability.

The estimated liability is approximately \$154,000,000. 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.

Estimates have been used to calculate the net other postemployment benefit liability

The estimated liability is approximately \$53,000,000. We evaluated the key factors and assumptions used to develop the balance of the net other postemployment benefits 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 \$1,200,000. 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 3, 2018.

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*