



**HILLMAN COMMUNITY SCHOOLS  
FINANCIAL REPORT  
WITH SUPPLEMENTAL INFORMATION  
June 30, 2018**

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**INDEPENDENT AUDITORS' REPORT**

To The Board of Education  
Hillman Community Schools  
Alpena, Montmorency and Presque Isle Counties, Michigan  
Hillman, Michigan 49746

**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 Hillman Community Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Hillman Community 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 Hillman Community Schools, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires the District to report its net OPEB obligation and associated deferred outflows of resources, deferred inflows of resources, and pension expense. The District has restated their July 1, 2017 net position accordingly. Our opinion is not modified with respect to these matters.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information 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.

*Prior year information*

The financial statements contain summarized total information as of and for the year ended June 30, 2017. The prior year information was obtained from the audited financial statements for the prior year and is consistent, in all material respects, with the audited financial statements from which it was derived.

*Other Information*

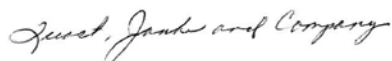
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hillman Community Schools' basic financial statements. The schedules of revenues and expenditures and the indebtedness schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2018, on our consideration of the Hillman Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Hillman Community Schools' internal control over financial reporting and compliance.

QUAST, JANKE AND COMPANY



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Certified Public Accountants, P.C

Bay City, Michigan 48708

October 1, 2018

# HILLMAN COMMUNITY SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS

**June 30, 2018**

This section of Hillman Community Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2018. Please read it in conjunction with the School District's financial statements, which immediately follows this section.

## **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Hillman Community Schools financially as a whole. The District-wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds – the General Fund, the Food Service Fund, and the 2015 Debt Retirement Fund. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

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

### Basic Financial Statements

District-wide Financial Statements    Fund Financial Statements

Notes to the Basic Financial Statements

Required Supplemental Information

Budgetary Information for the Major Funds

Schedule of Reporting Units Contributions

Notes to the Required Supplementary Information

Other Supplemental Information

**HILLMAN COMMUNITY SCHOOLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2018**

**Reporting the School District as a Whole**

*District-wide Financial Statements*

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

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

The statements 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, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

**Reporting the School District’s Most Significant Funds**

*Fund Financial Statements*

The School District’s fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law or by bond covenants. Other funds are established to help the School District control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The School District’s two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

**HILLMAN COMMUNITY SCHOOLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2018**

*Governmental funds*

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps the reader determine what financial resources are readily available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

*Fiduciary Funds*

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.



**HILLMAN COMMUNITY SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2018**

**District-wide Financial Analysis**

The statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2018 and 2017:

Table 1

	Governmental Activities	
	June 30, 2018	June 30, 2017
<b>Assets:</b>		
Current and other assets	\$ 681,225	\$ 1,333,790
Capital assets - net of accumulated depreciation	5,622,368	5,840,111
 Total Assets	 6,303,593	 7,173,901
 Deferred outflows of resources	 1,661,070	 1,065,910
<b>Liabilities:</b>		
Current liabilities	1,057,354	971,992
Long-term liabilities	11,142,977	11,808,352
 Total liabilities	 12,200,331	 12,780,344
 Deferred inflows of resources	 1,056,688	 313,357
<b>Net Position:</b>		
Net investment in capital assets	3,017,368	2,810,111
Restricted - Debt service	64,817	61,026
Restricted - Food service	14,915	17,308
Unrestricted	(7,664,527)	(7,742,335)
 Net Position	 <u>\$ (4,567,427)</u>	 <u>\$ (4,853,890)</u>

The above analysis focuses on the net position (see Table 1). The School District's net position was \$(4,496,594) at June 30, 2018. Net investment in capital assets totaling \$3,077,368 compares original cost less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraint from debt requirements and legislation that limit the School District's ability to use those net position for day-to-day operations.

**HILLMAN COMMUNITY SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2018**

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for fiscal years 2018 and 2017.

Table 2

	Governmental Activities	
	Year Ended June 30,	
	2018	2017
<b>Revenue:</b>		
Program revenue:		
Charges for services	\$ 104,190	\$ 142,743
Grants and categorical	1,306,178	1,235,787
General revenue:		
Property taxes	2,338,471	2,294,833
State PILT	17,075	15,767
State unrestricted	1,664,537	1,658,214
Investment earnings	14,152	4,807
Other	36,283	10,726
<b>Total Revenue</b>	<b>5,480,886</b>	<b>5,362,877</b>
<b>Function/Program Expenses:</b>		
Instruction	2,624,176	2,704,056
Support services	1,931,444	1,942,686
Community services	1,969	926
Food services	308,103	308,692
Interest on long-term debt	83,925	74,964
Depreciation (unallocated)	244,806	243,074
<b>Total Expenses</b>	<b>5,194,423</b>	<b>5,274,398</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 286,463</b>	<b>\$ 88,479</b>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$5,274,378. Certain activities were partially funded from those who benefited from the program or by other governments and organizations that subsidized certain programs with grants and categoricals of \$1,235,787. We paid for the remaining "public benefit" portion of our governmental activities with \$2,294,833 in taxes, \$1,658,214 in state foundation allowance, and with our other revenues, such as interest and general entitlements.

# HILLMAN COMMUNITY SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS

**June 30, 2018**

The School District experienced an increase in net position of \$358,506. A key reason for the change in net position was decrease in expenses. The increase in net position differs from the change in fund balance and the reconciliation appears on page 17.

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

## **The School District's Funds**

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes.

As the School District completed this year, the governmental funds reported a combined fund balance of \$874,213, which is an increase of \$22,147 from last year. The primary reason for this increase was a reduction of expenses in the general fund with only a slight decrease in overall revenues.

The debt service fund showed an increase in fund balance of \$3,791. This was due to decreased property tax revenue.

The Food Service Fund Balance decreased by \$2,394.

## **General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

Budgeted revenues were increased from the original budget by \$290,445. This was due to increase in State Aid Categoricals that were unknown at the time of the original budget. Also a significant increase was received in Title funding.

Budgeted expenditures increased from the original budget by \$134,357. This was mainly due to At Risk funding and Title funding expenses increasing due to an increase in the allocation for these categoricals.

Actual revenues were \$30,277 more than the final budget. This difference is due to an increase in State Aid due to a taxable value decrease entered by township treasurer in July 2018.

Actual expenditures were \$225,073 less than the final budget. This was due to a concerted effort to stay under budget.

**HILLMAN COMMUNITY SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2018**

**Capital Assets**

At June 30, 2018, the School District had \$13,349,583 invested in a broad range of capital assets, including land, buildings, vehicles, and equipment. This amount represents a net increase (including additions and disposals) of \$96,129.

	2018	2017
Land and improvements	\$ 598,184	\$ 592,184
Buildings and improvements	9,775,484	9,775,484
Buses and other vehicles	664,879	579,960
Equipment	2,311,036	2,305,826
Total Capital Assets	13,349,583	13,253,454
Less Accumulated Depreciation	7,727,215	7,413,343
Net Capital Assets	\$ 5,622,368	\$ 5,840,111

This year's additions of \$96,129 consisted of the following:

Various equipment	\$ 5,210
Buses	84,919
Land improvements	6,000
	\$ 96,129

**Debt**

At the end of this year, the School District had \$2,545,000 in long-term outstanding versus \$3,030,000 in the previous year. The debt was made up of only the 2015 general obligation bonds.

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this limit. The School District's outstanding unqualified general obligation debt of \$2,545,000 is significantly below the statutorily imposed limit.

# HILLMAN COMMUNITY SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS

**June 30, 2018**

## **Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration consider many factors when setting the School District's 2019 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2019 fiscal year is 90 percent and 10 percent of the October 2018 and February 2019 student counts, respectively. The 2019 fiscal year budget was adopted in June 2018, based on an estimate of students that will be enrolled in October of 2018. Approximately 68 percent of total General Fund revenues are from the unrestricted state aid. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operation. Based on early enrollment data at the start of the 2018-2019 school year, we anticipate that the fall student count will be slightly less than the estimates used in creating the 2019 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates a \$240 per pupil increase in the foundation allowance.

## **Contacting the School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Manager, Jill Olsen at Hillman Community Schools, 26042 M32 South, Hillman, Michigan 49746.

HILLMAN COMMUNITY SCHOOLS  
STATEMENTS OF NET POSITION  
June 30, 2018 and 2017

	2018	2017
<b>ASSETS:</b>		
Cash & equivalents	\$ 220,000	\$ 875,425
Accounts receivable	3,857	9,832
Taxes receivable	-	-
Due from other governmental units	451,566	438,700
Prepaid items	1,249	5,080
Investments	724,929	
Inventories	4,553	4,753
Capital assets	13,349,583	13,253,454
Accumulated depreciation	<u>(7,727,215)</u>	<u>(7,413,343)</u>
Total Assets	7,028,522	7,173,901
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Related to pensions	1,507,399	958,738
Related to OPEB	<u>153,671</u>	<u>107,172</u>
Total Deferred Outflows of Resources	1,661,070	1,065,910
<b>LIABILITIES:</b>		
Accounts payable	65,461	64,958
Accrued payroll and other liabilities	466,478	416,765
Accrued interest	20,964	5,269
Compensated absences	86,299	98,662
Net OPEB liability	2,284,907	2,410,071
Net pension liability	6,671,222	6,754,619
Current portion of long term liabilities	504,451	485,000
Non current portion of long term liabilities	<u>2,100,549</u>	<u>2,545,000</u>
Total Liabilities	12,200,331	12,780,344
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Related to pensions	979,404	313,357
Related to OPEB	<u>77,284</u>	<u>-</u>
Total Deferred Inflows of Resources	1,056,688	313,357
<b>NET POSITION:</b>		
Investment in capital assets - net of related debt	3,017,368	2,810,111
Restricted for debt service	64,817	61,026
Restricted for food service	14,915	17,308
Unrestricted (deficit)	<u>(7,664,527)</u>	<u>(7,742,335)</u>
Total Net Position (deficit)	<u>\$ (4,567,427)</u>	<u>\$ (4,853,890)</u>

See Notes to Financial Statements

HILLMAN COMMUNITY SCHOOLS  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2018 With Comparative Totals for 2017

	Expenses	Program Revenues		Governmental Activities		
		Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions	Net (Expenses) Revenues And Changes in Net Position 2018	2017
<b>GOVERNMENTAL ACTIVITIES:</b>						
Instruction	\$ 2,624,176	\$ -	\$ 829,098	\$ -	\$ (1,795,078)	\$ (2,148,793)
Supporting services	1,931,444	44,862	251,143	-	(1,635,439)	(1,416,849)
Community services	1,969	-	1,969	-	-	(926)
Food services	308,103	59,328	223,968	-	(24,807)	(11,262)
Interest on long term debt	83,925	-	-	-	(83,925)	(74,964)
Depreciation (unallocated)	244,806	-	-	-	(244,806)	(243,074)
Total Governmental Activities	<u>\$ 5,194,423</u>	<u>\$ 104,190</u>	<u>\$ 1,306,178</u>	<u>\$ -</u>	<u>(3,784,055)</u>	<u>(3,895,868)</u>
<b>GENERAL PURPOSE REVENUES:</b>						
Property taxes, levied for operating purposes					1,799,477	1,789,725
Property taxes, levied for debt retirement					538,994	505,108
State school aid - unrestricted					1,664,537	1,658,214
State PILT					17,075	15,767
Investment earnings					14,152	4,807
Other					36,283	10,726
Total General Purpose Revenues					<u>4,070,518</u>	<u>3,984,347</u>
Change in net position					286,463	88,479
Net Position (deficit) - Beginning of Year, as Reported					(4,853,890)	(2,639,470)
Prior Period Adjustment - GASB 75					-	(2,302,899)
Net Position (deficit) - Beginning of Year					<u>(4,853,890)</u>	<u>(4,942,369)</u>
Net Position (deficit) - End of Year					<u>\$ (4,567,427)</u>	<u>\$ (4,853,890)</u>

See Notes to Financial Statements

HILLMAN COMMUNITY SCHOOLS  
GOVERNMENTAL FUNDS BALANCE SHEET  
June 30, 2018 With Comparative Totals at June 30, 2017

ASSETS	GENERAL	NONMAJOR FOOD SERVICE	MAJOR 2015 DEBT RETIREMENT	Totals June 30,	
				2018	2017
Cash	\$ 144,416	\$ 10,767	\$ 64,817	\$ 220,000	\$ 875,425
Taxes receivable	-	-	-	-	-
Accounts receivable	1,176	2,681	-	3,857	9,832
Grants receivable	30,183	-	-	30,183	22,711
Due from State of Michigan	419,328	2,055	-	421,383	415,989
Due from other funds	-	5,000	-	5,000	-
Prepaid items	1,249	-	-	1,249	5,080
Investments	724,929	-	-	724,929	-
Inventory	-	4,553	-	4,553	4,753
	<u>1,321,281</u>	<u>25,056</u>	<u>64,817</u>	<u>1,411,154</u>	<u>1,333,790</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES:					
Accounts payable	65,461	-	-	65,461	64,958
Salaries payable	288,885	5,509	-	294,394	291,188
Retirement	113,500	2,214	-	115,714	74,381
Payroll taxes	20,799	365	-	21,164	20,597
Employee benefits	32,112	1,243	-	33,355	29,142
Due to other funds	5,000	-	-	5,000	-
Unearned revenue	1,042	810	-	1,852	1,458
Total Liabilities	<u>526,799</u>	<u>10,141</u>	<u>-</u>	<u>536,940</u>	<u>481,724</u>
FUND BALANCES:					
Nonspendable	-	4,553	-	4,553	17,411
Restricted	-	10,362	64,817	75,179	93,293
Assigned	-	-	-	-	-
Committed for elementary roof repair	30,000	-	-	30,000	10,000
Committed for major repair or maint.	20,000	-	-	20,000	-
Unassigned	744,482	-	-	744,482	558,284
Total Fund Balances	<u>794,482</u>	<u>14,915</u>	<u>64,817</u>	<u>874,214</u>	<u>678,988</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,321,281</u>	<u>\$ 25,056</u>	<u>\$ 64,817</u>	<u>\$ 1,411,154</u>	<u>\$ 1,214,849</u>

See Notes to Financial Statements



HILLMAN COMMUNITY SCHOOLS  
GOVERNMENTAL FUNDS  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET POSITION  
June 30, 2018

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TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	874,214
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Amounts reported for governmental activities in the statement of net position are different because -

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

Capital assets at cost		13,349,583
Accumulated depreciation		(7,727,215)

Deferred outflows of resources are not reported in the governmental funds-

Related to pensions		1,507,399
Related to OPEB		153,671

Long term liabilities not due and payable in the current period and therefore not reported in the funds -

Bonds payable		(2,545,000)
Bus Loan		(60,000)
Compensated balances		(86,299)
Net OPEB liability		(2,284,907)
Net pension liability		(6,671,222)

Deferred inflows of resources are not reported in the governmental funds-

Related to pensions		(979,404)
Related to OPEB		(77,284)

Accrued interest payable not included as a liability in governmental activities

		(20,964)
--	--	----------

Rounding

		1
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	(4,567,427)
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		<u>1</u> <u>(4,567,427)</u>
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See Notes to Financial Statements

HILLMAN COMMUNITY SCHOOLS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE  
Years Ended June 30, 2018 With Comparative Totals at June 30, 2017

	GENERAL	NONMAJOR FOOD SERVICE	MAJOR 2015 DEBT RETIREMENT	TOTALS JUNE 30,	
				2018	2017
<b>REVENUES:</b>					
Local sources	\$ 1,907,561	\$ 59,329	\$ 539,939	\$ 2,506,829	\$ 2,683,071
State sources	2,356,500	28,628	17,082	2,402,210	2,233,845
Federal sources	206,950	195,340	-	402,290	403,508
Interdistrict and other sources	169,557	-	-	169,557	171,436
<b>Total Revenues</b>	<b>4,640,568</b>	<b>283,297</b>	<b>557,021</b>	<b>5,480,886</b>	<b>5,491,860</b>
<b>EXPENDITURES:</b>					
Instruction	2,664,502	-	-	2,664,502	2,761,536
Supporting services	1,990,333	-	-	1,990,333	1,923,817
Community services	1,969	-	-	1,969	2,663
Food service	-	308,704	-	308,704	291,834
Debt service -					
Principal repayment	-	-	485,000	485,000	450,000
Interest and fiscal charges	-	-	68,230	68,230	100,613
<b>Total Expenditures</b>	<b>4,656,804</b>	<b>308,704</b>	<b>553,230</b>	<b>5,518,738</b>	<b>5,530,463</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfer in	-	48,014	-	48,014	21,864
Operating transfer (out)	(48,014)	-	-	(48,014)	(21,864)
Sale of assets	-	-	-	-	-
Indirect costs	-	(25,000)	-	(25,000)	(21,864)
Indirect cost recovery	25,000	-	-	25,000	21,864
Redemption of school bus loans	60,000	-	-	60,000	(15,663)
Interest on school bus loans	-	-	-	-	(810)
<b>Net other financing sources (uses)</b>	<b>36,986</b>	<b>23,014</b>	<b>-</b>	<b>-</b>	<b>(16,473)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>20,750</b>	<b>(2,393)</b>	<b>3,791</b>	<b>22,148</b>	<b>(55,076)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>773,732</b>	<b>17,308</b>	<b>61,026</b>	<b>852,066</b>	<b>734,064</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 794,482</b>	<b>\$ 14,915</b>	<b>\$ 64,817</b>	<b>\$ 874,214</b>	<b>\$ 678,988</b>

See Notes to Financial Statements

HILLMAN COMMUNITY SCHOOLS  
GOVERNMENTAL FUNDS  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2018

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NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	22,148
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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	\$	(313,872)	
Capital outlay		96,129	
Net			(217,743)

Accrued interest recorded in the statement of activities when incurred and reported in governmental funds when paid		(15,695)
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Bond principal repayment reported as an expenditure in governmental funds and as a reduction of long-term debt in the statement of activities		485,000
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Bus loan proceeds reported as an other financing sources in governmental funds and as an increase of long-term debt in the statement of activities		(60,000)
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Net increase in pension liability		-
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Change in net pension liability and related deferred amounts		(33,989)
--	--	----------

Change in net OPEB liability and related deferred amounts		94,379
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Decreases in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6		12,363
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Rounding		1

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	286,464
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HILLMAN COMMUNITY SCHOOLS  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET POSITION  
Years Ended June 30, 2018 and 2017

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	Student Activity Fund	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash in bank	<u>\$ 74,577</u>	<u>\$ 69,433</u>
LIABILITIES		
Due to school organizations	<u>\$ 74,577</u>	<u>\$ 69,433</u>

See Notes to Financial Statements

HILLMAN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**Note 1. Summary of Significant Accounting Policies**

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

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Government Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

**District-wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*District-wide Statements*

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

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

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

HILLMAN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

*Fund-based Statements*

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

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

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

The School District reports the following major governmental funds:

*General Fund*

The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

*Special Revenue Fund*

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Food Service Fund is a special revenue fund used by the School District to account for the revenues and expenditures of furnishing breakfast and lunch to the pupils in the School District. Any operating deficits generated by this activity are the responsibility of the General Fund.

*2015 Debt Retirement Fund*

The 2015 Debt Retirement Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs of the bonds paid primarily by taxes levied on taxpayers residing within the School District. The fund balance of the 2015 Debt Retirement Fund is reserved to signify the amounts restricted exclusively for debt service requirements.

**Assets, Liabilities, and Net Position or Equity -**

*Cash and Investments*

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

*Receivables and Payables*

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

HILLMAN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

*Inventories and Prepaid Items*

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

*Capital Assets*

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the School District as assets with an individual cost of more than \$1,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have any infrastructure-type assets.

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

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	3-10 years

*Compensated Absences*

The liability for compensated absences reported in the district-wide financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees, who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

*Long-Term Obligations*

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

*Pension*

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

*Postemployment Benefits Other Than Pensions*

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

HILLMAN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

*Deferred Outflows and Inflows of Resources*

In addition to assets, the statement of financial 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 and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They relate to the School District's net pension plan and net OPEB plan liabilities and are composed from the changes in assumptions, changes in proportion and differences between the School District's contributions and proportionate share of contributions, and the School District's contributions subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until then. The School District has two items that qualify for reporting in this category. They relate to the School District's net pension plan and net OPEB plan liabilities. They are composed from the changes in assumptions, changes in proportion and differences between the School District's contributions and proportionate share of contributions, the net difference between projected and actual earnings on plan investments and the School District's contributions subsequent to the measurement date.

*Net Position/Fund Balance*

In the government-wide the funds report the following components of net position:

Unrestricted – Net position that is not subject to externally imposed restrictions.

Net investment in capital assets – Capital assets, accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted – Nonexpendable - Net position subject to externally imposed constraints that it be maintained permanently by the School District.

Restricted – Expendable – Net position whose use by the School District is subject to externally imposed constraints that can be fulfilled by actions of the School District pursuant to those constraints or that expire by the passage of time.

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources in governmental funds. Under this standard, the fund balance classifications are comprised of the following:

Non-spendable – amounts that are not in a spendable form such as inventory.

Restricted – amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.

Committed – amounts constrained to specific purposes by a government itself.

Assigned – amounts a government intends to use for a specific purpose.

Unassigned – amounts that are available for any purpose, positive amounts are only reported in general fund.



HILLMAN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

*Net Position Flow Assumption*

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

*Fund Balance Flow Assumption*

Sometimes a government will fund outlays for a particular purpose from both restricted and unrestricted resources (including committed and assigned). 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 resources are considered to be applied. It is the School 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.

**Program and General Revenue**

*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 for 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 a program revenues.

*Property Taxes*

Property taxes are assessed as of December 31 each year and attach as an enforceable lien on property as of the following July 1. School property taxes are levied on July 1 each year, based on the previous year's assessment, by various municipalities whose boundaries include property within the District, and are due by September 14. Delinquent real taxes are advanced to the District by the Counties involved. Taxes are recorded as revenue in the year levied. Taxes receivable are recorded for property taxes collected within 60 days of year-end, if any.

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

<u>Fund</u>	<u>Mills</u>
General Fund:	
Non-Principal Resident Exemption (PRE)	18.000
Commercial Personal Property	6.000
2015 Debt Retirement Fund:	
PRE, Non-PRE, Industrial Personal Property	3.100

**Use of Estimates**

The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets liabilities, revenues and expenditures. 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.

HILLMAN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**Adoption of New Accounting Standards**

*Postemployment Benefits Other Than Pensions*

Effective July 1, 2017, the District adopted the provision of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which requires the District to recognize their unfunded postemployment benefits other than pensions (other postemployment benefits or OPEB) as a liability and to more comprehensively and comparably measure the annual costs of other postemployment benefits. In accordance with this statement, the District has reported a net OPEB liability of \$ 2,302,899 in the government-wide statement of net position as a change in accounting principle adjustment to unrestricted net position as of July 1, 2017

**Note 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

*Budgetary Information*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the General, Debt Service, and Special Revenue Funds. The presentation of the budget information and the basic financial statements is consistent except that capital outlay is presented within the functional categories in the budget and the General Fund budget is presented with the original and amended budget adopted. The budget for athletic activities was adopted separately and the actual results reported, as required by GASB Statement No. 54, as part of the General Fund on the statement of revenue, expenditures, and changes in fund balance. All annual appropriations lapse at fiscal yearend.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits school districts to amend their budgets during the year. The budget was amended during the year in a legally permissible manner.

Excess of Expenditures over Appropriations in Budgeted Funds - The School District did not have significant expenditure budget variances.

Fund Deficits - The School District had no accumulated fund balance deficits.

**Note 3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS**

**Custodial Credit Risk of Bank Deposits**

As of June 30, 2018, the book value of the District's demand deposits, consisting of deposits and their cash equivalents, was \$220,000 with a corresponding bank balance of \$233,771. As of June 30, 2018 \$70,672 of the District's \$233,771 bank balance was exposed to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits for custodial credit risk.

HILLMAN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**Custodial Credit Risk of Investments**

Custodial risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The School District's policy for custodial risk states that custodial credit will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. The School District does not have investments with custodial risk.

**Interest Rate Risk**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring the structuring of 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; 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 School District's cash requirements.

**Foreign Currency Risk**

The District is not allowed by State statute to invest in foreign investments and accordingly has no foreign investments.

**Credit Risk**

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

**Concentration of Credit Risk**

The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

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

At year end, the School District's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 220,000	\$ 74,577	\$ 294,577

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

HILLMAN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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

	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating	Allocation Percent
MILAF+Cash Mgmt Class	\$ 7,845	0.0027	AAAm	1.08%
MILAF+MAX Class	717,084	0.0027	AAAm	98.92%
	<u>\$ 724,929</u>			<u>100.00%</u>
Portfolio Weighted Average Maturity		<u>0.0027</u>		

The District invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Liquid Asset Fund Plus (MILAF+). MILAF+ is a local government investment pool 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 pooled shares. MILAF, as defined by GASB, is recorded at amortized cost which approximates fair value. The MILAF+ portfolio offers three share classes which are: Cash Management Class, MAX Class, and GovMIC Class. The only class that has limitations or restrictions on withdrawal is MAX Class, which requires notification of redemptions prior to 14 days to avoid penalties. The MILAF+ portfolio is not subject to fair value disclosures.

**Note 4. Capital Assets**

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

	Balance July 1, 2017	Additions	Disposals	Balance June 30, 2018
Capital assets not being depreciated				
Land	\$ 196,300	\$ -	\$ -	\$ 196,300
Capital assets being depreciated				
Land improvements	395,884	6,000	-	401,884
Buildings and improvements	9,775,484	-	-	9,775,484
Buses and other vehicles	579,960	84,919	-	664,879
Furniture and equipment	<u>2,305,826</u>	<u>5,210</u>	-	<u>2,311,036</u>
Total capital assets	13,253,454	96,129	-	13,349,583
Accumulated depreciation:				
Land improvements	292,653	17,535	-	310,188
Buildings and improvements	4,523,626	182,626	-	4,706,252
Buses and other vehicles	514,114	40,582	-	554,696
Furniture and equipment	<u>2,082,950</u>	<u>73,129</u>	-	<u>2,156,079</u>
Total accumulated depreciation	<u>7,413,343</u>	<u>313,872</u>	-	<u>7,727,215</u>
Net capital assets	<u>\$ 5,840,111</u>	<u>\$ (217,743)</u>	<u>\$ -</u>	<u>\$ 5,622,368</u>

HILLMAN COMMUNITY SCHOOLS  
 NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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

Government Activities:

Instruction	\$ 10,687
Support	57,772
Food service	607
Unallocated	244,806
Total Governmental Activities	\$ 313,872

**Note 5. Interfund Receivables, Payables and Transfers**

The composition of interfund balances at June 30, 2018 is as follows:

Fund	Interfund Payable	Fund	Interfund receivable
General	\$ 5,000	Food Service	\$ 5,000

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided, (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.

The composition of interfund transfers during the year ended June 30, 2018 is as follows:

Fund	Transfers out	Fund	Transfers in
General	\$ 48,014	Food Service	\$ 48,014

Transfers are used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 6. Long-Term Debt**

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General Obligation Bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

On February 10, 2015 the District issued 2015 Refunding Bonds in the amount of \$3,955,000. The bonds are general obligation bonds of the District, and are payable as to principal and interest from the proceeds of an annual ad valorem tax, levied without limitation as to rate of amount, on all taxable property within the boundaries of the School District. The proceeds of this issue were to be used for the purpose of refunding all of the District's outstanding 2005 Refunding Bonds dated May 1, 2005.

The Bonds are fully qualified for the Michigan School Bond Qualification and Loan Program pursuant to Act 92, Public Acts of Michigan, 2005, as amended, enacted pursuant to Article IX, Section 16 of the Michigan Constitution of 1963. Under the terms of these constitutional and statutory provisions, if for any reason the District is unable to pay principal of and interest on the Bonds when due, then the District shall borrow and the State of Michigan shall lend to it an amount sufficient to enable the District to make payment.

On September 8, 2017 the district entered into a note agreement with a financial institution in the amount of \$60,000. The note is due in yearly installments and bears a 2.49% interest rate. The proceeds of the note were used to purchase buses.

HILLMAN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

The following is a summary of the long-term debt transactions of the School District for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Debt Obligations -				
2015 Refunding Bonds	\$ 3,030,000	\$ -	\$ (485,000)	\$ 2,545,000
Bus loan	-	60,000	-	60,000
	<u>3,030,000</u>	<u>60,000</u>	<u>(485,000)</u>	<u>2,605,000</u>
Other Obligations -				
Compensated absences	98,662	-	(11,034)	87,628
	<u>98,662</u>	<u>-</u>	<u>(11,034)</u>	<u>87,628</u>
Total long-term debt	<u>\$ 3,128,662</u>	<u>\$ 60,000</u>	<u>\$ (496,034)</u>	<u>\$ 2,692,628</u>

Fiscal year annual debt service requirements for June 30 to maturity for the above governmental fund obligations are as follows:

	Principal	Interest	Total
2019	\$ 504,451	\$ 54,936	\$ 559,387
2020	514,811	44,859	559,670
2021	525,180	34,490	559,670
2022	535,558	23,913	559,471
2023	525,000	13,126	538,126
	<u>\$ 2,605,000</u>	<u>\$ 171,324</u>	<u>\$ 2,776,324</u>

**Compensated Absences**

The School District accrues a liability for compensated absences which meet the following criteria:

- (1) The School District's obligation relating to employees' rights to receive compensation for future
- (2) The obligation relates to rights that vest or accumulate.
- (3) Payment of the compensation is probable.
- (4) The amount can be reasonably estimated.

All teaching staff, after twelve years of employment with the district, are eligible to be reimbursed for accumulated sick days, up to a maximum of 188 days, upon retirement from teaching. They will be reimbursed at .00243 times the base BA base rate in effect for the year ended June 30, 2018. As of June 30, 2018, the amount which would be due upon retirement for eligible staff is \$87,628.

**Note 7. Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of coverage in any of the past three fiscal years.

**Note 8. Economic Dependency**

Approximately 50% of the School District's General Fund revenues are received from the State of Michigan through the Michigan Department of Education. This School District is considered to be economically dependent on this revenue source.

HILLMAN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**Note 9. Tax Abatements**

There were no significant tax abatements made to the District for the fiscal year ended June 30, 2018.

**Note 10. Retirement Plan**

**Plan Description**

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System'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 the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available at [www.michigan.gov/mpsers-cafr](http://www.michigan.gov/mpsers-cafr).

**Benefits Provided**

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

A DB member plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

**Contributions and Funded Status**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2016 fiscal year.

HILLMAN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

The schedule below summarizes pension contribution rates in effect for fiscal year 2017.

<u>Benefit Structure</u>	<b>Pension Contribution Rates</b>		
	<u>Member</u>	<u>Employer</u>	
		Universities	Non-Universities
Basic	0.0 - 4.0%	23.05%	19.03%
Member Investment Plan	3.0 - 7.0%	23.05%	19.03%
Pension Plus	3.0 - 6.4%	N/A	18.40%
Defined Contribution	0.00%	18.75%	15.27%

Required contributions to the pension plan from Hillman Community Schools were \$603,821 for the year ended September 30, 2017.

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

At June 30, 2018, the District reported a liability of \$6,671,222 for its proportionate share of the MPSERS 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 rolled forward from September 2016. District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2017, District's proportion was .02574345 percent, which was a decrease of .00133 percent from its proportion measured as of September 30, 2016.

For the year ended June 30, 2018, District recognized pension expense of \$629,711. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ 57,977	\$ 32,734
Changes of Assumptions	730,885	-
Net difference between projected and actual earnings on pension plan investments	-	318,928
Changes in proportion and differences between Employer contributions and proportionate share of contributions	62,997	314,653
Employer contributions subsequent to the measurement date	655,540	313,089
<b>Total</b>	<b>\$ 1,507,399</b>	<b>\$ 979,404</b>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:



HILLMAN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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

Year Ending September 30	Amount
2018	59,759
2019	161,590
2020	14,847
2021	(50,652)

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Valuation Date: September 30, 2015

Actuarial Cost Method: Entry Age, Normal

Wage Inflation Rate: 3.5%

Investment Rate of Return:

- MIP and Basic Plans (Non-Hybrid): 7.5%

- Pension Plus Plan (Hybrid): 7.0%

Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%

Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members

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

HILLMAN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**Notes:**

*Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.*

*Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.5188 for non-university employers 1.1222 for university employers]*

*Recognition period for assets in years is 5.0000*

*Full actuarial assumptions are available in the 2017 MPERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).*

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate
Domestic Equity Pools	28.0%	5.6%
% Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
TOTAL	100.0%	

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

**Rate of Return**

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

HILLMAN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate**

The following presents Hillman Community School's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what Hillman Community School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease (Non-Hybrid/Hybrid)* 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 8.5% / 8.0%
\$ 8,690,384	\$ 6,671,222	\$ 4,971,217

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

**Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payables to the Michigan Public School Employees' Retirement System (MPSERS)**

The District accrued liabilities to the System in the amount of \$113,500 associated with salary and wages recorded as liabilities at year end.

**Note 11. Postemployment Benefits Other Than Pensions (OPEB)**

**Plan Description**

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members—eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

HILLMAN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**Benefits Provided**

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 healthcare 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. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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 were deposited into their 401(k) account.

**Contributions**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017.

Benefit Structure	OPEB Contribution Rates		
	Member	Employer	
		Universities	Non-Universities
Premium Subsidy	3.00%	7.36%	5.91%
Personal Healthcare	0.00%	6.98%	5.69%

Required contributions to the OPEB plan from the District were \$562,145 for the year ended September 30, 2017.

HILLMAN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
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**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, District reported a liability of \$6,394,077 for its proportionate share of the MPSERS 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 rolled forward from September 2016. Hillman Community School's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, District's proportion was 0.07220482 percent, which was a decrease of .00000018 percent from its proportion measured as of October 1, 2016.

For the year ending June 30, 2018, Hillman Community Schools recognized OPEB expense of \$216,166. At June 30, 2018, Hillman Community Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between actual and expected experience	\$ -	\$ 24,328
Changes of Assumptions	-	-
Net difference between projected and actual earnings on OPEB plan	-	52,919
Changes in proportion and differences between Employer contributions	-	37
Employer contributions subsequent to the measurement date	<u>153,671</u>	<u>-</u>
Total	<u>\$ 153,671</u>	<u>\$ 77,284</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Deferred (Inflow) and Deferred Outflow of Resources by Year**

Year Ending September 30	Amount
2018	(18,675)
2019	(18,675)
2020	(18,675)
2022	(18,675)
2022	(2,584)

**Actuarial Assumptions**

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

HILLMAN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	7.5%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Other Assumptions:

Opt Out Assumptions	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 coverages 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 1 or more dependents.

*Notes: Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.*

*Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.4744 for non-university employers or 1.4186 for university employers]*

*Recognition period for assets in years is 5.0000*

*Full actuarial assumptions are available in the 2017 MPERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).*

HILLMAN COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-

Asset Class	Target Allocation	Long Term Expected Real Rate
Domestic Equity Pools	28.0%	5.6%
% Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
TOTAL	100.0%	

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

**Rate of Return**

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

A 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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the 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.

**Sensitivity of Hillman Community School's proportionate share of the net OPEB liability to changes in the discount rate**

The following presents Hillman Community School's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what Hillman Community School's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
\$ 2,676,287	\$ 2,284,907	\$ 1,952,749

HILLMAN COMMUNITY SCHOOLS  
 NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**Sensitivity of Hillman Community School's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate**

The following presents Hillman Community School's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what Hillman Community School's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
6.5%	7.5%	8.5%
\$ 1,935,009	\$ 2,284,907	\$ 2,682,192

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payables to the OPEB Plan**

The District accrued liabilities to the System in the amount of \$33,355 associated with salary and wages recorded as liabilities at year end.

**Note 12. Management Review**

Management has evaluated subsequent events and transactions for potential recognition and disclosure through October 1, 2018, the date the financial statements were available to be issued. No significant events or transactions were identified.

**Note 13. Upcoming Accounting Pronouncements**

Government Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities was issued by GASB in January 2017 and will be effective for the School 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.



HILLMAN COMMUNITY SCHOOLS  
 BUDGET COMPARISON SCHEDULE - GENERAL FUND  
 Year Ended June 30, 2018

	Original Budget	Final Amended Budget	Actual
<b>REVENUES:</b>			
Local sources	\$ 1,869,404	\$ 1,904,996	\$ 1,907,561
State sources	2,146,317	2,305,010	2,356,500
Federal sources	189,125	230,730	206,950
Interdistrict and other sources	115,000	169,555	169,557
<b>Total Revenues</b>	<b>4,319,846</b>	<b>4,610,291</b>	<b>4,640,568</b>
<b>EXPENDITURES:</b>			
Instruction-			
Basic programs	2,023,134	2,081,727	2,061,740
Added needs	670,400	625,326	602,762
Supporting services -			
Pupil	55,820	55,820	55,292
Instructional staff	42,807	42,807	37,643
General administration	123,377	116,785	104,127
School administration	459,316	464,580	456,444
Business services	122,491	181,663	176,364
Operation & maintenance	580,712	591,233	573,997
Transportation	434,929	400,780	380,163
Support services - Central	104,869	118,371	106,870
Support services - Other	128,165	106,471	99,433
Community services -			
Community activities	1,500	2,000	1,969
<b>Total Expenditures</b>	<b>4,747,520</b>	<b>4,787,563</b>	<b>4,656,804</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers out	(55,000)	(50,000)	(48,014)
State aid payback	-	-	-
Indirect costs recovery	25,000	25,000	25,000
Indirect costs	-	-	-
Redemption of school bus loans	90,000	60,000	60,000
Interest on school bus loans	-	-	-
<b>Net other financing sources (uses)</b>	<b>60,000</b>	<b>35,000</b>	<b>36,986</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(367,674)</b>	<b>(142,272)</b>	<b>20,750</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>621,875</b>	<b>773,732</b>	<b>773,732</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 254,201</b>	<b>\$ 631,460</b>	<b>\$ 794,482</b>

HILLMAN COMMUNITY SCHOOLS  
 BUDGET COMPARISON SCHEDULE - FOOD SERVICE FUND  
 Year Ended June 30, 2018

	Original Budget	Final Amended Budget	Actual
REVENUES:			
Local sources	\$ 63,724	\$ 54,540	\$ 59,329
State sources	13,730	28,958	28,628
Federal sources	202,160	202,167	195,340
Total Revenues	279,614	285,665	283,297
EXPENDITURES:			
Supporting services - Food service	307,635	319,649	308,704
OTHER FINANCING SOURCES (USES):			
Indirect costs	(25,000)	(25,000)	(25,000)
Operating transfer In	55,000	50,000	48,014
Net other financing sources (uses)	30,000	25,000	23,014
NET CHANGE IN FUND BALANCE	1,979	(8,984)	(2,393)
FUND BALANCE - BEGINNING OF YEAR	9,650	17,308	17,308
FUND BALANCE - END OF YEAR	<u>\$ 11,629</u>	<u>\$ 8,324</u>	<u>\$ 14,915</u>

HILLMAN COMMUNITY SCHOOLS  
REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2018

Schedule of the District's Proportionate Share of the Net Pension Liability  
Michigan Public School Employees Retirement Plan  
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. District's proportion of net pension liability (%)							0.02574%	0.02707%	0.02754%	0.02681%
B. District's proportionate share of net pension liability							6,671,222	6,754,919	6,725,776	5,904,367
C. District's covered-employee payroll							2,108,260	2,271,053	2,298,662	2,282,458
D. District's proportionate share of net pension liability as a percentage of its covered-employee payroll							316.43%	297.44%	292.60%	258.68%
E. Plan fiduciary net position as a percentage of total pension liability							64.21%	63.27%	63.17%	66.20%

\*The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of 1) university payroll on which contributions to the plan are based or 2) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

HILLMAN COMMUNITY SCHOOLS  
REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2018

Schedule of the District's Contributions  
Michigan Public School Employees Retirement Plan  
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
A. Statutorily required contributions	\$	\$	\$	\$	\$	\$	\$ 702,493	\$ 607,950	\$ 614,766	\$ 431,600
B. Contributions in relation to statutorily required contributions*							<u>702,493</u>	<u>607,950</u>	<u>614,766</u>	<u>431,600</u>
C. Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
D. District's covered-employee payroll**	\$	\$	\$	\$	\$	\$	\$ 2,110,472	\$ 2,123,033	\$ 2,188,141	\$ 2,316,044
E. Contributions as a percentage of covered-employee payroll							33.29%	28.64%	28.10%	18.64%

\*Contributions in relation to statutorily required pension contributions are the contributions an employer actually made to the System, as distinct from the statutorily required contributions.

**HILLMAN COMMUNITY SCHOOLS  
REQUIRED SUPPLEMENTAL INFORMATION  
June 30, 2018**

Schedule of the District's Proportionate Share of the Net OPEB Liability  
Michigan Public School Employees Retirement Plan  
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
A. Employer's proportion of net OPEB liability (%)										0.0258022%
B. Employer's proportionate share of net OPEB liability										2,284,907
C. Employer's covered payroll (OPEB)*										2,108,260
D. Employer's proportionate share of net OPEB liability as a percentage of its covered payroll (%)										108.38%
E. Plan fiduciary net position as a percentage of total OPEB liability										36.39%

\*The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of 1) university payroll on which contributions to the plan are based or 2) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

HILLMAN COMMUNITY SCHOOLS  
 REQUIRED SUPPLEMENTAL INFORMATION  
 June 30, 2018

Schedule of the District's Contributions  
 Michigan Public School Employees Retirement Plan  
 Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	2027	2026	2025	2024	2023	2022	2021	2020	2019	2018
A. Statutorily required OPEB contributions										\$ 165,649
B. OPEB contributions in relation to statutorily required contributions*										165,649
C. Contribution deficiency (excess)										\$ -
D. Employer's covered payroll (OPEB)**										\$ 2,110,472
E. OPEB contributions as a percentage of covered payroll										7.85%

\*Contributions in relation to statutorily required OPEB contributions are the contributions an employer actually made to the OPEB Plan, as distinct from the statutorily required contributions.

HILLMAN COMMUNITY SCHOOLS  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
June 30, 2018

**Changes of Benefit Terms**

There were no changes of benefit terms in fiscal year ended Sept. 30, 2017.

**Changes of Assumptions**

There were no changes of benefit assumptions in fiscal year ended Sept. 30, 2017.

HILLMAN COMMUNITY SCHOOLS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
Years Ended June 30, 2018 and 2017

REVENUES:	2018	2017
Local Sources -		
Current tax levy	\$ 1,781,933	\$ 1,777,807
Other taxes	8,656	2,016
Revenue in lieu of taxes	1,513	1,105
Interest on delinquent taxes	8,888	9,902
Gate receipts	21,103	25,926
Participation fees	17,240	17,190
Transportion fees	6,519	10,472
Interest on investments	10,433	3,533
Rentals	9,897	11,393
Royalties	1,254	1,048
Local grants and donations	13,740	13,523
Other	26,385	22,279
<b>Total Local Sources</b>	<b>1,907,561</b>	<b>1,896,194</b>
State Sources -		
State Foundation Grant	1,664,537	1,658,214
Isolated Districts	20,664	21,000
Computer Adaptive Test	2,465	2,942
MPSERS 147a	43,236	32,034
MPSERS 147c	297,868	283,877
MPSERS 147e	2,869	-
Financial Analytic Tools	742	826
Special Education	75,994	98,680
At Risk - Section 31a	208,516	159,070
Targeted Literacy	5,670	6,270
Headlee Data Collection	11,442	11,846
Technology infastructure	-	2,828
Dual Enrollment Incentives	2,670	1,380
Trig Stipend	-	6,468
First Robotics	9,000	-
High School Pupil Supports	3,327	-
Other	7,500	1,772
<b>Total State Sources</b>	<b>2,356,500</b>	<b>2,287,207</b>
Federal Sources -		
Title 1	156,196	162,422
Title II A	25,880	36,463
Title III A	313	-
Title IV A	6,250	-
Small Rural Schools	17,633	8,828
Medicaid Outreach	678	1,452
<b>Total Federal Sources</b>	<b>206,950</b>	<b>209,165</b>



HILLMAN COMMUNITY SCHOOLS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
Years Ended June 30, 2018 and 2017

REVENUES (Continued):	2018	2017
Interdistrict and Other Sources		
Transfers from other governmental units:		
Special Education	143,973	157,206
Medicaid Fee for Service	25,584	18,625
Total Interdistrict and Other Sources	169,557	175,831
Total Revenues	4,640,568	4,568,397
EXPENDITURES:		
Instruction	2,664,502	2,511,611
Supporting Services	1,990,333	1,850,730
Community Services	1,969	926
Total Expenditures	4,656,804	4,363,267
OTHER FINANCING SOURCES (USES):		
Operating transfers out	(48,014)	(35,197)
Sale of assets	-	-
Redemption of school bus loans	60,000	-
State aid adjustment	-	-
Indirect cost recovery	25,000	24,627
Interest on school bus loans	-	-
Net Other Financing Sources (Uses)	36,986	(10,570)
NET CHANGE IN FUND BALANCE	20,750	194,560
FUND BALANCE - BEGINNING OF YEAR	773,732	579,172
FUND BALANCE - END OF YEAR	\$ 794,482	\$ 773,732

HILLMAN COMMUNITY SCHOOLS  
GENERAL FUND  
DETAIL OF EXPENDITURES  
Year Ended June 30, 2018 With Comparative Totals at June 30, 2017

INSTRUCTION:	Salaries	Employee Benefits	Purchased Services	Supplies and Other Costs	Other Expenses	Capital Outlay	Totals	
							2018	2017
Basic Programs -								
Elementary	\$ 515,543	\$ 394,940	\$ 36,529	\$ 34,846	\$ 1,082	\$ -	\$ 982,940	946,321
Secondary	471,839	378,950	153,492	73,437	1,082	-	1,078,800	1,040,793
Pre School	-	-	-	-	-	-	-	-
Total Basic Programs	987,382	773,890	190,021	108,283	2,164	-	2,061,740	1,987,114
Added Needs -								
Special Education	153,305	128,846	3,487	990	-	-	286,628	267,713
Compensatory Education	185,774	128,451	1,909	-	-	-	316,134	256,784
Total Added Needs	339,079	257,297	5,396	990	-	-	602,762	524,497
Total Instruction	1,326,461	1,031,187	195,417	109,273	2,164	-	2,664,502	2,511,611
SUPPORTING SERVICES:								
Pupil -								
Guidance Services	-	-	54,320	972	-	-	55,292	55,611
Instructional Staff Services -								
Improvement of Instruction	7,831	6,937	15,777	1,045	-	-	31,590	16,384
Instructional Related Technology	-	-	2,465	-	-	-	2,465	27,235
Academic Student Assessment	-	-	3,588	-	-	-	3,588	656
Total Instructional Staff	7,831	6,937	21,830	1,045	-	-	37,643	44,275

HILLMAN COMMUNITY SCHOOLS  
GENERAL FUND  
DETAIL OF EXPENDITURES  
Year Ended June 30, 2018 With Comparative Totals at June 30, 2017

SUPPORTING SERVICE (CONTINUED):	Salaries	Employee Benefits	Purchased Services	Supplies and Other Costs	Other Expenses	Capital Outlay	Totals	
							2018	2017
General Administration Services -								
Board of Education	\$ 2,673	\$ 204	\$ 27,009	\$ 2,952	\$ -	\$ -	\$ 32,838	\$ 85,403
Executive Administration	37,384	25,458	3,310	-	5,137	-	71,289	55,705
Total General Administrative Services	40,057	25,662	30,319	2,952	5,137	-	104,127	141,108
School Administrative Services -								
Office of the Principal	252,967	201,164	954	1,359	-	-	456,444	391,626
Business Services -								
Fiscal Services	70,427	53,922	1,029	794	701	-	126,873	115,018
Other Business Services	-	-	22,552	-	26,939	-	49,491	33,900
Total Business Services	70,427	53,922	23,581	794	27,640	-	176,364	148,918
Operations and Maintenance -								
Operations of Buildings Services	157,461	126,144	94,218	182,173	976	11,210	572,182	562,152
Security Services	-	-	1,815	-	-	-	1,815	1,561
Total Operations and Maintenance	157,461	126,144	96,033	182,173	976	11,210	573,997	563,713
Pupil Transportation Services -								
Pupil Transportation Services	142,244	82,002	19,601	49,823	1,574	84,919	380,163	309,039
Support Services - Central -								
Planning, Research, Development, and Staff/Personnel Services	-	-	-	-	-	-	-	890
Non Instructional Technology	14,219	10,580	-	-	-	-	24,799	17,593
Total Support Services - Central	14,219	10,580	69,565	12,506	-	-	82,071	76,687
Support Services - Other -								
Athletics	21,871	11,380	53,811	11,291	1,080	-	99,433	101,271
Total Supporting Services	707,077	517,791	370,014	262,915	36,407	96,129	1,990,333	1,850,730
COMMUNITY SERVICES:								
Community Activities	-	-	-	1,969	-	-	1,969	926
Total Expenditures	\$ 2,033,538	\$ 1,548,978	\$ 565,431	\$ 374,157	\$ 38,571	\$ 96,129	\$ 4,656,804	\$ 4,363,267

HILLMAN COMMUNITY SCHOOLS  
FOOD SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
Years Ended June 30, 2018 and 2017

REVENUES:	2018	2017
Local sources -		
Cafeteria sales	\$ 48,622	\$ 45,502
Milk machine	2,962	3,495
Earnings on investments	43	31
Headstart sales	-	-
GSRP lunches	-	-
Other	7,702	21,502
	<hr/>	<hr/>
Total local sources	59,329	70,530
State sources -		
MPSERS 147c	15,221	-
Section 31a At Risk	2,270	2,280
Section 31d School Lunch	11,137	10,187
	<hr/>	<hr/>
Total state sources	28,628	12,467
Federal sources -		
National School Lunch Program	125,067	136,451
Nutrition Grant	-	-
National School Breakfast Program	53,515	58,871
Donated commodities - Entitlement	16,758	19,111
	<hr/>	<hr/>
Total federal sources	195,340	214,433
	<hr/>	<hr/>
Total revenues	283,297	297,430
EXPENDITURES:		
Supporting services -		
Food service -		
Salaries and wages	98,682	94,781
Employee benefits	71,663	65,275
Purchased services	5,997	3,024
Food and milk	114,586	120,355
USDA Delivery charge	16,758	16,185
Sales tax	234	529
Supplies and other costs	784	572
	<hr/>	<hr/>
Total expenditures	308,704	300,721
OTHER FINANCING SOURCES (Uses):		
Operating transfers in	48,014	35,197
Indirect costs	(25,000)	(24,627)
	<hr/>	<hr/>
Total other financing sources (uses)	23,014	10,570
NET CHANGE IN FUND BALANCES	(2,393)	7,279
FUND BALANCE - BEGINNING OF YEAR	<hr/>	<hr/>
	17,308	10,029
FUND BALANCE - END OF YEAR	<hr/>	<hr/>
	\$ 14,915	\$ 17,308

HILLMAN COMMUNITY SCHOOLS  
2015 REFUNDING BOND FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
Years Ended June 30, 2018 and 2017

REVENUES:	2018	2017
Local sources -		
Current tax levy	\$ 534,563	\$ 499,187
Other taxes	-	361
Interest on delinquent taxes	2,911	3,141
Earnings on investments	2,465	1,274
	<u>539,939</u>	<u>503,963</u>
Total local sources	539,939	503,963
State sources -		
Debt loss on personals	1,520	2,419
Payment in lieu of taxes	15,562	14,662
	<u>17,082</u>	<u>17,081</u>
Total revenues	557,021	521,044
EXPENDITURES:		
Debt service -		
Bond principal	485,000	475,000
Interest on bonded debt	63,225	72,725
Paying agent fees	500	500
Taxes paid back	4,505	1,580
	<u>553,230</u>	<u>549,805</u>
Total expenditures	553,230	549,805
NET CHANGE IN FUND BALANCES	3,791	(28,761)
FUND BALANCE - BEGINNING OF YEAR	<u>61,026</u>	<u>89,787</u>
FUND BALANCE - END OF YEAR	<u>\$ 64,817</u>	<u>\$ 61,026</u>

HILLMAN COMMUNITY SCHOOLS  
 FIDUCIARY FUND  
 SCHEDULE OF DUE TO SCHOOL ORGANIZATIONS  
 Years Ended June 30, 2018 and 2017

	2018	2017
<b>ELEMENTARY -</b>		
Dance Funds	\$ 158	\$ 107
Fines	177	452
General Purpose	1,833	1,329
Library	641	122
Math & Science	100	100
Physical Education	116	116
School Spirit Store	1,162	818
Student Improvement	610	(1,010)
Super U Grant	-	94
<b>Total Elementary</b>	<b>4,797</b>	<b>2,128</b>
<b>HIGH SCHOOL -</b>		
Athletics	1,733	1,391
Class of 2017	-	1,202
Class of 2018	784	2,548
Class of 2019	4,819	8,092
Class of 2020	8,833	4,927
Class of 2021	5,985	925
Class of 2022	1,877	1,535
Class of 2024	968	-
Band	98	980
Baseball	2,509	2,145
Basketball JH	26	26
Basketball - Girls	1,424	1,476
Basketball - Boys	2,645	1,348
Broadcasting	732	732
Cheerleading	316	471
Drama	196	196
International travel	(9)	836
Fines & Supplies	442	437
Football	2,631	692

HILLMAN COMMUNITY SCHOOLS  
 FIDUCIARY FUND  
 SCHEDULE OF DUE TO SCHOOL ORGANIZATIONS  
 Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
HIGH SCHOOL (Continued) -		
Hall of Fame	809	469
Honor Society	379	487
Library	128	106
Physics	311	320
Rentals	864	864
Revolving Account	636	636
Robotics	1,769	319
Scholarship	1,000	1,000
Scholarship	6,500	7,000
Shop	6,282	6,282
School Store	-	3,886
Softball	1,952	1,511
Spanish	36	36
Special Ed	-	33
Student Council	1,460	1,225
Student Improvement	993	355
Track	19	19
Track - Junior High	5	5
Volleyball	1,326	2,179
Volleyball - Junior High	20	-
Yearbook	9,282	10,614
	<u>69,780</u>	<u>67,305</u>
Total High School	<u>\$ 74,577</u>	<u>\$ 69,433</u>

HILLMAN COMMUNITY SCHOOLS  
 DETAIL OF 2015 REFUNDING BOND  
 June 30, 2018

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Purpose of issue -  
 2015 Refunding Bonds  
 Amount of issue: \$ 3,955,000  
 Interest rate - 2.000%  
 Date of issue - February 10, 2015

Date	May, 1		November, 1	
	Principal	Interest	Interest	Total
2018			\$ 26,763	\$ 26,763
2019	490,000	26,763	21,863	538,625
2020	500,000	21,863	16,863	538,725
2021	510,000	16,863	11,763	538,625
2022	520,000	11,763	6,563	538,325
2023	525,000	6,563	-	531,563
	<u>\$ 2,545,000</u>	<u>\$ 83,813</u>	<u>\$ 83,813</u>	<u>\$ 2,712,625</u>



HILLMAN COMMUNITY SCHOOLS

DETAIL OF BUS NOTE PAYABLE

June 30, 2018

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Purpose of issue -

Bus purchases

Amount of issue: \$ 60,000

Interest rate - 2.490%

Date of issue - September 8, 2017

Date	May, 1	
	Principal	Interest
2019	14,451	1,411
2020	14,811	1,134
2021	15,180	765
2022	15,558	388
	<u>\$ 60,000</u>	<u>\$ 3,698</u>



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**CERTIFIED PUBLIC ACCOUNTANTS**

*Partners:*

*Timothy J. Quast, C.P.A.  
David G. Gwizdala, C.P.A.*

*Members:*

*American Institute of C.P.A.'s  
Michigan Association of C.P.A.'s*

**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  
Hillman Community Schools

Ladies and Gentlemen:

We have audited, in accordance with auditing standards general 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 government activities, each major fund, and the aggregate remaining fund information of the Hillman Community Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Hillman Community Schools' basic financial statements, and have issued our report thereon dated October 1, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hillman Community 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 Hillman Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Hillman Community 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.

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.

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**

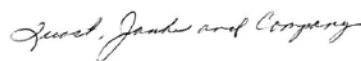
As part of obtaining reasonable assurance about whether Hillman Community Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 Hillman Community Schools' 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.

Sincerely,

QUAST, JANKE AND COMPANY



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Certified Public Accountants, P.C

Bay City, Michigan 48708

October 1, 2018