Hastings Area School System
Hastings, Michigan

FINANCIAL STATEMENTS

June 30, 2018

Hastings Area School System

Hastings, Michigan

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Hastings Area School System

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STEVENS KIRINOVIC & TUCKER P.C.

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Hastings Area School System
Hastings, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hastings Area School System (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 Hastings Area School System 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.

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Emphasis of Matter - Change in Accounting Principle

As discussed in Note Q to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. Our opinion is not modified with respect to this matter.

As also discussed in Note Q to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. 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, schedules of proportionate share of net pension liability and contributions, and schedules of proportionate share of net OPEB liability and contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

October 11, 2018

This section of Hastings Area School System's (the District) annual financial report presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District financially as a whole. The **district-wide** financial statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. The **fund** financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the District's operations in more detail than the district-wide financial statements by providing information about the District's most significant (major) funds, the General Fund, Debt Service Fund, and Building and Site Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary (Student Activities Agency) assets and liabilities, presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

District-wide Financial Statements

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

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

The statement of net position and the statement of activities report the governmental activities for the District, which encompass all of the District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, the District establishes many other funds to help it control and manage money for particular purposes (the Food Service in as example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the District use the following accounting approach:

Governmental funds - All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is explained through the reconciliations on pages 4 and 6.

The District as Trustee - Reporting the School District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. The fiduciary activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The District as a Whole

Recall that the statement of net position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2018, with comparative information as of June 30, 2017:

Table 1

	Statement of Net Position	
	June 30, 2018	June 30, 2017
Assets		
Current and other assets	$ 25,307,773	$ 43,367,715
Capital assets	54,943,347	37,173,813
Total assets	80,251,120	80,541,528
Deferred outflows of resources	9,492,693	6,098,985
Liabilities		
Current liabilities	10,825,346	11,242,165
Noncurrent liabilities	101,762,226	103,871,805
Total liabilities	112,587,572	115,113,970
Deferred inflows of resources	4,312,316	1,284,396
Net position		
Net investment in capital assets	12,274,486	10,205,340
Restricted	2,393,084	1,943,174
Unrestricted	(41,823,645)	(41,906,367)
Total net position	$ (27,156,075)	$ (29,757,853)

By far the most significant portion of the District's net position is the negative unrestricted portion caused mainly by pensions and OPEB. The District also reports its investment in capital assets (e.g., land, buildings, equipment, etc.), net of related debt. The District uses these capital assets to provide services to students and residents of the community; consequently, these assets are *not* available for future spending. Also, a certain amount of net position was restricted for specific purposes such as debt service and capital projects.

The analysis in Table 1 focuses on the net position of the District. The effect on net position as a result of the fiscal year activities is reflected in Table 2.

The District's net position was ($27,156,075) on at June 30, 2018, and ($29,757,853) at June 30, 2017, (Table 1). Net position increased from the prior fiscal year by $2,601,778. This increase was primarily the result of paying down district debt.

Net investment in capital assets, totaling $12,274,486, compares the original cost, less depreciation of the District's capital assets, to the long-term debt used to finance the acquisition of those assets. Capital assets also reflect investments in capital assets from operating funds. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use that net position for day-to-day operations. Restricted net position reflects amounts that are restricted by outside sources including for the Debt Service Fund balance less accrued interest on long-term debt and the Sinking Fund and other capital projects balances as of June 30, 2018. Unrestricted net position reflects those assets available to the school district for use in its operation.

The ($41,823,645) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net position balance enables the District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year. This is negative primarily due to the significant pension and OPEB liability the District has at year-end.

The results of this year's operations for the District as a whole are reported in the condensed statement of activities (Table 2), which shows the changes in net position for fiscal year 2017/2018. Depreciation costs are not allocated to areas of activities but reflected in the Statement of Activities as unallocated.

Table 2

	Year Ended, June 30, 2018	Year Ended, June 30, 2017
Revenues		
Program revenues		
Charges for services	$ 1,120,164	$ 1,165,561
Operating grants and contributions	5,419,776	4,805,022
Capital grants and contributions	172,530	363,044
General revenues		
Property taxes	8,226,182	8,028,693
State school aid - unrestricted	16,565,690	16,771,030
Other	575,016	339,108
Total revenue	32,079,358	31,472,458
Functions/Program Expenses		
Instruction	15,244,264	16,135,655
Support services	8,867,833	9,432,797
Food services	1,008,812	1,102,283
Community service	792,106	758,049
Interest and costs on long-term debt	1,899,737	2,184,233
Unallocated depreciation	1,664,828	1,550,022
Total expenses	29,477,580	31,163,039
Increase in net position	$ 2,601,778	$ 309,419

The 2017/2018 fiscal year presented a number of challenges for the District, particularly in the General Fund. However, with a moderate increase in state aid revenue it was anticipated that revenues would outpace expenses. There continues to be a strain on the State's ability to adequately fund public schools. Expenses continue to increase without a corresponding increase in revenues. Other factors that affect the value of Net Position are year-to-year fund balances in the debt service funds, amounts of debt outstanding, as well as the fund balance in the School Service funds at year-end.

As reported in the Statement of Activities, the cost of all of the *governmental* activities this year was $29,477,580. Certain activities were partially funded from those who benefited from the programs ($1,120,164 charges for services) or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions ($5,592,306). The remaining "public benefit" portion of the governmental activities was paid with $8,226,182 in taxes (for General and Debt funds) and $17,140,706 in State foundation allowance, and other revenues, i.e., interest and general entitlements, in the current year.

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

The District's Funds

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

As the District completed this year, the governmental funds reported a combined fund balance of $17,940,827, which is a decrease of approximately $17,974,003 from the prior fiscal year. The primary reason for this is the payment for renovation and rehabilitation of District buildings from bond proceeds received in 2016.

Fund Highlights

Over the course of the year, the District revises its budget multiple times as it attempted to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2015, just before the fiscal year-end. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements.

There were several revisions made to the 2017/2018 General Fund original budget. The final amended revenue and other financing sources budget was amended upwards by approximately $1,089,438 (4.51%) as better information related to state and federal funding and the pupil count became available. Actual revenues and other financing sources were approximately $8,789 more than final amended budget as the District received unexpected year end state and federal aid adjustments and greater than anticipated local funds from grants and contributions.

The final amended expenditure and other financing uses budget of the General Fund was amended upwards by approximately $1,135,616 (4.73%) once the revenue picture was better known and the funds available to expend could be accurately determined. Actual expenditures and other financing uses were approximately $82,816 (0.33%) under the final amended budget. Actual expenditures and other financing uses increased by approximately $713,693 from fiscal year 2017 as a result of the purchase of five new school busses, purchase of Reading Streets elementary curriculum and the addition of a Middle School Assistant Principal.

The Debt Service Fund had a fund balance of $1,321,702 at June 30, 2018, all of which is restricted for the payment of debt related to certain District bonds. The fund balance was similar to the prior fiscal year as revenues offset expenditures incurred paying down district debt.

The Building and Site Fund had a fund balance of $13,190,109 at June 30, 2018, all of which is restricted for the renovation and rehabilitation of District buildings. The fund balance decreased significantly during fiscal year 2018 as a result of capital project activity related to the issuance of the 2016 Building and Site Bonds.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018, the District had approximately $54.9 million invested in a broad range of net capital assets, including land, buildings, vehicles, furniture, and equipment (net of accumulated depreciation). This amount represents a net increase (including additions and disposals) of approximately $17,769,534 from the prior fiscal year. Below is the historical cost (net of accumulated depreciation) of all District capital assets:

	2018	2017
Land	$ 53,410	$ 53,410
Construction in progress	31,797,228	13,191,183
Buildings and building improvements	22,261,300	23,131,006
Buses and other vehicles	572,554	369,319
Furniture and equipment	258,855	428,895
Total	$ 54,943,347	$ 37,173,813

See Note E to the financial statements for more details related to capital assets.

Debt

At the end of this year, the District had more than $49 million in bonds and other obligations outstanding versus approximately $52 million in the previous year. Those debts consisted of the following:

	2018	2017
General obligation bonds	$ 48,868,071	$ 51,654,246
Capital lease and installment purchase agreements	455,751	298,045
Compensated absences	404,280	366,706
Total	$ 49,728,102	$ 52,318,997

The State limits the amount of general obligation debt that schools can issue up to 15 percent of the assessed value of all taxable property within the District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The District's outstanding qualified general obligation debt is below the statutorily imposed limit.

The District also had $6,060,793 in unamortized bond items. Long-term obligations, including compensated absences, are reported as required by GASB. More detailed information about long-term liabilities is presented in Note G to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The District's elected officials and administration considered many factors when setting the District's 2018/2019 fiscal year budgets. One of the most important factors affecting the budget is the student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2019 fiscal year is 90 percent and 10 percent of the October 2018 and February 2018 student counts, respectively. The 2018/2019 budget was adopted in June 2018, based on an estimate of students that will be enrolled in September 2018. Approximately 75 percent of total General Fund revenue is from the foundation allowance. Under State law, the District cannot access additional property tax revenue for general operations. As a result, District funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, State law requires the District to amend the budget if actual resources are not sufficient to fund original appropriations.

Since the District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues.

Another important factor is a decrease in federal funding to Title I and Title II programs which help the neediest students and provides training for the District staff.

Contacting the District's Management

This financial report is intended to provide taxpayers, parents, and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the Business Office, 232 West Grand Street, Hastings, Michigan 49058.

BASIC FINANCIAL STATEMENTS

Hastings Area School System

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 16,467,290
Investments	4,948,643
Accounts receivable	120,766
Due from other governmental units	3,738,780
Inventory	20,524
Prepaids	11,770
Total current assets	25,307,773
Noncurrent assets	
Capital assets not being depreciated	31,850,638
Capital assets, net of accumulated depreciation	23,092,709
Total noncurrent assets	54,943,347
TOTAL ASSETS	80,251,120
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	350,284
Deferred outflows of resources related to pensions	8,487,837
Deferred outflows of resources related to OPEB	654,572
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,492,693
LIABILITIES	
Current liabilities	
Accounts payable	1,979,329
Accrued payroll liabilities	2,235,484
Other accrued liabilities	79,397
Unearned revenue	12,135
Accrued interest payable	367,663
Short-term notes payable	3,034,521
Current portion of compensated absences	197,194
Current portion of long-term debt	2,919,623
Total current liabilities	10,825,346
Noncurrent liabilities	
Noncurrent portion of compensated absences	207,086
Noncurrent portion of long-term debt	52,464,992
Net pension liability	36,563,482
Net OPEB liability	12,526,666
Total noncurrent liabilities	101,762,226
TOTAL LIABILITIES	112,587,572
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	3,888,824
Deferred inflows of resources related to OPEB	423,492
TOTAL DEFERRED INFLOWS OF RESOURCES	4,312,316
NET POSITION	
Net investment in capital assets	12,274,486
Restricted	2,393,084
Unrestricted	(41,823,645)
TOTAL NET POSITION	$(27,156,075)

See accompanying notes to financial statements.

Hastings Area School System

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Instruction	$ 15,244,264	$ 3,835	$ 4,717,297	$ -	$ (10,523,132)
Supporting services	8,867,833	242,641	71,670	26,612	(8,526,910)
Food service	1,008,812	317,096	630,809	-	(60,907)
Community service	792,106	556,592	-	-	(235,514)
Interest and costs on long-term debt	1,899,737	-	-	145,918	(1,753,819)
Unallocated depreciation	1,664,828	-	-	-	(1,664,828)
TOTAL	$ 29,477,580	$ 1,120,164	$ 5,419,776	$ 172,530	(22,765,110)
General revenues					
Property taxes					8,226,182
State school aid - unrestricted					16,565,690
County special education allocation					63,486
Investment earnings					376,450
Miscellaneous					135,080
TOTAL GENERAL REVENUES					25,366,888
CHANGE IN NET POSITION					2,601,778
Restated net position, beginning of year					(29,757,853)
Net position, end of year					$ (27,156,075)

See accompanying notes to financial statements.

Hastings Area School System

Governmental Funds

BALANCE SHEET

June 30, 2018

	General	Debt Service	Building and Site Fund (Capital Project)	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 4,547,514	$ 318,328	$ 10,966,077	$ 635,371	$ 16,467,290
Investments	-	1,000,000	3,948,643	-	4,948,643
Accounts receivable	111,505	3,374	-	5,887	120,766
Due from other funds	1,600	-	-	-	1,600
Due from other governmental units	3,698,075	-	-	14,625	3,712,700
Inventory	10,864	-	-	9,660	20,524
Prepaids	11,770	-	-	-	11,770
TOTAL ASSETS	$ 8,381,328	$ 1,321,702	$ 14,914,720	$ 665,543	$ 25,283,293
LIABILITIES					
Accounts payable	$ 220,425	$ -	$ 1,723,011	$ 35,893	$ 1,979,329
Accrued payroll	2,232,126	-	-	3,358	2,235,484
Accrued liabilities	64,339	-	-	15,058	79,397
Due to other funds	-	-	1,600	-	1,600
Unearned revenue	-	-	-	12,135	12,135
Short-term note payable	3,034,521	-	-	-	3,034,521
TOTAL LIABILITIES	5,551,411	-0-	1,724,611	66,444	7,342,466
FUND BALANCES					
Nonspendable	22,634	-	-	-	22,634
Restricted	-	1,321,702	13,190,109	599,099	15,110,910
Committed	525,500	-	-	-	525,500
Unassigned	2,281,783	-	-	-	2,281,783
TOTAL FUND BALANCES	2,829,917	1,321,702	13,190,109	599,099	17,940,827
TOTAL LIABILITIES AND FUND BALANCES	$ 8,381,328	$ 1,321,702	$ 14,914,720	$ 665,543	$ 25,283,293

See accompanying notes to financial statements.

Hastings Area School System

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2018

Total fund balances - governmental funds		$ 17,940,827

Amounts reported for the 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 as assets in the governmental funds.

The cost of capital assets is	$ 89,996,554	
Accumulated depreciation is	(35,053,207)	
		54,943,347

Governmental funds report the difference between the carrying amount of the defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of net position. These amounts consist of:

Deferred charges on refunding		350,284

Governmental funds report actual pension/OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net pension/OPEB liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	8,487,837	
Deferred inflows of resources related to pensions	(3,888,824)	
Deferred outflows of resources related to OPEB	654,572	
Deferred inflows of resources related to OPEB	(423,492)	
		4,830,093

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Capitalized bond premiums	(6,060,793)	
Bonds and loans payable	(49,323,822)	
Accrued interest payable, net of long-term receivable for the Federal subsidy program	(341,583)	
Compensated absences	(404,280)	
Net pension liability	(36,563,482)	
Net OPEB liability	(12,526,666)	
		(105,220,626)
Net position of governmental activities		$(27,156,075)

See accompanying notes to financial statements.

Hastings Area School System

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2018

	General	Debt Service	Building and Site Fund (Capital Project)	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local sources	$ 3,445,728	$ 4,670,080	$ 340,327	$ 1,468,928	$ 9,925,063
State sources	20,576,826	28,375	-	44,372	20,649,573
Federal sources	706,804	145,918	-	586,437	1,439,159
TOTAL REVENUES	24,729,358	4,844,373	340,327	2,099,737	32,013,795
EXPENDITURES					
Current					
Instruction	15,177,745	-	-	-	15,177,745
Supporting services	9,231,798	-	-	-	9,231,798
Food service	-	-	-	1,006,891	1,006,891
Community service	14,079	-	-	776,518	790,597
Capital outlay	-	-	18,579,340	473,451	19,052,791
Debt service	385,031	4,844,217	-	-	5,229,248
TOTAL EXPENDITURES	24,808,653	4,844,217	18,579,340	2,256,860	50,489,070
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(79,295)	156	(18,239,013)	(157,123)	(18,475,275)
OTHER FINANCING SOURCES (USES)					
County special education allocation	63,486	-	-	-	63,486
Debt proceeds	435,709	-	-	-	435,709
Proceeds from sale of capital assets	2,077	-	-	-	2,077
Transfers in	-	-	-	241,595	241,595
Transfers out	(241,595)	-	-	-	(241,595)
TOTAL OTHER FINANCING SOURCES (USES)	259,677	-0-	-0-	241,595	501,272
NET CHANGE IN FUND BALANCES	180,382	156	(18,239,013)	84,472	(17,974,003)
Fund balances, beginning of year	2,649,535	1,321,546	31,429,122	514,627	35,914,830
Fund balances, end of year	$ 2,829,917	$ 1,321,702	$ 13,190,109	$ 599,099	$ 17,940,827

See accompanying notes to financial statements.

Hastings Area School System

Governmental Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Net change in fund balances - total governmental funds		$(17,974,003)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In addition, in the statement of activities, the gain or loss from the sale of capital assets is reported, whereas in the governmental funds, only proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of capital assets sold. In the current period, these amounts are:		
Capital outlay	$ 19,434,362	
Depreciation expense	(1,664,828)	
Excess of capital outlay over depreciation expense		17,769,534
Certain transactions related to long-term debt are reported as expenditures or other financing sources/uses in governmental funds, but are reflected as increases or decreases of the applicable deferred outflows of resources or liabilities in the statement of net position. In the current year, these amounts consist of:		
Amortization of deferred charges on refunding	(50,572)	
Amortization of capitalized premiums	301,056	
Borrowing of long-term debt	(435,709)	
Debt principal retirement	3,064,178	
		2,878,953
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in accrued interest payable	14,849	
(Increase) in compensated absences	(37,574)	
Increase in deferred outflows of resources related to pensions	3,710,289	
(Increase) in deferred inflows of resources related to pensions	(2,604,428)	
(Increase) in net pension liability	(1,152,532)	
(Decrease) in deferred outflows of resources related to OPEB	(266,009)	
(Increase) in deferred inflows of resources related to OPEB	(423,492)	
Decrease in net OPEB liability	686,191	
		(72,706)
Change in net position of governmental activities		$ 2,601,778

See accompanying notes to financial statements.

Hastings Area School System

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2018

	Agency Fund
ASSETS	
Cash	$ 645,380
LIABILITIES	
Due to student groups	$ 645,380

See accompanying notes to financial statements.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hastings Area School System (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the District. The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements of the District contain all the funds controlled by the District.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the district-wide financial statements) present information for the district as a whole. All non-fiduciary activities of the District are included (i.e., fiduciary fund activities are not included in the district-wide financial statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, unrestricted State aid payments, and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the district-wide financial statements.

The governmental fund financial statements present the District's individual major funds and aggregated nonmajor funds. A separate column is shown for each major fund on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column. Fiduciary funds are reported by type and are used to account for assets held by the District where the District acts in an agency capacity with these funds for individuals outside the District (i.e., student activities).

The major governmental funds of the District are:

a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District.

b. Debt Service Fund - The Debt Service Fund was established to account for restricted tax revenue for payment of debt related to certain District bonds.

c. Building and Site Fund - The Building and Site Capital Project Fund was established to account for the capital projects related to the 2016 Building and Site bonds.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The district-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources, when applicable, are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned, and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenses.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected with sixty (60) days of the end of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

If/when both restricted and unrestricted resources are available for use, it is the District’s practice to use restricted resources first, then unrestricted resources as they are needed.

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General and Special Revenue Funds. The District does not maintain a formalized encumbrance accounting system. All unexpended appropriations lapse at fiscal year end.

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

a. 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 for financing them.

b. Public hearings are conducted to obtain taxpayer comments.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

   c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). 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 not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.

   d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.

   e. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.

   f. The budget, as presented, has been amended in a legally permissible manner.

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, money market accounts, and uncategorized pooled investment funds, with original maturities of ninety (90) days or less. Cash equivalents are recorded at amortized cost which approximates market (fair) value.

Investments consist of mortgage-related securities and certificates of deposit with original maturities of more than ninety (90) days. All investments are recorded at market (fair) value.

7. Short-term Interfund Receivables/Payables

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

8. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The State of Michigan’s funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2018, to be paid in July and August 2018. Of the total amount of $3,738,780 due from other governmental units in the district-wide financial statements, $3,686,916 consists of State Aid, $26,080 in accrued interest receivable from the Federal Subsidy program (this amount is only recorded at the district-wide level), and $25,784 from other grants and local programs.

9. Inventory

Inventories are stated at cost on a first in/first out basis. The Food Service Fund inventory mainly consists of food and miscellaneous paper goods. Inventory that will be sold, rather than used in providing services (i.e., food in the Food Service Fund), and for which the proceeds from the sales are restricted for food service activities are not classified as “nonspendable” but instead are reflected as a component of restricted fund balance in accordance with GASB Statement No. 54. The General Fund inventory consists of paper. General Fund inventory amounts are equally offset by a nonspendable fund balance in the fund financial statements which indicates that they do not constitute “available spendable resources” even though they are a component of fund balance.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements. Reported prepaid expenditures are equally offset by nonspendable fund balance which indicates they do not constitute “available spendable resources” even though they are a component of fund balance.

11. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost greater than $5,000 and an estimated useful life of more than one (1) year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

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

12. 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 three items that qualify for reporting in this category. They are the deferred charge on refunding, and deferred outflows of resources for pension and other postemployment benefits related items reported in the government-wide statement of net position. 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. Deferred outflows are also recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

13. Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualifies for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Unearned Revenues

The unexpended balance of various federal and/or state categorical and local grants is carried forward as unearned revenue until the period in which eligible expenditures are incurred. Other monies collected in advance are also presented as unearned. These same amounts have been shown as “unearned revenue” on the Statement of Net Position and the Balance Sheet, when applicable, to indicate that the revenue has not been recognized because it has not been earned.

15. Short-Term Note Obligations

Short-term debt is recognized as a liability of a governmental fund and is included on the balance sheet of the applicable fund. During the current year, the District paid off the short-term note that was outstanding at the beginning of the year and subsequently borrowed funds to meet short-term cash flow borrowing needs. The final payment on the new borrowing is due and payable in August 2018 and anticipated State Aid is expected to be sufficient to cover this commitment.

16. Accrued Interest Payable

Accrued interest payable, related to long-term obligations in the district-wide financial statements, is due within one (1) year and is reported as a current liability in the district-wide financial statements.

17. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated compensated absence amounts to be paid at termination are considered as payable from future resources and are recorded, along with the related payroll taxes, as current and noncurrent liabilities in the district-wide financial statements.

18. Long-term Obligations

Long-term debt is recognized as a liability in the district-wide statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the Debt Service Funds for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a liability of a governmental fund.

19. Defined Benefit Plans

For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public Employees Retirement System (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.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

20. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School district property tax revenues are recognized when levied to the extent that they result in current revenue (collected as of year-end). Amounts received subsequent to June 30 are recognized as revenue when collected.

The District levies taxes for the General Fund of $17.9262 per $1,000 of taxable valuation on nonprimary residence exempt property (2017 value $163,430,893) and $5.9262 per $1,000 of taxable valuation on commercial personal property (2017 value $10,626,800) for general governmental services, $8.15 per $1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for debt service, and $0.9921 per $1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for a sinking fund. The District is also permitted to levy additional amounts for enhancement and/or debt service if voter approval is obtained. Total 2017 taxable value of the District, which was used for the basis of the tax revenue for the applicable Debt Service and Sinking funds, was $587,479,471.

21. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995, the State utilized a district power equalizing approach. 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 year ended June 30, 2018, the foundation allowance was based on the average of pupil membership counts taken in October 2017 and February 2017. The average calculation was weighted 90% for the October 2017 count and 10% for the February 2017 count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the fiscal year and two (2) payments made subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

22. Interfund Transactions

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers on the governmental fund financial statements. Transfers are netted as part of the reconciliation to the district-wide financial statements.

23. Tax Abatements

The District’s tax revenues have been reduced by tax abatements. Management has determined these amounts to be immaterial to the financial statements.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

24. Federal Programs

Federal programs are accounted for in the specific governmental funds to which they relate. The District has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under a separate cover as supplementary information to the financial statements.

25. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: DEPOSITS AND INVESTMENTS

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.

2. Certificates of deposit issued by a State or National bank, savings accounts of a State or Federal savings and loan association, or certificates of deposit or share certificates of a State or Federal credit union organized and authorized to operate in this State.

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

4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.

5. United States government or federal agency obligation repurchase agreements.

6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.

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

8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the District.

Deposits

There is custodial credit risk as it relates to deposits if they are not federally insured. 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, the carrying amount of the District's deposits was $7,143,497 and the bank balance was $7,226,915, of which $750,000 was covered by federal depository insurance. The balance of $6,476,915 was uninsured and uncollateralized. The District had $3,096 of cash on hand.

NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs. There are three (3) levels of inputs that may be used to measure fair value:

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 quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

Investments

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

The District had the following fair value measurements as of June 30, 2018:

	Fair Value Measurements					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Weighted Average Maturity	S&P Rating
Debt securities						
Mortgage-related securities	$ -	$ 3,948,643	$ -	$ 3,948,643	< 60 days	AA+
Uncategorized pooled investment funds						
MILAF+	-	10,966,077	-	10,966,077	< 60 days	AAAm
Total investments at fair value	$ -0-	$ 14,914,720	$ -0-	$ 14,914,720		

The District participates in the Michigan Liquid Asset Fund Plus (MILAF+), the portfolio securities are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. It is MILAF+'s policy to compare amortized cost and fair values of the securities periodically throughout each month and as of the last business day of each month. Fair value is determined by reference to quoted market prices. MILAF+'s annual financial statement may be obtained at www.milaf.org.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issue by nationally recognized statistical rating organizations (NRSRO'S). As of June 30, 2018, rating information on the District's investments is presented above.

NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED

Interest Rate Risk

The District has adopted a policy that indicates how 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 limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of Credit Risk

The District has adopted a policy that indicates how 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

The District has adopted a policy that indicates how the District will minimize custodial credit risk. Custodial credit risk is the risk of loss due to the failure of the security issuer or backer. The Board policy limits investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with the Board approved policy.

As of June 30, 2018, the cash and cash equivalents and investments referred to above have been reported in the cash and cash equivalents and investments captions in the basic financial statements as follows:

	Governmental Activities	Fiduciary Fund	Total
Cash and cash equivalents	$ 16,467,290	$ 645,380	$ 17,112,670

NOTE C: INTERFUND RECEIVABLE AND PAYABLES

The amount of interfund receivables and payables at June 30, 2018, are as follows:

Due to General Fund from:	
Building and Site Fund	$ 1,600

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to nonmajor governmental funds from:	
General Fund	$ 241,595

The transfers from the General Fund to the nonmajor governmental funds were to cover operational costs.

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated				
Land	$ 53,410	$ -	$ -	$ 53,410
Construction in progress	13,191,183	18,606,045	-	31,797,228
Total capital assets not being depreciated	13,244,593	18,606,045	-0-	31,850,638
Capital assets being depreciated				
Buildings and building improvements	47,840,556	276,567	-	48,117,123
Buses and other vehicles	2,639,709	449,442	(482,554)	2,606,597
Furniture and equipment	7,319,888	102,308	-	7,422,196
Total capital assets being depreciated	57,800,153	828,317	(482,554)	58,145,916
Less accumulated depreciation for:				
Buildings and building improvements	(24,709,550)	(1,146,273)	-	(25,855,823)
Buses and other vehicles	(2,270,390)	(108,334)	344,681	(2,034,043)
Furniture and equipment	(6,890,993)	(272,348)	-	(7,163,341)
Total accumulated depreciation	(33,870,933)	(1,526,955)	344,681	(35,053,207)
Net capital assets being depreciated	23,929,220	(698,638)	(137,873)	23,092,709
Capital assets, net	$ 37,173,813	$ 17,907,407	$ (137,873)	$ 54,943,347

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as “unallocated”.

The current period depreciation expense of $1,526,955 has been adjusted by $137,873 for the loss on disposal of capital assets during the period, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period’s depreciation expense.

NOTE F: SHORT-TERM NOTES

On August 20, 2016, the School issued a short-term State School Aid Anticipation Note in the amount of $3,050,000 for the purpose of funding operating expenditures until the 2017 State Aid payments began. This short-term note, which had a net outstanding balance of $3,073,310 (principal and accrued interest payable) at June 30, 2017, was reported in the financial statements under the caption short-term note payable. The funds to make the payment due came from State Aid and other local sources. The outstanding balance was paid in August 2017.

On August 21, 2017, the District issued a short-term State School Aid Anticipation Note in the amount of $3,000,000 for the purpose of funding operating expenditures until the 2018 State Aid payments began. This short-term note, which had a net outstanding balance of $3,034,521 (principal and accrued interest payable) at June 30, 2018, was reported in the financial statements under the caption short-term note payable. The outstanding balance was paid in August 2018.

NOTE G: LONG-TERM DEBT

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Amounts Due within One Year
2009 Refunding Bonds	$ 1,490,000	$ -	$ (1,490,000)	$ -0-	$ -
2010 School Building and Site Bonds	3,200,000	-	-	3,200,000	400,000
2015 Refunding Bonds	3,645,000	-	(600,000)	3,045,000	780,000
2016 Refunding Bonds	2,820,000	-	-	2,820,000	-
2016 Building and Site Bonds	39,435,000	-	(500,000)	38,935,000	1,085,000
Energy Conservation Bonds	1,064,246	-	(196,175)	868,071	214,710
Capital lease - buses	135,505	-	(135,505)	-0-	-
2015 Installment loan - buses	162,540	-	(54,180)	108,360	54,180
2017 Installment loan - buses	-	435,709	(88,318)	347,391	84,677
Capitalized bond premiums	6,361,849	-	(301,056)	6,060,793	301,056
Compensated absences	366,706	216,441	(178,867)	404,280	197,194
	$ 58,680,846	$ 652,150	$ (3,544,101)	$ 55,788,895	$ 3,116,817

General Obligation Bonds

$3,200,000 2010 School Building and Site Bonds, due in annual principal installments of $400,000 from May 1, 2019, through May 1, 2026, with interest ranging from 5.00 to 5.25 percent, payable semi-annually.	$ 3,200,000
$4,600,000 2015 Refunding Bonds due in annual principal installments, ranging from $750,000 to $780,000 through May 1, 2022, with an interest rate of 2.00 percent, payable semi-annually.	3,045,000
$2,820,000 2016 Refunding Bonds due in annual principal installments, ranging from $690,000 to $715,000 from May 1, 2023, through May 1, 2026, with an interest rate of 4.00 percent, payable semi-annually.	2,820,000
$39,710,000 2016 Building and Site Bonds due in annual principal installments, ranging from $1,085,000 to $2,450,000 through May 1, 2040, with interest ranging from 3.25 to 5.00 percent, payable semi-annually.	38,935,000
$2,079,765 2007 Energy Conservation Bonds due in semi-annual installments ranging from $29,108 to $134,462 through May 24, 2022, with an interest rate of 4.02 percent, payable semi-annually.	868,071
	$ 48,868,071

NOTE G: LONG-TERM DEBT - CONTINUED

Installment Loans

$325,084 Buses Installment Loan, dated December 1, 2014, due in annual installments of $54,180 through December 22, 2019, with an interest rate of 1.97 percent, payable annually.	$	108,360
$435,709 Buses Installment Loan, dated August 3, 2017, due in annual installments of $84,677 to $89,043 through November 21, 2021, with an interest rate of 1.69 percent, payable annually.		347,391
	$	455,751

Advance Refunding - Prior

On March 31, 2005, the District defeased the portion of the 2001 School Building and Site Bonds which were due and payable May 1, 2012 through May 1, 2022. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2005 Refunding Bonds in the amount of $6,575,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2018, bonds due and payable May 1, 2019 through May 1, 2022, for the 2001 School Building and Site Bonds in the amount of $3,010,000 are considered defeased.

On March 9, 2006, the District defeased the portion of the 2001 School Building and Site Bonds which are due and payable May 1, 2023 through May 1, 2026. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2006 Refunding Bonds in the amount of $3,190,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2018, bonds due and payable May 1, 2023 through May 1, 2026, for the 2001 School Building and Site Bonds in the amount of $3,025,000 are considered defeased.

On March 24, 2015, the District defeased the portion of the 2005 Refunding Bonds which were due and payable May 1, 2016 through May 1, 2022. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The District issued General Obligation 2015 Refunding Bonds in the amount of $4,600,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2018, bonds due and payable May 1, 2019 through May 1, 2022, for the 2005 Refunding Bonds in the amount of $2,985,000 are considered defeased.

On March 3, 2016, the District defeased the portion of the 2006 Refunding Bonds which were due and payable May 1, 2019 through May 1, 2026. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The District issued General Obligation 2016 Refunding Bonds in the amount of $2,820,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2018, bonds due and payable May 1, 2023 through May 1, 2026, for the 2006 Refunding Bonds in the amount of $3,190,000 are considered defeased.

NOTE G: LONG-TERM DEBT - CONTINUED

Compensated Absences

In recognition of services to the District, a severance payment is made to eligible employees according to their respective employment contracts.

Under GASB Statement No. 16 requirements, the District has elected to implement the "vesting" method of calculating the compensated absences liability. The amounts accumulated for all employees currently vested are calculated along with an amount for other employees who currently are not vested but are probable to vest in future years. The amounts for employees who currently are not vested are calculated taking total unused sick pay amounts at June 30, 2018, for all nonvested employees and multiplying it by a historical termination percentage. This percentage is based on an estimate of the percentage of employees who have terminated employment fully vested in the past five (5) years.

A summary of the calculated amounts of compensated absences related to compensated absences and related payroll taxes as of June 30, 2018, which have been recorded in the district-wide financial statements, is as follows:

	Vested Employees	Nonvested Employees	Total
Compensated absences	$ 320,226	$ 55,325	$ 375,551
Payroll taxes	24,497	4,232	28,729
	$ 344,723	$ 59,557	$ 404,280

The annual requirements to pay the debt principal and interest outstanding for the long-term debt are as follows:

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Installment Loans Principal	Installment Loans Interest
2019	$ 2,479,710	$ 2,194,388	$ 138,857	$ 8,006
2020	2,574,420	2,095,713	140,288	5,507
2021	2,670,371	1,992,033	87,563	2,985
2022	2,648,570	1,882,298	89,043	1,504
2023	2,540,000	1,776,475	-	-
2024-2028	11,130,000	7,320,500	-	-
2029-2033	9,075,000	5,313,000	-	-
2034-2038	10,875,000	2,887,500	-	-
2039-2040	4,875,000	366,250	-	-
	$ 48,868,071	$ 25,828,157	$ 455,751	$ 18,002

The 2010 School Building and Site Bonds gross interest payments due are reflected as part of the above annual requirements for the general obligation bonds. These bonds were issued under the Federal government's "Build America Bonds" program. It is the expectation of the District that through this program they will receive an interest subsidy credit payment from the Federal government each time interest payments are made on these bonds. The above schedule, in relation to the 2010 Series Bonds, includes a cumulative gross amount of interest due of $741,000. Of this amount, there is an expected interest subsidy to be received over the life of the bonds in the cumulative amount of $704,160, and net interest owed by the District over the life of the bonds of $36,840.

NOTE H: RETIREMENT AND POST EMPLOYMENT BENEFITS

Plan Description

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

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

Benefits Provided - Overall

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

Plan Name	Plan Type	Plan Status
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

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

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

Pension Reform 2010

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

NOTE H: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

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

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

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

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

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

Option 4: Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 199% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

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

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

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

NOTE H: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

Pension Reform of 2017

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

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (No Reduction Factor for Age)

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

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

NOTE H: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2017 valuation will be amortized over a 22-year period for fiscal 2018.

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

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

The District's pension contributions for the year ended June 30, 2018, were equal to the required contribution total. Pension contributions were approximately $3,888,440, with $3,825,737 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2018, were equal to the required contribution total. OPEB benefits were approximately $870,665, with $807,204 specifically for the Defined Benefit Plan.

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

NOTE H: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

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

Pension Liabilities

At June 30, 2018, the District reported a liability of $36,563,482 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2016, and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.14109411 percent.

MPSERS (Plan) Non-University Employers	September 30, 2017
Total Pension Liability	$ 72,407,218,688
Plan Fiduciary Net Position	46,492,967,561
Net Pension Liability	25,914,251,127
Proportionate Share	0.14109411%
Net Pension Liability for the District	$ 36,563,482

For the year ended June 30, 2018, the District recognized pension expense of $4,103,970.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 317,762	$ 179,409
Net differences between projected and actual plan investment earnings	-	1,747,975
Changes of assumptions	4,005,820	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	863,748	228,500
State aid related to pensions	-	1,732,940
Reporting unit's contributions subsequent to the measurement date	3,300,507	-
	$ 8,487,837	$ 3,888,824

$3,300,507, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year. $1,732,940 reported as deferred inflows of resources under the caption "State aid related to pensions" will be recognized as an increase to State Aid revenue during the year ending June 30, 2019.

NOTE H: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

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

Pension Liabilities - continued

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

Year Ending September 30,	Amount
2018	$ 980,226
2019	1,536,836
2020	614,558
2021	(100,174)

Defined Contribution Pension Plan

Benefit provisions of MPSERS also requires the District to contribute to a defined contribution tax-deferred investment account for all eligible employees. The District is required to match 50% of an employee's contributions up to 1% of an employee's salary. The retirement benefits are determined by the final average compensation and years of service with disability and survivor benefits available to members. The District contribution for the year ended June 30, 2018, was $62,703.

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

OPEB Liabilities

At June 30, 2018, the District reported a liability of $12,526,666 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2016, and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.14145680 percent.

MPSERS (Plan) Non-University Employers	September 30, 2017
Total Other Postemployment Benefit Liability	$ 13,920,945,991
Plan Fiduciary Net Position	5,065,474,948
Net Other Postemployment Benefit Liability	8,855,471,043
Proportionate Share	0.14145680%
Net Other Postemployment Benefit Liability for the District	$ 12,526,666

For the year ended June 30, 2018, the District recognized OPEB expense of $838,864.

NOTE H: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

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

OPEB Liabilities - continued

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 133,372
Net differences between projected and actual plan investment earnings	-	290,120
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,413	-
Reporting unit's contributions subsequent to the measurement date	650,159	-
	$ 654,572	$ 423,492

$650,159, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year Ending September 30,	Amount
2018	$ (101,352)
2019	(101,352)
2020	(101,352)
2021	(101,352)
2022	(13,671)

Defined Contribution OPEB Plan

Benefit provisions of MPSERS also requires the District to contribute to a defined contribution tax-deferred investment account for all eligible employees. The District is required to match 50% of an employee’s contributions up to 1% of an employee’s salary. The retirement benefits are determined by the final average compensation and years of service with disability and survivor benefits available to members. The District contribution for the year ended June 30, 2018, was $63,461.

NOTE H: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

Actuarial Assumptions

Investment rate of return for Pension: 7.5% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus Plan).

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

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

Inflation: 3.0%

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

Experience Study: The annual actuarial valuation report of the System used for these statements is dated September 30, 2016. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments: The pension rate was 7.5% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.5%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Cost of Living Pension Adjustments: 3.0% annual non-compounded for MIP members.

Healthcare Cost Trend Rate for Other Postemployment Benefit: 7.5% for year one and graded to 3.5% to year twelve.

Additional Assumptions for Other Postemployment Benefit Only: Applies to individuals hired before September 4, 2012:

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

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

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

NOTE H: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

Actuarial Assumptions - continued

The target asset allocation at September 30, 2017, and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
Private Equity 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)%
	100.0%	

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

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

OPEB Discount Rate: The discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was project 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.

NOTE H: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

Actuarial Assumptions - continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for Pension Plus 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 point higher than the current rate:

	Pension		
	1% Decrease (6.5% / 6.0%)	Discount Rate (7.5% / 7.0%)	1% Increase (8.5% / 8.0%)
District's proportionate share of the net pension liability	$ 47,630,056	$ 36,563,482	$ 27,246,132

Sensitivity 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 point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net other postemployment benefit liability	$ 14,672,346	$ 12,526,666	$ 10,705,655

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the District's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease (6.5% decreasing to 2.5%)	Healthcare Cost Trend Rates (7.5% decreasing to 3.5%)	1% Increase (8.5% decreasing to 4.5%)
District's proportionate share of the net other postemployment benefit liability	$ 10,608,402	$ 12,526,666	$ 14,704,721

Pension and OPEB Plan Fiduciary Net Position

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

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

NOTE H: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

Other Information

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

NOTE I: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for property, equipment breakdown (boiler and machinery), fleet, liability, cyber liability/data breach, employee dishonesty, in-land marine, crime, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insurer Workers' Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

NOTE J: SINKING FUND

The Sinking Fund Capital Project Fund of the District records capital project activities funded by a voted sinking fund millage as well as other local dollars (i.e., interest, etc.). For the expenditures recorded within this Capital Project Fund, the District has complied with the applicable provisions of Section 1212 of the Revised School Code.

NOTE K: BONDED CONSTRUCTION FUND

The Building and Site Capital Projects Fund of the District includes the capital projects activities funded in part by the 2016 School Building and Site General Obligation Bonds. The remaining funding for the activities recorded within the capital project fund is funded by other local dollars (i.e., interest, etc.). For these capital projects recorded within the Building and Site Capital Projects Fund, the District has complied with the applicable provisions of Section 1351(a) of the Revised School Code in the current and prior years.

NOTE L: CONTINGENT LIABILITIES

The District participates in a number of Federal and State assisted grant programs that are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the programs have not yet been completed or final resolution has not been received. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE M: RESTRICTED NET POSITION

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net position restrictions as of June 30, 2018:

Governmental activities	
Restricted	
Capital projects	$ 1,412,965
Debt service	980,119
	$ 2,393,084

NOTE N: CONTRACTUAL COMMITMENT

The District has entered into contracts related to various updates throughout the District that were not completed at June 30, 2018. The total contractual commitments outstanding at June 30, 2018, totaled $9,214,345. The District's Capital Projects Fund fund balance, along with future anticipated revenues are expected to be sufficient to cover these commitments.

NOTE O: DETAILS OF FUND BALANCES CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) fund balance classifications under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the District's highest level of decision-making authority is the District's Board of Education. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the Board.

For assigned fund balance, the Board is authorized to assign amounts to a specific purpose. The authorization policy is a vote and approval by the Board.

NOTE O: DETAILS OF FUND BALANCES CLASSIFICATIONS - CONTINUED

Fund Balance Classification Policies and Procedures - continued

For the classification of fund balance amounts, the District's policy is to spend restricted amounts first, then unrestricted amounts when both restricted and unrestricted amounts are available. Similarly, the Districts policy is to spend committed amounts first, and then assigned amounts and finally unassigned amounts when any of those unrestricted fund balance classifications could be used.

	General Fund	Debt Service Fund	Building and Site Fund	Nonmajor Governmental Funds	Total
Fund Balances					
Nonspendable					
Inventory	$ 10,864	$ -	$ -	$ -	$ 10,864
Prepaids	11,770	-	-	-	11,770
Restricted					
Food and nutrition	-	-	-	10,411	10,411
Community center	-	-	-	362	362
Capital projects	-	-	13,190,109	588,326	13,778,435
Debt service	-	1,321,702	-	-	1,321,702
Committed					
Capital projects	525,500	-	-	-	525,500
Unassigned	2,281,783	-	-	-	2,281,783
	$ 2,829,917	$ 1,321,702	$ 13,190,109	$ 599,099	$ 17,940,827

NOTE P: SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2018, the following event occurred:

On August 20, 2018, the District issued a State School Aid Anticipation Note in the amount of $2,700,000 for the purpose of funding operating expenditures until the fiscal year 2019 State Aid payments begin. This short-term note will be paid off when the District accumulates sufficient State Aid revenues at the end of next fiscal year. Future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

NOTE Q: NEW ACCOUNTING STANDARDS

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

Summary

GASB Statement No. 75 requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

NOTE Q: NEW ACCOUNTING STANDARDS - CONTINUED

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

	Governmental Activities
Net position as previously stated July 1, 2017	$ (17,465,577)
Adoption of GASB Statement 75	
Net other postemployment benefit liability	(13,212,857)
Deferred outflows of resources related to subsequent other post employment benefits contributions	920,581
Net position as restated July 1, 2017	$ (29,757,853)

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*, was implemented during the year. The Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

NOTE R: UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities for all state and local governments, focusing on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries for whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019-2020 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. The 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. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2018-2019 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Hastings Area School System

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	$ 3,303,353	$ 3,454,507	$ 3,445,728	$ (8,779)
State sources	20,107,017	20,529,430	20,576,826	47,396
Federal sources	674,611	755,698	706,804	(48,894)
TOTAL REVENUES	24,084,981	24,739,635	24,729,358	(10,277)
EXPENDITURES				
Instruction				
Basic needs	11,896,838	11,483,129	11,479,460	3,669
Added needs	3,365,067	3,806,183	3,698,285	107,898
Total instruction	15,261,905	15,289,312	15,177,745	111,567
Supporting services				
Pupil services	454,868	427,393	427,332	61
Instructional staff	675,791	776,634	766,040	10,594
General administration	291,525	343,612	340,273	3,339
School administration	1,682,540	1,845,220	1,830,284	14,936
Business services	512,545	619,969	617,208	2,761
Technology	660,088	531,475	525,918	5,557
Operations and maintenance	2,627,935	2,865,385	2,892,880	(27,495)
Transportation	870,795	1,375,077	1,349,360	25,717
Athletics	495,676	484,008	482,503	1,505
Total supporting services	8,271,763	9,268,773	9,231,798	36,975
Community services	14,492	18,761	14,079	4,682
Debt service	369,288	387,218	385,031	2,187
TOTAL EXPENDITURES	23,917,448	24,964,064	24,808,653	155,411
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	167,533	(224,429)	(79,295)	145,134
OTHER FINANCING SOURCES (USES)				
County special education allocation	65,000	62,000	63,486	1,486
Debt proceeds	-	435,709	435,709	-0-
Proceeds from sale of capital assets	-	2,075	2,077	2
Transfers to other funds	(80,000)	(169,000)	(241,595)	(72,595)
TOTAL OTHER FINANCING SOURCES (USES)	(15,000)	330,784	259,677	(71,107)
NET CHANGE IN FUND BALANCE	152,533	106,355	180,382	74,027
Fund balance, beginning of year	2,649,535	2,649,535	2,649,535	-0-
Fund balance, end of year	$ 2,802,068	$ 2,755,890	$ 2,829,917	$ 74,027

Hastings Area School System

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Michigan Public School Employee Retirement Plan

Last Four Measurement Dates (ultimately ten years will be displayed)
(Amounts were determined as of 9/30 of each fiscal year)

	2017	2016	2015	2014
District's proportion of net pension liability (%)	0.14109%	0.14193%	0.13817%	0.13440%
District's proportionate share of net pension liability	$ 36,563,482	$ 35,410,950	$ 33,747,925	$ 29,603,552
District's covered employee payroll	$ 11,746,588	$ 12,156,137	$ 11,559,272	$ 11,300,874
District's proportionate share of net pension liability as a percentage of its covered employee payroll	311.27%	291.30%	291.96%	261.96%
Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.20%

Hastings Area School System

SCHEDULE OF PENSION CONTRIBUTIONS

Michigan Public School Employee Retirement Plan

Last Four Fiscal Years (ultimately ten fiscal years will be displayed)
(Amounts were determined as of 6/30 of each fiscal year)

	2018	2017	2016	2015
Statutorily required contributions	$ 3,825,737	$ 3,562,534	$ 3,074,986	$ 2,512,793
Contributions in relation to statutorily required contributions	3,825,737	3,562,534	3,074,986	2,512,793
Contribution deficiency (excess)	$ -0-	$ -0-	$ -0-	$ -0-
District's covered employee payroll	$ 11,640,817	$ 11,736,465	$ 11,703,848	$ 11,417,916
Contributions as a percentage of covered employee payroll	32.86%	30.35%	26.27%	22.01%

Hastings Area School System

SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY

Michigan Public School Employee Retirement Plan

Last Measurement Date (ultimately ten years will be displayed)
(Amounts were determined as of 9/30 of each fiscal year)

	2017
District's proportion of net OPEB liability (%)	0.14146%
District's proportionate share of net OPEB liability	$ 12,526,666
District's covered employee payroll	$ 11,746,588
District's proportionate share of net OPEB liability as a percentage of its covered employee payroll	106.64%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%

Hastings Area School System

SCHEDULE OF OPEB CONTRIBUTIONS

Michigan Public School Employee Retirement Plan

Last Fiscal Year (ultimately ten fiscal years will be displayed)
(Amounts were determined as of 6/30 of each fiscal year)

	2018
Statutorily required contributions	$ 807,204
Contributions in relation to statutorily required contributions	807,204
Contribution deficiency (excess)	$ -0-
District's covered employee payroll	$ 11,640,817
Contributions as a percentage of covered employee payroll	6.93%

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2018, the District incurred expenditures in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
General Fund			
Current			
Supporting services			
Operations and maintenance	$ 2,865,385	$ 2,892,880	$ 27,495
Transfers to other funds	169,000	241,595	72,595

NOTE B: MICHIGAN PUBLIC SCHOOL EMPLOYEE RETIREMENT PLAN

Changes of benefit terms: There were no changes of benefit terms in plan year 2017.

Changes of assumptions: There were no changes of assumptions in plan year 2017.

OTHER SUPPLEMENTARY INFORMATION

Hastings Area School System

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2018

	Special Revenue		Capital Project	
	Food Service	Community Center	Sinking Fund	Total
ASSETS				
Cash	$ 12,489	$ 22,225	$ 600,657	$ 635,371
Accounts receivable	478	5,409	-	5,887
Due from other governmental units	14,625	-	-	14,625
Inventory	9,660	-	-	9,660
TOTAL ASSETS	$ 37,252	$ 27,634	$ 600,657	$ 665,543
LIABILITIES				
Accounts payable	$ 1,400	$ 22,162	$ 12,331	$ 35,893
Accrued payroll	1,318	2,040	-	3,358
Accrued liabilities	11,988	3,070	-	15,058
Unearned revenue	12,135	-	-	12,135
TOTAL LIABILITIES	26,841	27,272	12,331	66,444
FUND BALANCES				
Restricted				
Food and nutrition	10,411	-	-	10,411
Community center	-	362	-	362
Capital projects	-	-	588,326	588,326
TOTAL FUND BALANCES	10,411	362	588,326	599,099
TOTAL LIABILITIES AND FUND BALANCES	$ 37,252	$ 27,634	$ 600,657	$ 665,543

Hastings Area School System

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2018

	Special Revenue		Capital Project	
	Food Service	Community Center	Sinking Fund	Total
REVENUES				
Local sources	$ 317,096	$ 583,804	$ 568,028	$ 1,468,928
State sources	44,372	-	-	44,372
Federal sources	586,437	-	-	586,437
TOTAL REVENUES	947,905	583,804	568,028	2,099,737
EXPENDITURES				
Current				
Food service	1,006,891	-	-	1,006,891
Community service	-	776,518	-	776,518
Capital outlay	-	-	473,451	473,451
TOTAL EXPENDITURES	1,006,891	776,518	473,451	2,256,860
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(58,986)	(192,714)	94,577	(157,123)
OTHER FINANCING SOURCES				
Transfers in	48,995	192,600	-	241,595
NET CHANGE IN FUND BALANCES	(9,991)	(114)	94,577	84,472
Fund balances, beginning of year	20,402	476	493,749	514,627
Fund balances, end of year	$ 10,411	$ 362	$ 588,326	$ 599,099