ST. LOUIS PUBLIC SCHOOL DISTRICT
St. Louis, Michigan

Financial Statements
With Supplementary Information
June 30, 2018

Roslund Prestage & Company
Certified Public Accountants
525 WEST WARWICK DRIVE, SUITE A, ALMA, MICHIGAN 48801

St. Louis Public School District
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June 30, 2018

RPC
Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
St. Louis Public School District

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 St. Louis Public School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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 the District as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle
As discussed in the notes to the financial statements, the District adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of this Statement, the financial statements have been changed to reflect the new presentation required by GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and prospective 10-year information for the pension plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

September 26, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL INFORMATION

St. Louis Public Schools currently operates two elementary schools, one middle school, one high school, one alternative education program, and a Community Education Program. The school district's 2017-18 October enrollment was 1,044.49. St. Louis Public Schools employs a staff of 62 teachers, 8 administrators, and 53 support personnel.

The Board of Education consists of seven members who are elected at large for four-year overlapping terms. The Board annually elects a President, Vice-President, Treasurer and Secretary. The Board is responsible for the selection and appointment of the Superintendent of Schools. The Board meets as a single body to set or amend policy, develop long-range educational goals and act upon recommendations of the Superintendent of Schools. The Board is also responsible for adopting and periodically amending the operating budget and evaluating school programs in accordance with governing laws.

USING THIS ANNUAL REPORT

The discussion and analysis of St. Louis Public Schools' financial performance provides an overall review of the school district's financial activities for the fiscal year ended June 30, 2018. The intent of this report is to provide a look at the performance of the district as a whole, and includes financial statements, notes to the financial statements, and budgetary information. In addition, this analysis will show comparative data from the prior 2016-17 school year.

OVERVIEW OF THE FINANCIAL STATEMENTS

District-wide Financial Statements

The district-wide financial statements are full accrual basis statements and provide information about the district's overall financial status. They are used to help determine the condition of the district as the result of the year's activities. The *Statement of Net Position* reports all of the district's assets and liabilities, both short-term and long-term, regardless of their availability. Capital assets and long-term obligations of the district are reported in this statement. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid. The two district-wide statements report the district's net position and how they have changed. Net position (the difference between the district's assets and liabilities) are one way to measure the district's financial condition. Over time, increases or decreases in the district's net position are an indicator of whether its financial position is improving or deteriorating, respectively. However, it is important to note that to assess the district's overall position; you need to consider additional non-financial factors such as changes in the district's property base, the quality of education provided, and the condition of the district's buildings.

In the district-wide statements, the district's activities are classified as *governmental activities*. This includes most of the district's basic services such as regular and special education, food service, athletics, transportation, and administration. These activities are financed mostly by state aid, federal aid, and property taxes.

Fund Financial Statements

The district's fund financial statements provide detailed information about the most significant funds, and are comparable to prior year financial statements. The fund level statements are reported on a modified accrual basis, which means that only those assets that are measurable and currently available are reported. Liabilities are recognized to the extent that they are expected to be paid with current financial resources. The fund statements are formatted to meet the requirements of the Michigan Department of Education's "Accounting Manual". Major instructional and instructional support activities are reported in the General Fund. Other activities are reported in their relevant funds including; Special Revenue Funds for Food Service and Athletics, Debt Service, Capital Projects, and Fiduciary Funds.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The net position of the district at June 30, 2018 was ($12,001,215) and is shown in the following *Statement of Net Position.* The reason for this large decrease, year over year, was due to the addition of the line item under Noncurrent liabilities called "Net other post-employment benefits." New legislation came out, GASB 75, that mandated that we report the district's postemployment benefits other than pensions. This resulted in restating our June 30, 2017 State of Net Position and creating a much larger negative net position for June 30, 2018.

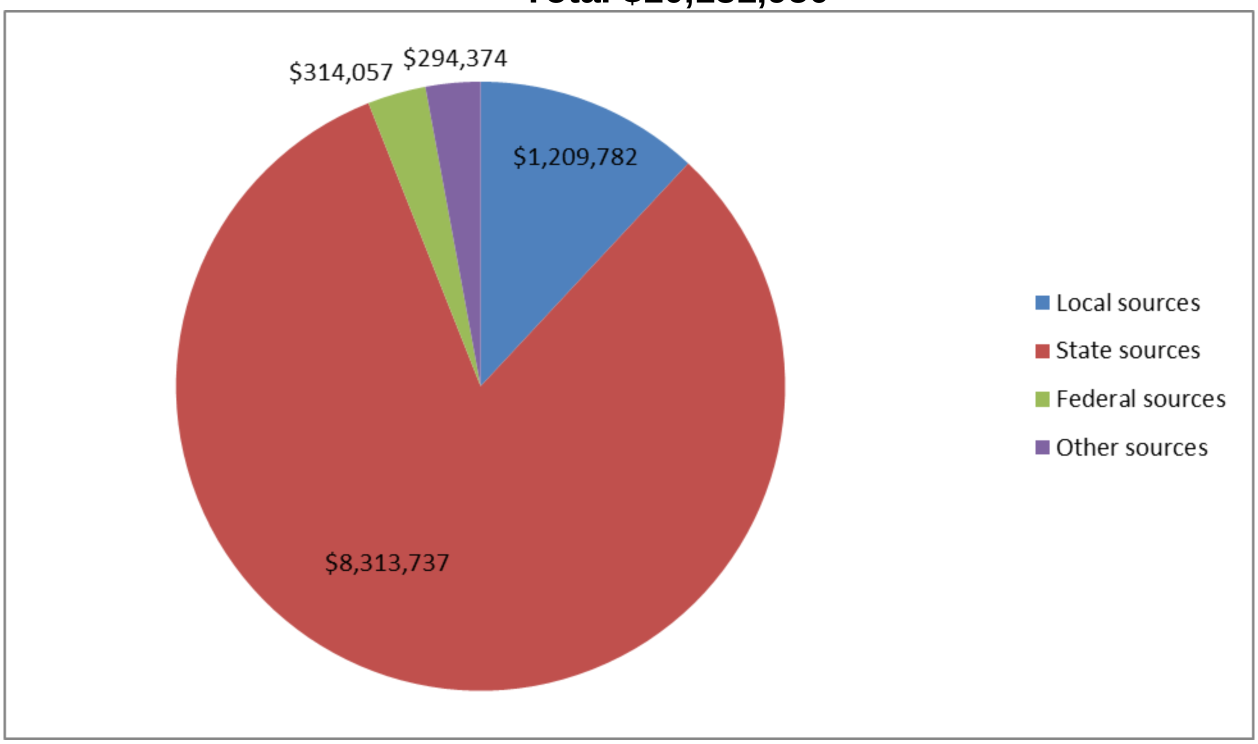
The results of this year's operations for the District as a whole are reported in the following *Statement of Activities,* which shows the changes in net position for fiscal year 2018. The district experienced a change in net position, going from ($11,989,043) restated at beginning of the fiscal year, to ($12,001,215) for a decrease of $12,172 or <1%.

A substantial portion of the district's revenues is received from State sources, $8,313,737 or 82%. This number proportionately stayed consistent year over year comparing to our previous fiscal year. This means that the financial stability of the district rests primarily with the economic health of the State of Michigan. However, Federal resources *decreased* by 28% and Other resources *decreased* by 15% and while overall dollars in these categories are not significant overall, it does show a trend in districts having to utilize other avenues of resources to create revenues on a local level. For our district we were able to rent out room space in an existing building, not otherwise occupied by the district, to the local ISD.

Figure 1 depicts the breakdown of the sources of revenue for the district for fiscal year 2017-18.

Figure 1

2017-18 General Fund Revenues
Total $10,131,950

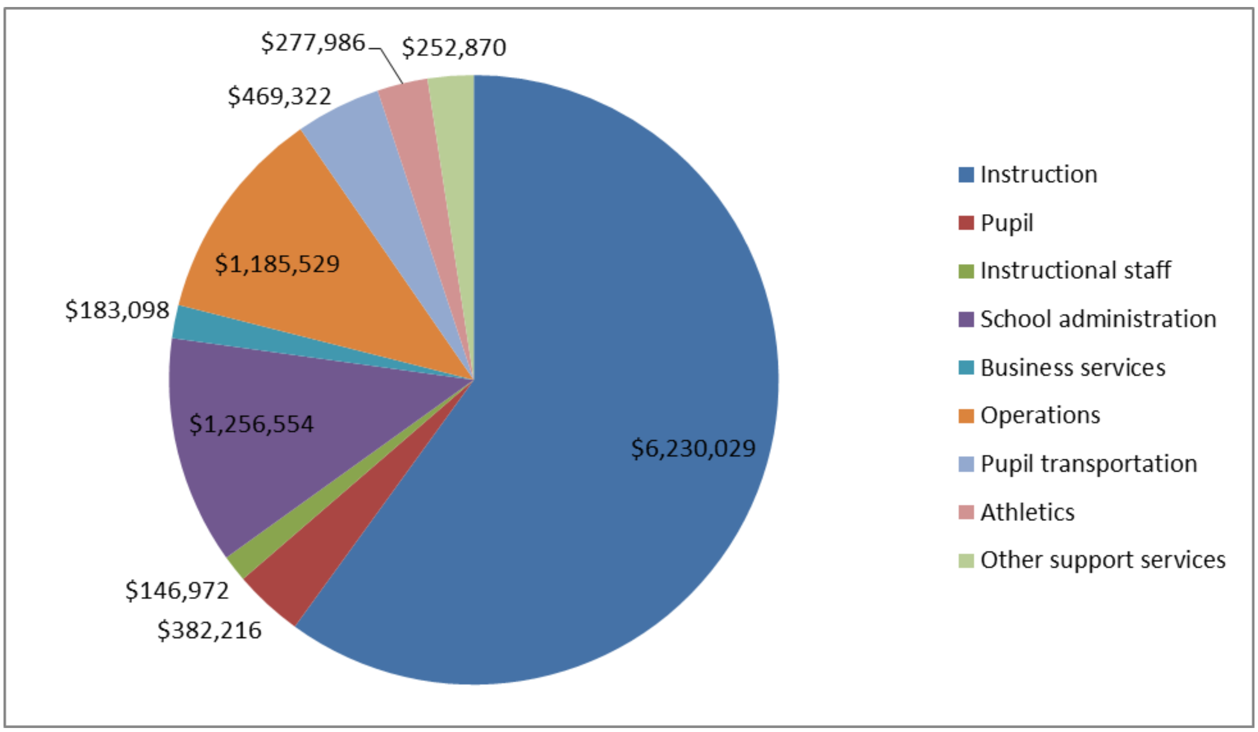


Instructional services comprised $6,230,029 or 60% of the district's expenditures which is the same proportionately as last year. School Administration and Business Services dollars spent is $1,439,652 or 14% and is the same percent spent compared to last year. Operations and maintenance came in at $1,185,529 or 11%, which is again, is less than what was spent last year. This line includes utilities and custodial services. The final $1,529,366 or 15% was spent on other support services and is an *increase* of 8% over last year dollars spent.

Figure 2 depicts how the district's resources were spent in 2017-18.

Figure 2

2017-18 General Fund Expenditures
Total $10,384,576



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the district as a whole is reflected in its governmental funds as well. The combined governmental funds equity decreased during the 2017-18 school year. The primary reasons for this change are as follows:

General Fund

The General Fund decreased its fund balance this year by $169,864 or 2.23%. Our student fte's decreased by 8.11 which was better than we had expected and budgeted but still a loss. Staff changes were minor, and we managed our budget closely throughout the year. Teaching staff received steps in this last year as well as Administration and Support staff received increased wages as well.

Capital Projects

Our 2014 School Building and Site Bonds of $226,820 was spent in this fiscal year. Specific bond language included that funds would be used for the purpose of remodeling, furnishing and refurnishing and equipping and re-equipping school buildings, including the installing of security measures and energy conservation improvements; erecting, furnishing and equipping an addition to the high school building; acquiring and installing educational technology and educational technology equipment for school buildings; purchasing of school buses; erecting, furnishing and equipping a new bus maintenance facility and two new storage facilities; and developing and improving playgrounds, athletic fields and facilities; and sites. Some of the projects that we were able to complete in this fiscal year were: the purchase of another bus and the finishing of our bus garage. It was the spending of these funds that created the decrease in overall combined governmental funds by $218,318 or 69%.

Debt Service

No new debt service or refinancing was acquired in this fiscal year but we did spend down fund balance in this fund to pay principal and interest payments. We also needed to borrow from the SBLF in this fiscal year, as was planned and expected.

Special Revenue

Food service expanded and provides a summer food service program for our local kids. We offered our program at 3 locations and had a higher than normal participation number of kids that were able to take advantage of the program. Food service also made some purchases for cafeteria tables that were needed. Due to this expense and in increased participation we saw our fund balance for this program increase by $8,502 which meant that the General Fund did not have to transfer funds to this program.

GENERAL FUND BUDGETGARY HIGHLIGHTS

The Uniform Budget Act of the State of Michigan requires that the local Board of Education adopt an original budget for the upcoming fiscal year by July 1st. As a matter of practice, the district amends its budget at least twice during the fiscal year. These revisions are made in order to deal with unexpected changes in revenues and expenditures. The following analysis describes the significant changes in the budget during the year.

Changes in Revenues

In the General Fund, local revenues stayed consistent and flat year over year. State Revenues increased $290,242 due to several factors. St. Louis Public Schools saw a decrease in student membership of 8.11 in 2017-18. The state increased the per pupil foundation amount from $7,511 to $7,631 from 2016-17 to 2017-1 and also our At Risk (31a) dollars increased by approximately $147,000. Federal sources saw a decrease in Title dollars allocated to the district of approximately $115,000 or 28%. Our Other Sources of revenue decreased by $49,000, or 15% due to receiving less in local dollars from our ISD for the reimbursement of special education. In our Food Service program revenues increased by $61,000 or 12.2% due to increased participation in the program of students and staff. Debt revenues increased slightly due to higher property values.

Changes in Expenditures

In the General Fund instructional costs increased year over year by $330,680 or 6%. Teaching and support staff were awarded in increase in salary in this last year and thus caused in increase in expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, St. Louis Public Schools had $19,957,528 (net of depreciation) invested in a broad range of capital assets, including land, buildings and improvements, equipment, and vehicles. This is an increase of $365,036 over previous year. We finalized completion on projects from the 2014 bond proposal and made some additional purchases and these were added to assets.

Debt

At June 30, 2018, St. Louis Public Schools had $13,856,735 in long-term debt. This is a decrease from previous year of $1,227,846 or 9%. The debt consisted of the following:

Compensated Absences	$ 149,590
Retirement Incentive	$ 54,698
2010 Bonds	$ 3,600,000
2012 Bonds	$ 840,000
2014 Bonds	$ 7,030,000
2015 Bonds	$ 2,035,000
School Bond Loan Fund	$ 147,447
Total	$13,856,735

STATE ECONOMIC AND LOCAL FACTORS

One of the most significant factors facing St. Louis Public Schools continues to be, the economic condition of the State of Michigan. With state funding the primary source of revenue, the district monitors the state's periodic revenue-estimating conference in order to project revenue for the upcoming fiscal year's budget. In addition, local student enrollment is another revenue producing factor that the district monitors. The state foundation is based on a blended student count. This count is taken in October and February of each fiscal year. The blended count consists of 90% of October's count in the current fiscal year and 10% of the February count from the previous fiscal year. In addition to the state required count days, the district conducts monthly enrollment updates in order to monitor this important revenue source. For budgeting purposes, an estimated student count is used, based on the district's enrollment history.

The budget prepared for the 2017-18 school year was based on a small increase in state funding, and a decline in student enrollment. We were fortunate not to experience the loss in students as we had seen in previous years or budgeted.

REQUEST FOR INFORMATION

This financial report is designed to provide our stakeholders with a general overview of the district's finances and to show the district's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to St. Louis Public Schools, Central Office, 113 E. Saginaw St., St. Louis, MI 48880

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

St. Louis Public School District
Statement of Net Position
June 30, 2018

Assets	
Current assets	
Cash and investments	$ 2,093,558
Due from other governmental units	1,578,364
Inventory	19,662
Prepaids	48,000
Total current assets	3,739,584
Noncurrent assets	
Capital assets not being depreciated	160,785
Capital assets being depreciated, net	18,978,866
Discount on bonds sold, net of amortization	5,100
Total noncurrent assets	19,144,751
Total assets	22,884,335
Deferred outflows of resources	
Deferred charge on refunding - 2010 Refunding Bonds	92,143
Deferred outflow - related to pension	3,290,718
Deferred outflow - related to other post-employment benefits	334,824
Total deferred outflows of resources	3,717,685
Liabilities	
Current liabilities	
Accounts payable	92,500
Accrued payroll liabilities	105,899
Accrued expenses	860,610
State aid note payable	1,100,000
Unearned revenue	40,862
Accrued interest on long-term debt	82,191
Compensated absences, due within one year	22,439
Long-term obligations, due within one year	1,505,000
Capital lease, due within one year	28,164
Total current liabilities	3,837,665
Noncurrent liabilities	
Long-term obligations, due beyond one year	12,000,000
Compensated absences, due beyond one year	127,151
Capital lease, due beyond one year	26,534
Premium on bonds sold, net of amortization	450,787
School bond loan fund	147,447
Net pension liability	14,739,562
Net other post-employment benefits	5,042,888
Total noncurrent liabilities	32,534,369
Total liabilities	36,372,034
Deferred inflows of resources	
Deferred inflow - related to pension	1,363,325
Deferred inflow - related to other post-employment benefits	170,502
Deferred inflow - 147c allocation	697,374
Total deferred inflows of resources	2,231,201
Net position	
Net investment in capital assets	5,226,409
Restricted for:	
Food service	101,035
Debt service	147,395
Capital projects	66,864
Unrestricted	(17,542,918)
Total net position	$ (12,001,215)

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

St. Louis Public School District
Statement of Activities
For the Year Ended June 30, 2018

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Total
Governmental activities:				
Instruction	$ 6,120,566	$ 114,843	$ 314,057	$ (5,691,666)
Support Services	3,967,367	72,207	-	(3,895,160)
Community Services	3,260	-	-	(3,260)
Facilities Construction	11,449	-	-	(11,449)
Food service	596,731	92,063	498,384	(6,284)
Interest, fees and other	529,633	-	-	(529,633)
Depreciation - unallocated	1,108,170	-	-	(1,108,170)
Total governmental activities	$ 12,337,176	$ 279,113	$ 812,441	(11,245,622)
General revenues:				
Property taxes				2,768,858
State aid not restricted to specific purposes				8,155,067
Intermediate sources				294,374
Unrestricted interest and investment earnings				9,491
Restricted interest and investment earnings				5,660
Total general revenues				11,233,450
Change in net position				(12,172)
Net position - beginning of year, as restated for net OPEB liability				(11,989,043)
Net position - ending				$ (12,001,215)

FUND FINANCIAL STATEMENTS

St. Louis Public School District
Balance Sheet - Governmental Funds
June 30, 2018

	Major Funds		Total	
	General	Debt Service	Nonmajor Funds	Total
Assets				
Cash and investments	$ 1,851,312	$ 147,395	$ 94,851	$ 2,093,558
Due from other governmental units	1,565,647	-	12,717	1,578,364
Inventory	-	-	19,662	19,662
Prepaids	48,000	-	-	48,000
Total assets	$ 3,464,959	$ 147,395	$ 127,230	$ 3,739,584
Liabilities				
Accounts payable	$ 66,305	$ -	$ 26,195	$ 92,500
Accrued payroll liabilities	105,899	-	-	105,899
Accrued expenses	860,610	-	-	860,610
Short-term State aid note payable	1,100,000	-	-	1,100,000
Unearned revenue	40,862	-	-	40,862
Total liabilities	2,173,676	-	26,195	2,199,871
Fund balance				
Nonspendable	48,000	-	19,662	67,662
Restricted	-	147,395	81,373	228,768
Unassigned	1,243,283	-	-	1,243,283
Total fund balance	1,291,283	147,395	101,035	1,539,713
Total liabilities and fund balance	$ 3,464,959	$ 147,395	$ 127,230	$ 3,739,584

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

St. Louis Public School District
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
To Net Position of Governmental Activities on the Statement of Net Position
June 30, 2018

Total fund balance - governmental funds		$ 1,539,713
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Add:	Cost of capital assets	38,890,191
Deduct:	Accumulated depreciation	(19,750,540)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds. These liabilities consist of:		
Deduct:	Bonds payable - 2010	(3,600,000)
Deduct:	Bonds payable - 2012	(840,000)
Deduct:	Bonds payable - 2014	(7,030,000)
Deduct:	Bonds payable - 2015	(2,035,000)
Add:	Deferred charge on 2010 refunding bonds	92,143
Add:	Bonds payable - 2012 discount (net of amortization)	5,100
Deduct:	Bonds payable - 2014 premium (net of amortization)	(254,889)
Deduct:	Bonds payable - 2015 premium (net of amortization)	(195,898)
Deduct:	School Bond Loan Fund	(147,447)
Deduct:	Capital lease	(54,698)
Long-term liabilities (and corresponding deferrals) are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:		
Add:	Deferred outflow - related to pension	3,290,718
Add:	Deferred outflow - related to other post-employment benefits	334,824
Deduct:	Net pension liability	(14,739,562)
Deduct:	Net other post-employment benefits	(5,042,888)
Deduct:	Deferred inflow - related to pension	(1,363,325)
Deduct:	Deferred inflow - related to other post-employment benefits	(170,502)
Deduct:	Deferred inflow - 147c allocation	(697,374)
Deduct:	Accrued interest on long-term liabilities	(82,191)
Deduct:	Compensated absences payable	(149,590)
Total net position - governmental activities		$ (12,001,215)

St. Louis Public School District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2018

	Major Funds		Total	
	General	Debt Service	Nonmajor Funds	Total
Revenues				
Local sources	$ 1,209,782	$ 1,759,894	$ 93,446	$ 3,063,122
State sources	8,313,737	73,674	21,588	8,408,999
Federal sources	314,057	-	498,384	812,441
Other sources	294,374	-	-	294,374
Total revenues	10,131,950	1,833,568	613,418	12,578,936
Expenditures				
Instruction				
Basic programs	4,925,543	-	-	4,925,543
Added needs	1,304,486	-	-	1,304,486
Total instruction	6,230,029	-	-	6,230,029
Support services				
Pupil	382,216	-	-	382,216
Instructional staff	146,972	-	-	146,972
General administration	458,315	-	-	458,315
School administration	798,239	-	-	798,239
Business services	183,098	-	9,184	192,282
Operation and maintenance	1,185,529	-	3,276	1,188,805
Pupil transportation	469,322	-	87,708	557,030
Central	198,112	-	-	198,112
Athletics	277,986	-	-	277,986
Total support services	4,099,789	-	100,168	4,199,957
Community Services	3,260	-	-	3,260
Facilities Construction and Improvements	-	-	127,682	127,682
Food service	-	-	603,986	603,986
Debt service				
Principal payments - long-term debt	-	1,460,000	-	1,460,000
Interest, fees and other	-	540,375	-	540,375
Other	51,498	-	-	51,498
Total expenditures	10,384,576	2,000,375	831,836	13,216,787
Revenues over (under) expenditures	(252,626)	(166,807)	(218,418)	(637,851)
Other financing sources (uses)				
Proceeds from capital lease	82,862	-	-	82,862
Proceeds from school bond loan fund	-	147,447	-	147,447
Transfers in	-	-	100	100
Transfers out	(100)	-	-	(100)
Net change in fund balance	(169,864)	(19,360)	(218,318)	(407,542)
Fund balance - beginning	1,461,147	166,755	319,353	1,947,255
Fund balance - ending	$ 1,291,283	$ 147,395	$ 101,035	$ 1,539,713

St. Louis Public School District
Reconciliation of the Statement of Revenues, Expenditures and Changes
In Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds		$	(407,542)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Add:	Capital outlay		290,293
Deduct:	Depreciation expense		(1,108,170)
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.			
Add:	Payment of principal on bonds payable - 2010		590,000
Add:	Payment of principal on bonds payable - 2012		360,000
Add:	Payment of principal on bonds payable - 2014		185,000
Add:	Payment of principal on bonds payable - 2015		325,000
Deduct:	Deferred charge on 2010 refunding		(15,357)
Deduct:	Amortization of 2012 debt discount		(2,550)
Add:	Amortization of 2014 debt premium		12,137
Add:	Amortization of 2015 debt premium		32,650
Deduct:	Proceeds from school bond loan fund		(147,447)
Deduct:	Proceeds from capital lease		(82,862)
Deduct:	Payment on capital lease		28,164
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.			
Add:	Change in deferred outflow - related to pension		1,271,442
Deduct:	Change in deferred outflow - related to other post-employment benefits		(87,495)
Deduct:	Change in net pension liability		(164,482)
Add:	Change in net other post-employment benefits		276,242
Deduct:	Change in deferred inflow - related to pension		(919,948)
Deduct:	Change in deferred inflow - related to other post-employment benefits		(170,502)
Add:	Change in accrued interest on long term debt		7,196
Deduct:	Change in accrual for compensated absences		(30,009)
Revenue in support of pension contribution made subsequent to the measurement date			
Deduct:	Change in deferred inflow - 147c allocation		(253,932)
Change in net position - governmental activities		$	(12,172)

St. Louis Public School District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2018

	Agency Fund
Assets	
Cash and cash equivalents	$ 204,803
Liabilities	
Due to student and other groups	204,803
Net position	
Restricted	$ -

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the St. Louis Public School District (the District) conform to generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the District. All amounts shown are in dollars.

Reporting Entity

The District is governed by Board of Education members which have the responsibility and control over all activities related to public school education within the District. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The District receives funding from local, state and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the District's reporting entity, and which organizations are legally separate, component units of the District. Based on the application of the criteria, the District does not contain any component units.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds. Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following major governmental funds:

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

- The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The District reports the following non-major governmental funds:

- The *capital projects funds* account for the receipt of bond proceeds, transfers from the general fund (as applicable), and the acquisition of fixed assets or construction of capital projects.

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

The District reports the following fiduciary funds:

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

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

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

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

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

The agency fund has no measurement focus but utilizes the accrual basis if accounting for reporting its assets and liabilities.

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

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

- The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
- Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30. The District does not consider these amendments to be significant.

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

Cash and Cash Equivalents
The District's cash and cash equivalents are considered to be demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

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

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

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

Capital Assets
Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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

Assets	Years
Land	Not Depreciated
Construction in Progress	Not Depreciated
Buildings and Additions	20 – 50
Equipment	5 – 20
Vehicles	5 – 10

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District has the following items that qualify for reporting in this category:

- Deferred charge on refunding - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Related to other post-employment benefits - A deferred outflow is recognized for other post-employment benefits related items. These amounts are expensed in the plan year in which they apply.
- Related to pension - A deferred outflow is recognized for pension related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualifies for reporting in this category:

- Related to pension - Future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary.
- Related to other post-employment benefits - Future resources yet to be recognized in relation to the OPEB actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the OPEB liability and the actual results. The amounts are amortized over a period determined by the actuary.
- 147c allocation - Restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period.

Compensated Absences

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

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the fund financial statements and Government-wide financial statements, and revenue is recognized.

Long-term Obligations

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

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

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.

Net Position and Fund Balances

Restricted net position shown in the Government-wide financial statements will generally be different from amounts reported as reserved/designated fund balances in the governmental fund financial statements. This occurs because of differences in the measurement focus and basis of accounting used in the government-wide and fund financial statements and because of the use of funds to imply that restrictions exist.

Net Position – Restrictions

Net position in the government-wide financial statements are reported as restricted when constraints placed on net position use is either:

- Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

Fund Balance

The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* - amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.
- *Committed fund balance* - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- *Assigned fund balance* - amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.
- *Unassigned fund balance* - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Property Tax Revenue

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

The District levied the following amounts per $1,000 of assessed valuation. The District levied 18.00 mills for school general operations on the non-homestead taxable value. The District also levied an additional 8.00 mills on all property in the District for the purpose of debt service.

State Aid Revenue

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

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

At June 30th, the carrying amount of the District's cash, cash equivalents and investments were as follows:

Description	Amount
Petty cash	1,094
Checking, savings, & money market accounts	2,092,464
Total	2,093,558

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2018, the fair value of the District’s investments is the same as the value of the pool shares.

The other pooled investment fund is Michigan Class. Michigan Class is considered a local government investment pool of "qualified" investments for Michigan School Districts. Michigan Class is not regulated nor is it registered with the SEC. Michigan Class reports as of year-end, the fair value of the District's investments is the same as the value of the pooled shares.

MILAF, as defined by the GASB, are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures. Michigan Class is recorded at fair value and are subject to fair value disclosures.

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

Credit risk: State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk: The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2018, $1,851,900 of the District's bank balance of $2,101,900 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts. The fiduciary fund balances are not included in the above balances.

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

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

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

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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

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

NOTE 3 - DUE FROM OTHER GOVERNMENTAL UNITS

As of June 30th, due from other governmental units is comprised of the following amounts:

Description	Amount
State aid	1,501,495
Federal grants and other pass-through agencies	76,869
Total	1,578,364

No allowance for doubtful accounts is considered necessary.

NOTE 4 - CAPITAL ASSETS
A summary of changes in the District's capital assets follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated				
Land	160,785	-	-	160,785
Total capital assets not being depreciated	160,785	-	-	160,785
Capital assets being depreciated				
Buildings & additions	35,460,916	116,233	(25,000)	35,552,149
Capital leases	-	82,862	-	82,862
Furniture & equipment	2,454,683	7,255	(390,706)	2,071,232
Vehicles	1,130,137	83,943	(190,917)	1,023,163
Total capital assets being depreciated	39,045,736	290,293	(606,623)	38,729,406
Accumulated depreciation				
Buildings & additions	(17,446,066)	(792,194)	25,000	(18,213,260)
Capital leases	-	(1,726)	-	(1,726)
Furniture & equipment	(1,171,452)	(179,708)	390,706	(960,454)
Vehicles	(631,475)	(134,542)	190,917	(575,100)
Total accumulated depreciation	(19,248,993)	(1,108,170)	606,623	(19,750,540)
Net capital assets being depreciated	19,796,743	(817,877)	-	18,978,866
Net capital assets	19,957,528	(817,877)	-	19,139,651

Depreciation for the year ended June 30, 2018 totaled $1,108,170. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - ACCRUED EXPENSES
Accrued expenses as of year-end include amounts due for accrued wages, retirement, FICA, employee benefit insurances, and termination benefits (if any). Accrued wages represent the remaining balance on teacher contracts to be paid during the summer and other salaries and wages earned as of June 30th.

NOTE 6 - DEBT
Short-term debt
On August 21, 2017, the District borrowed $1,100,000 in one note from the Michigan Finance Authority in the form of a State Aid Anticipation note for the purpose of providing funds for school operations. The interest rate is stated at 1.42% and is payable on August 20, 2018.

On August 20, 2018 (after the end of the fiscal year), the District borrowed $1,300,000 in one note from the Michigan Finance Authority in the form of a State Aid Anticipation note for the purpose of providing funds for school operations. The interest rate is stated at 2.43% and is payable on August 20, 2019. This loan was acquired after the end of the fiscal year and, therefore, is not shown as a current liability.

Long-term debt
2010 Refunding Bonds
During the fiscal year ended June 30, 2011, the District issued $6,940,000 of general obligation tax-exempt bonds for the purpose of an advance refunding of $6,725,000 of the 2001 bonds outstanding.

As a result, the 2001 bonds have been advance refunded and the liability has been removed from the governmental activities column of the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next 15 years by $766,267 and resulted in an economic gain of approximately $644,837.

2012 Refunding Bonds
During the fiscal year ended June 30, 2013, the District issued $2,550,000 of general obligation tax-exempt bonds for the purpose of a current refunding of $2,481,302 of the School Bond Loan Fund outstanding.

2014 Bonds
During the fiscal year ended June 30, 2015, the District issued $7,625,000 for the following purposes:

- remodeling, furnishing and equipping school buildings
- building and equipping an addition to the high school building
- acquiring and installing educational technology
- purchasing school busses
- building and equipping a new bus maintenance facility and two storage facilities
- developing and improving playgrounds, athletic fields and facilities
- paying the costs of issuing the bonds

2015 Refunding Bonds
In February 2015, the School District issued $2,895,000 in 2015 refunding bonds with an interest rate of 4.0 percent. The 2015 refunding bonds were used to pay $3,295,000 in 2005 refunding bonds with an average interest rate of 4.52 percent. $400,000 of existing funds in the 2005 debt fund were used to make up the difference between the 2005 principal and 2015 proceeds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the School District’s long-term obligations. The escrow agent paid the 2005 refunding bonds in May 2015. The refunding reduced total debt service payments by approximately $495,748, which represents an economic gain of approximately $410,660.

Capital lease
The District entered into a lease agreement as lessee for financing the acquisition of a bus valued at $82,862. The bus has a 8 year estimated useful life. This year, $1,726 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30th, were as follows:

Year Ending June 30	Amount
2019	28,164
2020	28,164
Total minimum lease payments	56,328
Less: amount representing interest	(1,630)
Present value of minimum lease payments	54,698

Summary of Debt Transactions
The changes in debt during the fiscal year are as follows:

	Beginning Balance	Additions	(Deletions)	Ending Balance	Due within one year
Short-term debt	1,500,000	1,100,000	(1,500,000)	1,100,000	1,100,000
Long-term debt					
Compensated abs	119,581	47,946	(17,937)	149,590	22,439
Capital lease	-	82,862	(28,164)	54,698	28,164
2010 Refunding Bonds	4,190,000	-	(590,000)	3,600,000	605,000
2012 Refunding Bonds	1,200,000	-	(360,000)	840,000	390,000
2014 Bonds	7,215,000	-	(185,000)	7,030,000	195,000
2015 Refunding Bonds	2,360,000	-	(325,000)	2,035,000	315,000
School Bond Loan Fund	-	147,447	-	147,447	-
Total long-term debt	15,084,581	278,255	(1,506,101)	13,856,735	1,555,603

The annual requirements to pay principal and interest on the obligations outstanding at June 30, 2018, are shown in the *Schedule of Long-term Debt*.

NOTE 7 - NET INVESTMENT IN CAPITAL ASSETS

As of June 30th, the composition of net investment in capital assets was comprised of the following:

Net investment in capital assets	Amount
Capital assets not being depreciated	160,785
Capital asset being depreciated, net	18,978,866
Capital related general obligation bonds	(13,505,000)
Capital lease	(54,698)
Unamortized premium on bond refunding	(450,787)
Unamortized discount on bond refunding	5,100
Unamortized deferred charge on bond refunding	92,143
Net investment in capital assets	5,226,409

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District participates in the SET/SEG risk pool for claims relating to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The District has purchased commercial insurance for medical claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 9 - RETIREMENT BENEFITS

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 on the ORS website at www.michigan.gov/orsschools.

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 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 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

Districts 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.

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

The schedule below summarizes pension contribution rates in effect for the plan's fiscal year 2017.

Benefit Structure	Member	District
Basic	0.0 - 4.0%	19.03%
Member Investment Plan	3.0 - 7.0%	19.03%
Pension Plus	3.0 - 6.4%	18.40%
Defined Contribution	0.0%	15.27%

Required contributions to the pension plan from the District were $1,334,096 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 $14,739,562 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. The District's proportion of the net pension liability was determined by dividing each District's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable Districts during the measurement period. At September 30, 2017, the

District’s proportion was 0.0005687821%, which was a decrease of -0.00154086% from its proportion measured as of September 30, 2016.

For the year ending June 30, 2018, the District recognized pension expense of $1,406,986. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	128,097	72,324
Changes of Assumptions	1,614,836	-
Net difference between projected and actual earnings on pension plan investments	-	704,648
Changes in proportion and differences between District contributions and proportionate share of contributions	138,141	586,353
District contributions subsequent to the measurement date	1,409,644	-
Total	3,290,718	1,363,325

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from District 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 reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2018	147,730
2019	372,954
2020	70,616
2021	(73,551)

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District 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 District 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, 2016
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.

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 or 1.1222 for university employers]*
- *Recognition period for assets in years is 5.0000*
- *Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at 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 of Return*
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 7.5% 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 7.5% (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 District 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.

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

1% Decrease (Non-Hybrid/Hybrid)* 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%
19,200,747	14,739,562	10,983,529
* 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.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)
At year end the District is current on all required pension plan payments. At June 30, 2018, the District reported a payable of $176,386 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018, consisting of pension contribution payable plus any other amounts owed to the pension plan including the UAAL payments for July and August 2018.

NOTE 10– OTHER POST EMPLOYMENT BENEFITS (RETIREE HEALTH CARE)

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.

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 plan's fiscal year 2017.

Benefit Structure	Member	Employer
Premium Subsidy	3.00%	5.91%
Personal Healthcare Fund (PHF)	0.00%	5.69%

Required contributions to the OPEB plan from the District were $443,353 for the year ended September 30, 2017.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2018, the District reported a liability of $5,042,888 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. The District'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, the District's proportion was 0.0005694658%, which was the same percentage as its proportion measured as of October 1, 2016.

For the year ending June 30, 2018, the District recognized OPEB expense of $337,307. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	-	53,692
Changes of Assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	116,794
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	16
Employer contributions subsequent to the measurement date	334,824	-
Total	334,824	170,502

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 (To Be Recognized in Future OPEB Expenses)	
2018	(41,201)
2019	(41,201)
2020	(41,201)
2021	(41,201)
2022	(5,698)

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:	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 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

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-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 OPEB 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 of Return*
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 the District's proportionate share of the net OPEB liability to changes in the discount rate
The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the District'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%
5,906,679	5,042,888	4,309,800

Sensitivity of the District's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate
The following presents the District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the District'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	1% Increase
4,270,648	5,042,888	5,919,712

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.

Payables to the OPEB Plan
At year end the District is current on all required OPEB plan payments. At June 30, 2018, the District reported a payable of $81,979 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018, consisting of OPEB contribution payable plus any other amounts owed to the OPEB plan including the UAAL payments for July and August 2018.

NOTE 11 - TRANSFERS
During the year the following transfers were made between funds:

- The transfer of $100 from the general fund to the food service fund for the purpose of covering indirect costs.

NOTE 12 – RESTATEMENT OF NET POSITION
As of June 30, 2018, the beginning net position was restated as follows:

Description of Restatement	Beginning Balance Previously Reported	Restatement	Beginning Balance As Restated
Net Position	(7,092,232)	(4,896,811)	(11,989,043)

The beginning net position was restated to reflect the implementation of GASB 75. Net position was restated by $(4,896,811) which is the cumulative difference (as of June 30, 2017) between the net OPEB liability of $(5,319,130) and the deferred outflow – related to OPEB of $ 422,319. NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (RETIREE HEALTH CARE) contains additional information regarding the implementation of GASB 75.

NOTE 13 - JOINT VENTURE
The District is a member of the Middle Michigan Network for Educational Telecommunications (MMNET). As a member of MMNET, the District was required to purchase an interest in various communication equipment and services as well as pay for annual administrative cost incurred by Gratiot-Isabella RESD, the administrative agent. Information regarding the purchase of equipment and services is shown in the above notes.

The MMNET Consortium was established by a previously approved inter local Consortium Agreement. The purpose of MMNET is to provide for interactive voice/video/data interconnections and services required for, or useful in, the instruction and training of students and other persons utilizing the participants services, the conducting of research, or the administrative operations of the participants; and to enable the participants to cooperatively share their resources for the ownership, financing, installation, administration and operation of MMNET. The District does not have an explicit, measurable equity interest in MMNET therefore an asset has not been reported in connection with the District's participation in this joint venture

Additional information on MMNET, including separate financial statements, is available by contacting the fiscal agent at Gratiot-Isabella Regional Education Service District, 1131 East Center Street, Ithaca, Michigan 48847.

NOTE 14 - TAX ABATEMENTS

Effective for the year ended June 30, 2018 the District is required to disclose significant tax abatements as required by GASB statement 77 (Tax abatements).

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

Municipality	Amount
City of St. Louis	65,883
Bethany Township	13,154
Total	79,037

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

There are no significant abatements made by the District.

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 84, Fiduciary Activities, was issued by the GASB in January 2017 and will be effective for the District's 2019-2020 fiscal year. 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.

GASB Statement No. 87, Leases, was issued by the GASB in June 2017 and will be effective for the District's 2020-2021 fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

St. Louis Public School District
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Local sources	$ 1,212,917	$ 1,204,944	$ 1,209,782	$ 4,838
State sources	8,054,994	8,314,254	8,313,737	(517)
Federal sources	279,430	214,299	314,057	99,758
Other sources	333,421	294,374	294,374	-
Total revenues	9,880,762	10,027,871	10,131,950	104,079
Expenditures				
Instruction				
Basic programs	4,778,258	4,988,468	4,925,543	62,925
Added needs	1,280,282	1,325,703	1,304,486	21,217
Total instruction	6,058,540	6,314,171	6,230,029	84,142
Support services				
Pupil	370,169	385,199	382,216	2,983
Instructional staff	130,966	151,713	146,972	4,741
General administration	440,721	467,392	458,315	9,077
School administration	755,949	789,603	798,239	(8,636)
Business services	179,488	187,911	183,098	4,813
Operation and maintenance	1,208,112	1,244,135	1,185,529	58,606
Pupil transportation	438,543	444,617	469,322	(24,705)
Central	196,925	200,898	198,112	2,786
Athletics	279,161	292,188	277,986	14,202
Total support services	4,000,034	4,163,656	4,099,789	63,867
Community Services	2,899	4,579	3,260	1,319
Other	22,100	23,600	51,498	(27,898)
Total expenditures	10,083,573	10,506,006	10,384,576	121,430
Revenues over (under) expenditures	(202,811)	(478,135)	(252,626)	225,509
Other financing sources (uses)				
Transfers out	-	-	(100)	100
Net change in fund balance	(202,811)	(478,135)	(252,726)	225,609
Fund balance - beginning	1,461,147	1,461,147	1,461,147	-
Fund balance - ending	$ 1,258,336	$ 983,012	$ 1,208,421	$ 225,609

St. Louis Public School District
Budgetary Comparison Schedule for the Food Service Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Local sources	$ 103,817	$ 107,651	$ 93,446	$ (14,205)
State sources	19,170	21,587	21,588	1
Federal sources	405,374	475,018	498,384	23,366
Total revenues	528,361	604,256	613,418	9,162
Expenditures				
Food service	485,800	594,120	603,986	(9,866)
Revenues over (under) expenditures	42,561	10,136	9,432	(704)
Other financing sources (uses)				
Transfers in	-	100	100	-
Net change in fund balance	42,561	10,236	9,532	(704)
Fund balance - beginning	25,669	25,669	25,669	-
Fund balance - ending	$ 68,230	$ 35,905	$ 35,201	$ (704)

St. Louis Public School District
Required Supplemental Information
Michigan Public School Employees Retirement Plan
Prospective 10-year trend information - Pension

Schedule of the District's Proportionate Share of the Net Pension Liability

Description	Plan year Sept 30, 2017	Plan year Sept 30, 2016	Plan year Sept 30, 2015	Plan year Sept 30, 2014
District's proportion of net pension liability (%)	0.05687821%	0.05841907%	0.06056334%	0.05896609%
District's proportionate share of net pension liability	$ 14,739,562	$ 14,575,080	$ 14,792,612	$ 12,988,168
District's covered employee payroll	$ 4,759,859	$ 4,693,926	$ 5,073,372	$ 4,942,341
District's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	309.66%	310.51%	291.57%	262.79%
Plan fiduciary net position as a percentage of total pension liability	63.27%	63.01%	62.92%	66.20%

Note: Amounts were determined as of 9/30 of each fiscal year.

Schedule of the District's Pension Contributions

Description	Fiscal year June 30, 2018	Fiscal year June 30, 2017	Fiscal year June 30, 2016	Fiscal year June 30, 2015
Statutorily required pension contributions	$ 1,532,873	$ 1,331,905	$ 1,340,072	$ 959,807
Contributions in relation to statutorily required pension contributions	$ 1,532,873	$ 1,331,905	$ 1,340,072	$ 959,807
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District’s covered-employee payroll	$ 4,934,592	$ 4,707,028	$ 4,735,490	$ 5,279,232
Contributions as a percentage of covered-employee payroll	31.06%	28.30%	28.30%	18.18%

Note: Amounts were determined as of 6/30 of each year.

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes of benefit terms
Changes of assumptions: There were no changes of benefit assumptions

St. Louis Public School District
Required Supplemental Information
Michigan Public School Employees Retirement Plan
Prospective 10-year trend information - OPEB

Schedule of the District's Proportionate Share of the Net OPEB Liability

Description	Plan year Sept 30, 2017
District's proportion of net OPEB liability (%)	0.05694658%
District's proportionate share of net OPEB liability	$ 5,042,888
District's covered employee payroll	$ 4,759,859
District's proportionate share of net OPEB liability as a percentage of its covered employee payroll (%)	105.95%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%

Note: Amounts were determined as of 9/30 of each fiscal year.

Schedule of the District's OPEB Contributions

Description	Fiscal year June 30, 2018
Statutorily required OPEB contributions	$ 388,233
Contributions in relation to statutorily required OPEB contributions	$ 388,233
Contribution deficiency (excess)	$ -
District’s covered-employee payroll	$ 4,934,592
Contributions as a percentage of covered-employee payroll	7.87%

Note: Amounts were determined as of 6/30 of each year.

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes of benefit terms
Changes of assumptions: There were no changes of benefit assumptions

OTHER SUPPLEMENTARY INFORMATION

St. Louis Public School District
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2018

	Capital Projects	Food Service	Total Nonmajor Funds
Assets			
Cash and investments	$ 66,864	$ 27,987	$ 94,851
Due from other governmental units	-	12,717	12,717
Inventory	-	19,662	19,662
Total assets	$ 66,864	$ 60,366	$ 127,230
Liabilities			
Accounts payable	$ -	$ 26,195	$ 26,195
Total liabilities	-	26,195	26,195
Fund balance			
Nonspendable	-	19,662	19,662
Restricted	66,864	14,509	81,373
Total fund balance	66,864	34,171	101,035
Total liabilities and fund balance	$ 66,864	$ 60,366	$ 127,230

St. Louis Public School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Capital Projects	Food Service	Total Nonmajor Funds
Revenues			
Local sources	$ 1,030	$ 92,416	$ 93,446
State sources	-	21,588	21,588
Federal sources	-	498,384	498,384
Total revenues	1,030	612,388	613,418
Expenditures			
Support services			
Business services	9,184	-	9,184
Operation and maintenance	3,276	-	3,276
Pupil transportation	87,708	-	87,708
Total support services	100,168	-	100,168
Facilities Construction and Improvements	127,682	-	127,682
Food service	-	603,986	603,986
Total expenditures	227,850	603,986	831,836
Revenues over (under) expenditures	(226,820)	8,402	(218,418)
Other financing sources (uses)			
Transfers in	-	100	100
Net change in fund balance	(226,820)	8,502	(218,318)
Fund balance - beginning	293,684	25,669	319,353
Fund balance - ending	$ 66,864	$ 34,171	$ 101,035

St. Louis Public School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2018

Fiscal Year Ending	Interest Rate (%)	Annual Principal Due	Interest Due 1st Payment	Interest Due 2nd Payment	Total
2010 Refunding Bonds - $6,940,000					
Interest due November 1 and May 1; Principal due May 1					
2019	4.60	$ 605,000	$ 55,953	$ 55,953	$ 716,906
2020	4.60	595,000	47,180	47,180	689,360
2021	4.60	590,000	38,106	38,106	666,212
2022	4.60	605,000	28,961	28,961	662,922
2023	4.70	595,000	19,433	19,433	633,866
2024	4.70	610,000	9,913	9,913	629,826
Total		3,600,000	199,546	199,546	3,999,092
2012 Refunding Bonds - $2,550,000					
Interest due November 1 and May 1; Principal due May 1					
2019	2.10	390,000	9,270	9,270	408,540
2020	2.30	450,000	5,175	5,175	460,350
Total		840,000	14,445	14,445	868,890
2014 Bond Issue - $7,625,000					
Interest due November 1 and May 1; Principal due May 1					
2019	4.00	195,000	140,600	140,600	476,200
2020	4.00	200,000	136,700	136,700	473,400
2021	4.00	205,000	132,700	132,700	470,400
2022	4.00	220,000	128,600	128,600	477,200
2023	4.00	230,000	124,200	124,200	478,400
2024	4.00	245,000	119,600	119,600	484,200
2025	4.00	285,000	114,700	114,700	514,400
2026	4.00	295,000	109,000	109,000	513,000
2027	4.00	310,000	103,100	103,100	516,200
2028	4.00	320,000	96,900	96,900	513,800
2029	4.00	335,000	90,500	90,500	516,000
2030	4.00	350,000	83,800	83,800	517,600
2031	4.00	360,000	76,800	76,800	513,600
2032	4.00	375,000	69,600	69,600	514,200
2033	4.00	390,000	62,100	62,100	514,200
2034	4.00	410,000	54,300	54,300	518,600
2035	4.00	425,000	46,100	46,100	517,200
2036	4.00	440,000	37,600	37,600	515,200
2037	4.00	460,000	28,800	28,800	517,600
2038	4.00	480,000	19,600	19,600	519,200
2039	4.00	500,000	10,000	10,000	520,000
Total		7,030,000	1,785,300	1,785,300	10,600,600
2015 Refunding Bonds - $2,895,000					
Interest due November 1 and May 1; Principal due May 1					
2019	4.00	$ 315,000	$ 40,700	$ 40,700	$ 396,400
2020	4.00	310,000	34,400	34,400	378,800
2021	4.00	360,000	28,200	28,200	416,400
2022	4.00	350,000	21,000	21,000	392,000
2023	4.00	350,000	14,000	14,000	378,000
2024	4.00	350,000	7,000	7,000	364,000
Total		2,035,000	145,300	145,300	2,325,600

St. Louis Public School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2018

Fiscal Year Ending	Annual Principal Due	Annual Interest Due	Total
Summary by Year			
2019	$ 1,505,000	$ 493,046	$ 1,998,046
2020	1,555,000	446,910	2,001,910
2021	1,155,000	398,012	1,553,012
2022	1,175,000	357,122	1,532,122
2023	1,175,000	315,266	1,490,266
2024	1,205,000	273,026	1,478,026
2025	285,000	229,400	514,400
2026	295,000	218,000	513,000
2027	310,000	206,200	516,200
2028	320,000	193,800	513,800
2029	335,000	181,000	516,000
2030	350,000	167,600	517,600
2031	360,000	153,600	513,600
2032	375,000	139,200	514,200
2033	390,000	124,200	514,200
2034	410,000	108,600	518,600
2035	425,000	92,200	517,200
2036	440,000	75,200	515,200
2037	460,000	57,600	517,600
2038	480,000	39,200	519,200
2039	500,000	20,000	520,000
Totals	13,505,000	4,289,182	17,794,182

Year 1	1,505,000	493,046	1,998,046
Year 2	1,555,000	446,910	2,001,910
Year 3	1,155,000	398,012	1,553,012
Year 4	1,175,000	357,122	1,532,122
Year 5	1,175,000	315,266	1,490,266
Year 6 - 10	2,415,000	1,120,426	3,535,426
Year 11 - 15	1,810,000	765,600	2,575,600
Year 16 - 20	2,215,000	372,800	2,587,800
Year 21 - 25	500,000	20,000	520,000
	13,505,000	4,289,182	17,794,182