



ST. JOSEPH PUBLIC SCHOOLS

FINANCIAL REPORT

WITH SUPPLEMENTARY INFORMATION

JUNE 30, 2018

**ST. JOSEPH PUBLIC SCHOOLS
St. Joseph, Michigan
June 30, 2018**

BOARD OF EDUCATION

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St. Joseph Public Schools
St. Joseph, Michigan
June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
St. Joseph Public Schools
St. Joseph, Michigan

Report to the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Joseph Public Schools (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School 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 St. Joseph Public Schools as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, in fiscal year 2018, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The School District's unrestricted net position has been restated as of June 30, 2017 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major fund budgetary comparison schedule, the Schedule of the School District's contributions to the net pension and other post-employment benefits, and the Schedule of the School District proportionate share of the net pension and other post-employment benefit liabilities, 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

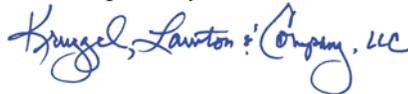
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying other supplementary information, as described in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2018, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
October 5, 2018

St. Joseph Public Schools, a K-12 School District located in Berrien County, Michigan, has adopted the provisions of Governmental Accounting Standards Board Statement 34 ("GASB 34"). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be discussion and analysis of the financial results for the fiscal year ended June 30, 2018 of the management of St. Joseph Public Schools (the "District").

Generally accepted accounting principles ("GAAP") and GASB 34 requires the reporting of two types of financial statements: District-Wide Financial Statements and Fund Financial Statements. Please read it in conjunction with the School 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 these statements. These statements are organized so the reader can understand St. Joseph Public School financially as a whole. The School District-wide financial statements provide information about the activities of the whole District, presenting both an aggregate view of the School District's finances and a long-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the School District -wide financial statements by providing information about the School District's most significant fund, with all other funds presented in one column as non-major funds. The remaining statement, the Statement of Fiduciary Assets and Liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

District-Wide Financial Statements

The School District-wide financial statements are full accrual basis statements. They report all of the School District's assets, deferred outflows of resources, deferred inflows of resources and liabilities, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the School District are reported in the Statement of Net Position of the School District -wide financial statements.

Fund Financial Statements

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, the School District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Capital Projects Funds, Debt Service Funds, and the School Service Funds.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

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

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

The Private Purpose Trust fund is an unbudgeted fund which is used to provide for general education needs and to pay scholarships for selected high school students. The Agency Fund is an unbudgeted fund that accounts for the activities of student groups and other types of clearing accounts.

Summary of Net Position

The School District had a deficit net position of \$30,104,369 and \$32,805,802 as of June 30, 2018 and 2017, respectively. The net deficit of the School District is summarized in the table below:

Assets:	June 30, 2018	June 30, 2017*
Cash and cash equivalents	\$ 2,824,598	\$ 2,513,321
Investments	2,655,245	1,659,974
Receivables	3,813,054	3,749,085
Other assets	142,547	151,015
Net capital assets	58,917,966	59,678,215
Total Assets	\$ 68,353,410	\$ 67,751,610
Deferred Outflows of Resources:		
Deferred interest charges on bond issuance	\$ 1,625,353	\$ 1,786,452
Deferred outflows of resources from pensions	8,996,333	5,230,855
Deferred outflows of resources from OPEB	896,054	621,730
Total Deferred Outflows of Resources	\$ 11,517,740	\$ 7,639,037
Total Assets and Deferred Outflows of Resources	\$ 79,871,150	\$ 75,390,647
Liabilities:		
Accounts payable and other accrued liabilities	\$ 3,217,085	\$ 2,770,265
Bonds payable	46,805,632	49,163,623
Net pension liability	41,331,328	39,347,841
Net OPEB liability	14,107,722	14,880,521
Total Liabilities	\$ 105,461,767	\$ 106,162,250
Deferred Inflows of Resources:		
Deferred inflows of resources from pensions	\$ 4,036,808	\$ 1,583,847
Deferred inflows of resources from OPEB	476,944	450,352
Total Deferred Inflows of Resources	\$ 4,513,752	\$ 2,034,199
Total Liabilities and Deferred Inflows of Resources	\$ 109,975,519	\$ 108,196,449
Net Position (Deficit):		
Net investment in capital assets	\$ 13,737,687	\$ 12,301,044
Restricted for:		
Capital projects	1,795,800	1,414,444
Debt service	543,789	499,181
Unrestricted	(46,181,645)	(47,020,471)
Total Net Position (Deficit)	\$ (30,104,369)	\$ (32,805,802)

* June 30, 2017 balances have been restated for GASB 75 implementation

During fiscal year 2018, the School District adopted Governmental Accounting Standards Board ("GASB") St No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective July 1, 2017. The School District is a participating employer in the Michigan Public School Employees' Retirement System ("MPERS"), a cost-sharing, multi-employer plan. In connection with the implementation of this new standard, the School District recorded a net OPEB liability, and net position as of June 30, 2017, is restated to reflect the required adjustments (See Note 18 to financial statements).

Analysis of Financial Position

During fiscal year ended June 30, 2018, the School District’s net position increased by \$2,701,433. A few of the significant factors affecting net position during the year are discussed below:

A. General Operations

The School District’s total revenues increased by \$1,544,402 for the fiscal year ended June 30, 2018. Capital grants and contributions increased due to the increase in State and local sources. Total expenses decreased by \$241,616 for the fiscal year ended June 30, 2018 due to a decrease in support services.

B. Debt Activity

The School District made principal payments on bonds and note payable long-term debt obligations which reduced the amount of the School District’s long-term liabilities. Principal payments made during the year ended June 30, 2018 totaled \$2,025,000 which reduced the 2010 Series A Bonds, 2013 Refunding Bonds, 2015 Refunding Bonds and the 2016 School Building and Equipment Bond. The bonds are to be used in all school buildings for technology improvements, safety and security enhancements, and bus purchasing.

C. Net Investment in Capital Assets

The School District’s capital assets, net of accumulated depreciation decreased by \$760,249 during the year. The net activity for the year is summarized in the following table:

	Balance July 1, 2017	Additions	Deletions and Adjustments and Reclassifications	Balance June 30, 2018
Capital Assets	\$ 85,787,869	\$ 1,562,543	\$ (86,925)	\$ 87,263,487
Less: accumulated depreciation	(26,109,654)	(2,322,792)	86,925	(28,345,521)
Net investment capital outlay	\$ 59,678,215	\$ (760,249)	\$ -	\$ 58,917,966

This year, the School District's additions of \$1,562,543 included multiple building and land improvements in all of the schools. The School District’s deletions were from the disposal of a bus and a van.

D. Capital Projects

In June 2016, the School District issued \$2,450,000 of School Building Equipment Bonds, Series I. The bonds are to be used in all school buildings for technology improvements, safety and security enhancements, and bus purchases. The bonds were recorded in the 2016 Capital Projects Bond Fund. Major purchases to date included three new 88 passenger school buses, student Macbooks and Chromebooks, core switches, and security enhancements.

Results of Operations

The School District -wide results of operations for the fiscal years ended June 30, is summarized in the table below:

	June 30, 2018	June 30, 2017
Revenues:		
General Revenues:		
Property taxes levied for general operations	\$ 5,796,455	\$ 5,636,632
Property taxes levied for debt service	3,921,040	3,931,191
Property taxes levied for capital projects	1,000,560	988,294
State of Michigan unrestricted foundation aid	16,547,477	16,647,406
Interest and investment earnings	52,149	23,535
Other general revenues	63,383	124,184
Total general revenues	<u>\$ 27,381,064</u>	<u>\$ 27,351,242</u>
Capital Grants and Contributions:		
Capital contributions	\$ 1,544,048	\$ 75,000
Total capital grants and contributions	<u>\$ 1,544,048</u>	<u>\$ 75,000</u>
Operating Grants and Contributions:		
Federal	\$ 681,556	\$ 689,957
State of Michigan	3,862,973	3,209,064
Other operating grants	205,788	754,066
Total operating grants	<u>\$ 4,750,317</u>	<u>\$ 4,653,087</u>
Charges for Services:		
Food service	\$ 719,616	\$ 740,348
Athletics	177,167	167,771
Other charges for services	77,895	118,257
Total charges for services	<u>\$ 974,678</u>	<u>\$ 1,026,376</u>
Total revenues	<u>\$ 34,650,107</u>	<u>\$ 33,105,705</u>
Expenses:		
Instruction and instructional support	\$ 16,153,485	\$ 16,125,641
Support services	9,664,458	10,030,534
Community services	44,818	43,635
Food service	1,183,885	1,159,473
Athletics	820,527	790,209
Interest on long-term debt	1,758,709	1,821,600
Depreciation (unallocated)	2,322,792	2,219,198
Total expenses	<u>\$ 31,948,674</u>	<u>\$ 32,190,290</u>
Change in Net Position	<u>\$ 2,701,433</u>	<u>\$ 915,415</u>
Beginning Net Position, as previously reported	-	(17,801,835)
Cumulative Effect of Change in Accounting	-	(15,919,382)
Beginning Net Position, restated	<u>(32,805,802)</u>	<u>(33,721,217)</u>
Ending Net Position	<u>\$ (30,104,369)</u>	<u>\$ (32,805,802)</u>

State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan unrestricted aid is determined by the following variables:

1. State of Michigan State Aid Act per student foundation allowance,
2. Student Enrollment - Blended at 90 percent of current year fall count and 10 percent of the current year winter count, and
3. The School District’s non-homestead levy.

Per Student Foundation Allowance

Annually, the State of Michigan sets the per student foundation allowance. The St. Joseph Public Schools' foundation allowance, paid by the State of Michigan, for the fiscal year 2018 was \$7,637 per student which is a \$120 increase from the fiscal year 2017 foundation allowance of \$7,517.

The State of Michigan has announced the per pupil foundation at \$7,877 for fiscal year 2018-2019.

Student Enrollment

The School District’s enrollment decreased from the prior year’s student count. The following summarizes blended student enrollments in the past five years:

<u>Fiscal Year</u>	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2017-2018	2,963	(28)
2016-2017	2,991	66
2015-2016	2,925	8
2014-2015	2,917	6
2013-2014	2,911	76

Subsequent to year end June 30, 2018, preliminary student enrollments for 2018-2019 indicate that enrollments will be slightly higher than 2017-2018.

Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes)

The School District levies property taxes for operations (General Fund) of 18 mills on Non-Personal Residence exemption properties and 6 mills on Commercial Personal Property. Under Michigan law, the taxable levy is based on the taxable valuation of the properties. Annually the taxable valuation increase in property values is capped at the rate of the prior year’s CPI increase or 5 percent, whichever is less. At the time of sale, a property’s taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of market value. The School District's non-homestead property levy for the 2017-2018 fiscal year was \$5,715,959. The non-homestead tax levy increased by 1.5 percent from the prior year.

Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes), Concluded

The following summarizes the School District's non-homestead levy over the past five years:

<u>Fiscal Year</u>	<u>Non-Homestead Tax Levy</u>	<u>% Increase (decrease) from Prior Year</u>
2017-2018	\$ 5,715,959	1.50%
2016-2017	5,631,533	-0.70%
2015-2016	5,671,186	0.60%
2014-2015	5,637,635	0.43%
2013-2014	5,613,469	0.80%

Debt Administration and Capital Projects Sinking Fund

The School District’s debt and capital projects sinking fund levies are based on the taxable valuation of all properties: homestead and non-homestead. The debt fund levy is used to pay principal and interest on bond obligations and the capital projects sinking fund is for capital improvements in the School District. The taxpayers have authorized debt levies that will fund the debt principal payments of \$45,180,279 through 2035.

For 2017-2018, the School District's debt millage levy was 3.55 mills that generated a levy of \$3,938,472. The capital projects sinking fund levy was .9946 mills and generated a levy of \$1,006,956.

Food Sales to Students & Adults (School Lunch Program)

The total revenues in the Food Service Fund exceeded the expenditures and transfers out for the year by \$44,819. This year, the School District received \$50,363 more in federal sources. The School District’s food and milk sales to students and adults decreased by \$20,732. In recent years, food costs have increased due to newer nutrition guidelines that require the School District to provide healthier food choices to the students. The School District continues to strive to offer the best pricing and service possible.

General Fund Expenditures Budget vs. Actual—Five Year History

	<u>Expenditures Preliminary Budget</u>	<u>Expenditures Final Budget</u>	<u>Expenditures Final Audit</u>	<u>Variance: Audit vs. Prelim Budget</u>	<u>Variance: Audit vs. Final Budget</u>
2017-2018	\$ 26,653,619	\$ 27,165,577	\$ 27,019,483	-1.37%	0.54%
2016-2017	25,602,864	26,512,421	25,948,977	-1.35%	2.13%
2015-2016	24,710,094	25,652,143	25,535,507	-3.34%	0.45%
2014-2015	24,352,938	25,382,557	25,543,293	-4.89%	-0.63%
2013-2014	24,440,077	24,730,819	24,579,819	-0.57%	0.61%
	Five Year Average (Over/-Under) Budget			-2.30%	0.62%

General Fund Revenues Budget vs. Actual—Five Year History

	Revenues Preliminary Budget	Revenues Final Budget	Revenues Final Audit	Variance: Audit vs. Prelim Budget	Variance: Audit vs. Final Budget
2017-2018	\$ 27,091,421	\$ 27,439,769	\$ 27,459,874	1.36%	0.07%
2016-2017	25,820,265	26,918,569	26,938,017	4.33%	0.07%
2015-2016	24,696,302	25,630,045	25,656,217	3.89%	0.10%
2014-2015	24,444,945	25,389,746	25,532,672	4.45%	0.56%
2013-2014	23,671,405	24,192,010	24,067,672	1.67%	-0.51%
	Five Year Average (Over/-Under) Budget			3.14%	0.06%

Original vs. Final Budget

The Uniform Budget and Accounting Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, St. Joseph Public Schools amends its budget during the school year. For the fiscal year June 30, 2018, the budget was amended in December, March, and June of 2018.

Factors Bearing on the School District's Future

Our elected officials and administration considered many factors when setting the School District's 2018-2019 fiscal year budget. One of the most important factors affecting the budget is our student count. The State Foundation Allowance is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2018-2019 fiscal year is 10 percent and 90 percent of the February 2018 and September 2018 student counts, respectively. The 2018-2019 fiscal year budget was adopted in June 2018, based on an estimated number 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 School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2018 fiscal year, we anticipate that the fall student count could be slightly higher for the estimate used in creating the 2018-2019 fiscal year operating budget. Once the final count and related per pupil funding are validated the budget will then be amended.

Contacting the School District's Financial Management

The financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for money it receives. If you have questions about this report or need additional financial information, contact our Business Department of St. Joseph Public Schools at 3275 Lincoln Avenue, St. Joseph, Michigan.

ST. JOSEPH PUBLIC SCHOOLS

 STATEMENT OF NET POSITION
 JUNE 30, 2018

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 2,824,598
Investments	2,655,245
Receivables	149,364
Due from other governmental units	3,663,690
Inventories	6,530
Prepaid expenditures	136,017
Total current assets	<u>\$ 9,435,444</u>
Noncurrent assets:	
Capital assets, not being depreciated	\$ 1,077,901
Capital assets, depreciated	86,185,586
Less: accumulated depreciation	(28,345,521)
Total noncurrent assets	<u>\$ 58,917,966</u>
Deferred Outflows of Resources	
Deferred interest charges on bond issuance	\$ 1,625,353
Deferred outflows of resources related to pensions	8,996,333
Deferred outflows of resources related to OPEB	896,054
Total deferred outflows of resources	<u>\$ 11,517,740</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 79,871,150</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 340,857
Accrued payroll and other liabilities	2,320,431
Unearned revenue	89,107
Accrued interest payable	307,134
Notes and bonds payable, due within one year	2,472,991
Compensated absences - due within one year	15,956
Total current liabilities	<u>\$ 5,546,476</u>
Noncurrent liabilities:	
Notes and bonds payable, due in more than one year	\$ 44,332,641
Net pension liability	41,331,328
Net OPEB liability	14,107,722
Compensated absences - due in more than one year	143,600
Total noncurrent liabilities	<u>\$ 99,915,291</u>
Total Liabilities	<u>\$ 105,461,767</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	\$ 4,036,808
Deferred inflows of resources related to OPEB	476,944
Total deferred inflows of resources	<u>\$ 4,513,752</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 109,975,519</u>
Net Position (Deficit)	
Net investment in capital assets	\$ 13,737,687
Restricted for:	
Capital Projects	1,795,800
Debt Service	543,789
Unrestricted	(46,181,645)
Total Net Position (Deficit)	<u>\$ (30,104,369)</u>

The Notes to Financial Statements are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenues				Governmental
	Expenses	Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions	Activities Net (Expense) Revenue and Changes in Net Position
Primary government -					
Governmental activities:					
Instruction	\$ 16,153,485	\$ 80	\$ 2,218,904	\$ -	\$ (13,934,501)
Support services	9,664,458	77,815	2,007,134	1,544,048	(6,035,461)
Community services	44,818	-	-	-	(44,818)
Food services	1,183,885	719,616	524,279	-	60,010
Athletics	820,527	177,167	-	-	(643,360)
Interest on long-term debt	1,758,709	-	-	-	(1,758,709)
Depreciation (unallocated)	2,322,792	-	-	-	(2,322,792)
	<u>\$ 31,948,674</u>	<u>\$ 974,678</u>	<u>\$ 4,750,317</u>	<u>\$ 1,544,048</u>	<u>\$ (24,679,631)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes				\$ 5,796,455	
Property taxes, levied for debt purposes				3,921,040	
Property taxes, levied for capital project purposes				1,000,560	
State aid not restricted to specific purposes				16,547,477	
Interest and investment earnings				52,149	
Other				63,383	
Total general revenues				<u>\$ 27,381,064</u>	
Change in Net Position				\$ 2,701,433	
Net Position- beginning of year, as previously reported				(16,886,420)	
Cumulative Effect of Change in Accounting (Note 18)				<u>(15,919,382)</u>	
Net Position - beginning of year				<u>\$ (32,805,802)</u>	
Net Position- end of year				<u>\$ (30,104,369)</u>	

The Notes to Financial Statements are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund	Other Non-Major Governmental Funds	Total
Assets			
Cash and cash equivalents	\$ 1,108,191	\$ 1,716,407	\$ 2,824,598
Investments	1,684,776	970,469	2,655,245
Accounts receivable	149,233	131	149,364
Due from other governmental funds	312	21,999	22,311
Due from other governmental units	3,653,931	9,759	3,663,690
Inventory	-	6,530	6,530
Prepaid expenditures	3,596	15,807	19,403
Total Assets	\$ 6,600,039	\$ 2,741,102	\$ 9,341,141
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 200,271	\$ 140,586	\$ 340,857
Accrued payroll and related liabilities	2,320,431	-	2,320,431
Unearned revenue	58,031	31,076	89,107
Due to other governmental funds	-	22,311	22,311
Total Liabilities	\$ 2,578,733	\$ 193,973	\$ 2,772,706
Deferred Inflows of Resources			
Receivables for use in subsequent year "unavailable revenue"	\$ 21,146	-	\$ 21,146
Fund Balances			
Non-spendable - prepaid expenditures	\$ 3,596	\$ 15,807	\$ 19,403
Non-spendable - inventory	-	6,530	6,530
Restricted for debt retirement	-	543,789	543,789
Restricted for capital projects	-	1,795,800	1,795,800
Restricted for food service	-	185,203	185,203
Unassigned	3,996,564	-	3,996,564
Total Fund Balances	\$ 4,000,160	\$ 2,547,129	\$ 6,547,289
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,600,039	\$ 2,741,102	\$ 9,341,141

The Notes to Financial Statements are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET POSITION
JUNE 30, 2018**

Total Fund Balances - Governmental Funds	\$ 6,547,289
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred outflows of resources related to:	
Pensions	8,996,333
OPEB	896,054
Deferred interest charges from bond refundings not capitalized in the governmental funds	1,625,353
Contributions receivable earned but not received within 60 days	21,146
Prepaid bond insurance costs	116,614
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
Cost of the capital assets	87,263,487
Accumulated depreciation	(28,345,521)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Notes and bonds payable	(43,205,000)
Bond premium associated with bonds	(3,600,632)
Compensated absences	(159,556)
Net pension liability	(41,331,328)
Net OPEB liability	(14,107,722)
Deferred inflows of resources related to pension changes in assumptions and changes in differences actual earnings on plan investments	
Pensions	(2,383,754)
OPEB	(476,944)
Deferred inflows from revenue in support of pension contributions made subsequent to the measurement date	(1,653,054)
Accrued interest payable is not included as a liability in governmental funds	(307,134)
Total Net Position - Governmental Activities	<u>\$ (30,104,369)</u>

The Notes to the Financial Statements are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2018

	General Fund	Other Non-Major Governmental Funds	Total
Revenues			
Property taxes	\$ 5,796,455	\$ 4,921,600	\$ 10,718,055
Local sources	490,799	2,263,664	2,754,463
State sources	20,356,678	53,772	20,410,450
Federal sources	211,049	470,507	681,556
Interdistrict sources	389,961	-	389,961
Athletic sources	177,167	-	177,167
Earnings on investments	27,765	24,384	52,149
Miscellaneous revenue	-	75,357	75,357
Total Revenues	\$ 27,449,874	\$ 7,809,284	\$ 35,259,158
Expenditures			
Instruction and instructional support services	\$ 16,685,169	\$ -	\$ 16,685,169
Supporting services	9,464,128	1,200,207	10,664,335
Community services	46,403	-	46,403
Athletics	815,508	-	815,508
Capital outlay	-	2,155,783	2,155,783
Debt service:			
Principal on long-term debt	-	2,025,000	2,025,000
Interest on long-term debt	-	1,939,979	1,939,979
Total Expenditures	\$ 27,011,208	\$ 7,320,969	\$ 34,332,177
Excess of Revenues Over Expenditures	\$ 438,666	\$ 488,315	\$ 926,981
Other Financing Sources (Uses)			
Operating transfers in	\$ 10,000	\$ 8,275	\$ 18,275
Operating transfers out	(8,275)	(10,000)	(18,275)
Total Other Financing Sources (Uses)	\$ 1,725	\$ (1,725)	\$ -
Net Change in Fund Balances	\$ 440,391	\$ 486,590	\$ 926,981
Fund Balances - Beginning of year	3,559,769	2,060,539	5,620,308
Fund Balances - End of year	\$ 4,000,160	\$ 2,547,129	\$ 6,547,289

The Notes to the Financial Statements are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances - Total Governmental Funds		\$	926,981
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation			
Depreciation expense	\$	(2,322,792)	
Capitalized capital outlay		<u>1,562,543</u>	
Total			(760,249)
Decrease in accrued interest			16,376
Increase in the liability for compensated absences not reported in the governmental funds			(11,129)
Current year use of deferred interest charges associated with the issuance of 2005, 2010, 2013 and 2015 advance refunding bonds			(161,099)
Governmental funds report prepaid bond insurance costs as expenditures; in the statement of activities, these costs are allocated over the life of the bonds			(6,867)
Current year change in contributions not available within 60 days after year-end			(10,000)
Amortization of bond premiums for 2013 and 2015 refunding bonds			332,991
Change in benefit expense related to pension plan			(228,155)
Change in benefit expense related to OPEB			1,020,531
Revenue in support of pension contributions made subsequent to the measurement date			(442,947)
Repayment of bond and note payable principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)			<u>2,025,000</u>
Change in Net Position of Governmental Activities		\$	<u>2,701,433</u>

The Notes to the Financial Statements are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS

STATEMENTS OF FIDUCIARY NET POSITION AND CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

Statement of Fiduciary Net Position

June 30, 2018

	Private-Purpose Trusts	Agency Fund-	
	Scholarship Fund	Student Activities	Total
Assets:			
Cash and cash equivalents	\$ 46,302	\$ 443,071	\$ 489,373
Total assets	\$ 46,302	\$ 443,071	\$ 489,373
Liabilities:			
Due to student groups	\$ -	\$ 443,071	\$ 443,071
Payable to other governmental funds	-	-	-
Total liabilities	\$ -	\$ 443,071	\$ 443,071
Net Position:			
Reserved for scholarships	\$ 46,302	\$ -	\$ 46,302
Total net position	\$ 46,302	\$ -	\$ 46,302

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2018

	Private-Purpose Trusts
	Scholarship Fund
Additions:	
Interest	\$ 62
Donations	1,000
Deductions:	
Scholarships awarded	(1,000)
Change in net position	\$ 62
Net Position-Beginning	46,240
Net Position-Ending	\$ 46,302

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of St. Joseph Public Schools (the “School District”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units and with the rules prescribed in the accounting manual by the Michigan Department of Education. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (“GASB”) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District’s reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

District-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements – The School District -wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

District-Wide Statements (concluded) – Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

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

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental fund:

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

Additionally, the School District reports the following fund types:

Special Revenue Funds are used to account for the specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. As of June 30, 2018, the special revenue fund maintained by the School District is the Food Services Fund.

Capital Projects Funds are used to account for financial resources that are restricted for capital outlays, including the acquisition or construction of capital facilities and other capital assets. As of June 30, 2018, the non-major capital projects funds maintained by the School District are the Capital Projects Sinking Fund, the 2016 Capital Projects Bond Fund, the Capital Projects Turf Fund, the Capital Projects Robotics Fund, and the Capital Projects EP Clarke Fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Debt Retirement Funds are used to account for financial resources that are restricted for principal and interest. As of June 30, 2018, the debt retirement funds maintained by the School District are the 2016 Debt Service Fund, 2005/2010/2015 B Debt Service Fund, and the 2010/2013/2015 A Debt Service Fund.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net position and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents. The School District also maintains a Scholarship Fund to pay for scholarships for selected high school students. These scholarships are paid from the principal and investment earnings of the fund, and are treated as private-purpose trusts.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

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

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

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. For St. Joseph Public Schools, taxpayers in the City of St. Joseph and St. Joseph, Royalton, and Lincoln Townships, properties are assessed as of December 31st and the related property taxes are levied and become a lien on July 1st for 100 percent of the taxes which are due September 15th. The final collection date is February 28th, after which uncollected taxes are added to the Berrien County delinquent tax rolls.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state’s School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**Receivables and Payables (Concluded)**

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

Inventories – Inventories are valued at cost on a first-in, first-out (FIFO) basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as inventory.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both District-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the School District -wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The School District does not have infrastructure type assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

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

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has three items that qualifies for reporting in this category. It is the deferred outflow related to the pension plan, the deferred outflow related to the OPEB and the deferred outflow of charges for the bond refunding.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Compensated Absences – The liability for compensated absences reported in the School District -wide financial statements consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for employees who currently are eligible to receive termination payments. The amount reported is salary related and includes fringe benefits.

Long-Term Obligations – In the School District -wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Where applicable, premiums and discounts, are capitalized and amortized over the life of the bonds. Bond issuance costs except for prepaid insurance, is expensed.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Deferred Inflows of Resources – In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of sources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, for long-term receivables unavailable and recognized as an inflow of resources in the period that amounts become available. The School District's two items that qualify for reporting in this category are the deferred inflows related to the pension plan and the deferred inflows related to OPEB.

Comparative Data – Comparative data is not included in the School District's financial statements.

Estimates – The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenditures.

Fund Equity – The School District has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. This statement establishes 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**Fund Equity - (concluded)**

The following are the School District's fund balance classifications:

Non-spendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed constraint originally.

Assigned Fund Balance – includes amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed.

Unassigned Fund Balance – is the residual classification for General Fund. This classification represents governmental fund balances that have not been assigned to other funds or that have not been restricted, committed, or assigned to specific purposes within the respective governmental fund balances.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

Net Position Flow Assumption – Sometimes the School District will fund outlays for particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Pension and Other Postemployment Benefit (OPEB) Plans – For the purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. For this purpose, benefit payments (including refunds of the employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information — Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

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

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. There were no encumbrances at year end.

Excess of Expenditures Over Appropriations in Budgeted Funds — See the School District's budgetary comparison schedule for the General Fund for budget variances. Funds sufficient to provide for the excess of expenditures were made available from other functions within the fund, and had no impact on the financial results of the School District.

Net Position Deficit – As of June 30, 2018, the Government-wide Statement of Net Position had a cumulative net position deficit of \$30,104,369.

NOTE 3. DEPOSITS AND INVESTMENTS

As of June 30, 2018, the School District's deposits and investments include the following:

	Cash and Cash			
	Equivalents	Investments	Fiduciary Funds	Total
Cash on hand	\$ 2,845	\$ -	\$ -	\$ 2,845
Deposits	2,821,753	-	489,373	3,311,126
Investments	-	2,655,245	-	2,655,245
	<u>\$ 2,824,598</u>	<u>\$ 2,655,245</u>	<u>\$ 489,373</u>	<u>\$ 5,969,216</u>

Bank Deposits: All cash of the School District is on deposit with financial institutions which provide FDIC insurance coverage or in highly liquid pooled money funds.

Custodial Credit Risk-Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2018, \$2,650,859 of the School District's bank balance of \$3,650,859 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name

Investments: Michigan law permits investments in: 1) Bonds and other obligations of the United States Governments, 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively, 3) Certain commercial paper, 4) United States Government repurchase agreements, 5) Banker's acceptance of the United States Bank, and 6) Certain mutual funds. The School District has put further restrictions on those investments through its current policy, and the following investment is permitted by law and policy.

Investment Type	Fair Value	Current	Investment Maturities		
			1 - 5 years	6 - 10 years	More than 10
Investment Pools	\$ 2,655,245	\$ 2,655,245	\$ -	\$ -	\$ -
Total Investments	<u>\$ 2,655,245</u>	<u>\$ 2,655,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED

Credit Risk: State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by Nationally Recognized Statistical Rating Organizations (“NRSRO’s”). As of June 30, 2018, the School District’s investments were rated AAAM by Standard’s & Poors.

Concentration of Credit Risk: The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The majority of the school’s investments are held in multiple asset backed securities and U.S. Treasury/Agency securities.

Custodial Credit Risk—Investments: For an investment, this is the risk that in the event of bank failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2018, no investments were subject to custodial credit risk.

NOTE 4. FAIR VALUE MEASUREMENT

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The School District’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

NOTE 4. FAIR VALUE MEASUREMENT, CONCLUDED

The School District has the following recurring fair value measurements as of June 30, 2018:

	Fair Value Measurement Using			
	Balance at June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment Pools	\$ 2,655,245	\$ -	\$ 2,655,245	\$ -
Total Investments Measured at Fair Value	\$ 2,655,245	\$ -	\$ 2,655,245	\$ -

NOTE 5. RECEIVABLES AND PAYABLES

Receivables as of year-end for the School District's individual major funds, and the non-major funds and fiduciary funds in the aggregate, including any allowance for uncollectible amounts are as follows:

	General Fund	Non-Major	Total
Receivables:			
Intergovernmental	\$ -	\$ -	\$ -
Trade	312	-	312
	\$ 312	\$ -	\$ 312

Payables as of year-end for the School District's individual major funds, and the non-major and fiduciary funds in the aggregate, are as follows:

	General Fund	Non-Major	Total
Payables:			
Trade	\$ 2,320,431	\$ -	\$ 2,461,017

NOTE 6. RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The School District has purchased commercial insurance for health claims, workers' compensation and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 7. CAPITAL ASSETS

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

	July 1, 2017	Additions	Disposals	June 30, 2018
Assets not being depreciated:				
Land	\$ 1,077,901	\$ -	\$ -	\$ 1,077,901
Subtotal	\$ 1,077,901	\$ -	\$ -	\$ 1,077,901
Capital assets being depreciated:				
Building and building improvements	\$ 80,508,863	\$ 1,089,377	\$ -	\$ 81,598,240
Land improvements	1,331,470	191,169	-	1,522,639
Buses and other vehicles	1,394,982	130,001	(86,925)	1,438,058
Furniture and equipment	1,474,653	151,996	-	1,626,649
Subtotal	\$ 84,709,968	\$ 1,562,543	\$ (86,925)	\$ 86,185,586
Accumulated depreciation:				
Building and building improvements	\$ 23,054,513	\$ 2,023,601	\$ -	\$ 25,078,114
Land improvements	953,926	92,200	-	1,046,126
Buses and other vehicles	968,938	91,469	(86,925)	973,482
Furniture and equipment	1,132,277	115,522	-	1,247,799
Subtotal	\$ 26,109,654	\$ 2,322,792	\$ (86,925)	\$ 28,345,521
Net capital assets being depreciated	\$ 58,600,314			\$ 57,840,065
Net capital assets	\$ 59,678,215			\$ 58,917,966

Depreciation expense of \$2,322,792 was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

NOTE 8. RELATED ORGANIZATIONS

The School District has established the St. Joseph Public School Foundation that has a 501(c)(3) status with the Internal Revenue Service. As of June 30, 2018, the School District’s transactions with the Foundation were as follows:

Donations recognized in current period	376,373
Donations recognized in subsequent period	-
Total	<u>\$ 376,373</u>

During the year, the School District purchased services from Abonmarche Consultants for professional engineering services. A member of the Board of Education is a shareholder of this engineering firm. For the year ended June 30, 2018, the School District paid \$153,097 to Abonmarche Consultants for those professional services. All transactions were conducted at arms-length in accordance with Board policy.

NOTE 9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Due To/From Other Funds:		
Receivable Fund	Payable Fund	Amount
General Fund	Other Non-Major Governmental Funds - Food Service Fund	\$ 312
Other Non-Major Governmental Funds - 2016 Debt Service Fund	Other Non-Major Governmental Funds - 2005/2010/2015B Debt Service Fund	\$ 14,917
Other Non-Major Governmental Funds - 2010/2013/2015A Debt Service Fund	Other Non-Major Governmental Funds - 2005/2010/2015B Debt Service Fund	\$ 7,082

The Food Service Fund owes the General Fund for bad debt that was written off.

The 2005/2010/2015B Debt Service Fund owes the 2016 Debt Service Fund and the 2010/2013/2015A Debt Service Fund for tax collections.

During the year, the following transfers were made between funds:

Interfund Transfers:		
Transfer In:	Transfer Out:	Amount
General Fund	Other Non-Major Governmental Funds - Food Service Fund	\$ -
Other Non-Major Governmental Funds - Food Service Fund	General Fund	\$ 8,275

The Food Service Fund transferred \$10,000 to the General Fund for the indirect costs associated with running the Food Service Fund.

The General Fund transferred \$8,275 to the Food Service Fund for the portion of At-Risk funds allocated to the Food Service Funds.

NOTE 10. LONG-TERM DEBT

The School District issues bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
Bonds	\$ 45,230,000	\$ -	\$ (2,025,000)	\$ 43,205,000	\$ 2,140,000
Unamortized Premiums	3,933,623	-	(332,991)	3,600,632	332,991
Deferred outflow of resources					
Deferred charges on bond refunding	(1,786,452)	-	161,099	(1,625,353)	(161,099)
Total Long-Term Debt Worth	<u>\$ 47,377,171</u>	<u>\$ -</u>	<u>\$ (2,196,892)</u>	<u>\$ 45,180,279</u>	<u>\$ 2,311,892</u>

Governmental Activities:

At June 30, 2018, long-term debt consisted of:

\$22,100,000 - 2015 Refunding Bonds, Series A; payable in annual installments of \$305,000 to \$3,205,000 beginning 5/1/2027 through 5/1/2035; interest at 3.0% to 5.0%.	22,100,000
\$5,335,000 - 2010 Refunding Bonds; payable in annual installments of \$1,300,000 to \$1,365,000 beginning 5/1/2023 through 5/1/2026; interest at 3.5% to 3.75% .	5,335,000
\$6,895,000 - 2015 Refunding Bonds, Series B; payable in annual installments of \$555,000 to \$1,135,000 beginning 5/1/2016 through 5/1/2022; interest at 5.0%.	4,415,000
\$9,430,000 - 2013 Refunding Bonds; payable in annual installments of \$375,000 to \$210,000 beginning 5/1/2018 through 5/1/2027; interest at 1.692%.	9,430,000
\$2,450,000 -2016 School Building and Equipment Bonds, Series I (general obligation-unlimited tax); payable in annual installments of \$375,000 to \$210,000 beginning 5/1/2017 through 5/1/2026; interest at 1.692%.	1,925,000
	<u>\$43,205,000</u>

NOTE 10. LONG-TERM DEBT, CONTINUED

Annual debt service requirements to maturity for the above Governmental bond and note obligations are as follows:

	<i>Governmental Activities:</i>		
	Principal	Interest	Total
2019	\$ 2,140,000	\$ 1,858,506	\$ 3,998,506
2020	2,295,000	1,783,756	4,078,756
2021	2,205,000	1,701,006	3,906,006
2022	2,285,000	1,614,456	3,899,456
2023	2,445,000	1,525,306	3,970,306
2024-2028	12,325,000	6,345,889	18,670,889
2029-2033	13,250,000	3,616,250	16,866,250
2034-2035	6,260,000	473,250	6,733,250
Unamortized premium, net of deferred outflows	1,975,279	-	1,975,279
	<u>\$45,180,279</u>	<u>\$ 18,918,419</u>	<u>\$ 64,098,698</u>

Interest expense of \$1,758,709 was not charged to activities, as the School District considers its debt and related assets to impact multiple activities and allocation was not practical.

Compensated absences at June 30, 2018 consist of the following:

	Beginning Balance	Net Change	Ending Balance	Due Within One Year
Compensated absences which are payable upon termination of employment.	\$ 148,427	\$ 11,129	\$ 159,556	\$ 15,956

NOTE 10. LONG-TERM DEBT, CONCLUDED

Advance Refunding – The School District has defeased in 2005, 2010, 2013, and 2015 certain unlimited tax school improvement bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for defeased bonds are not included in the School District’s financial statements. As of June 30, 2018, \$49,380,000 of bonds considered defeased are still outstanding.

During the fiscal year 2005, the School District issued \$8,605,000 of unlimited tax refunding bonds, plus premium on capital appreciation bonds, to provide resources to place in escrow account for the purpose of generating resources for future debt service payments of \$14,608,050 of unlimited tax school improvement bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the School District -wide financial statements.

During fiscal year 2011, the School District issued \$8,195,000 of unlimited tax refunding bonds, less a discount on capital appreciation bonds, to provide resources to place in escrow account for the purpose of generating resources for future debt service payments of \$11,632,774 of unlimited tax school improvement bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the School District -wide financial statements.

During fiscal year 2014, the School District issued \$9,430,000 of unlimited tax refunding bonds, plus a premium on capital appreciation bonds, to provide resources to place in escrow account for the purpose of generating resources for future debt service payments of \$13,455,655 of unlimited tax school improvement bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the School District -wide financial statements.

During fiscal year 2015, the School District issued \$25,380,000 of unlimited tax refunding bonds, plus a premium on capital appreciation bonds, to provide resources to place in escrow account for the purpose of generating resources for future debt service payments of \$44,412,129 of unlimited tax school improvement bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the School District -wide financial statements.

During fiscal year 2015, the School District issued \$7,680,000 unlimited tax refunding bonds, plus a premium on capital appreciation bonds, to provide resources to place in escrow account for the purpose of generating resources for future debt service payments of \$9,092,600 of unlimited tax school improvement bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the School District -wide financial statements.

NOTE 11. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a cost-sharing, statewide, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain School District employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and other postemployment healthcare plans. That report is available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided – Benefit provisions of the defined benefit (DB) pension plan and 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 for the defined benefit pension plan and the postemployment healthcare plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced to 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in the years in which investment earnings exceed actuarial assumptions.

NOTE 11. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions - Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the State Legislature. Under these provisions, each School District's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3 percent 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 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stop paying the 3 percent contribution to the retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

The School District's contributions are determined based on employee elections. There are multiple different pension and healthcare benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS. The range of rates is as follows for the plan year ending September 30, 2017:

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0-4.0%	19.03%
Member Investment Plan	3.0-7.0%	19.03%
Pension Plus	3.0-6.4%	18.40%
Defined Contribution	0.00%	15.27%

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.00%	5.91%
Personal Health Care Fund (PHF)	0.00%	5.69%

NOTE 11. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

The School District's required and actual pension contributions to the plan for the year ended September 30, 2017 were \$3,740,950. The School District's required and actual pension contributions include an allocation of \$1,653,054 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2018. For the year ended June 30, 2018, the contributions also include a one-time payment to the School District received under Section 147c(2) of the State Aid Act, which the School District then remitted as a contribution to the plan.

The School District's required and actual OPEB contributions to the plan for the year ended September 30, 2017 were \$1,240,301.

Net Pension Liability – At June 30, 2018, the School District reported a liability of \$41,331,328 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the School District's proportion was 0.15949 percent and 0.15770 percent, respectively.

Net OPEB Liability - At June 30, 2018, the School District reported a liability of \$14,107,722 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 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 as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The School 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 and 2016, the School District's proportion was 0.15931 percent of MPSERS in total.

NOTE 11. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2018, the School District recognized pension expense of \$4,296,573, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2018, the School 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	\$ 359,197	\$ 202,804
Changes of assumptions	4,528,175	-
Net difference between projected and actual earnings on pension plan investments	-	1,975,909
Changes in proportion and differences between School District contributions and proportionate share of contributions	367,023	205,041
School District contributions subsequent to the measurement date*	3,741,938	-
Revenues in support of contributions subsequent to the measurement date	-	1,653,054
Total	\$ 8,996,333	\$ 4,036,808

Deferred inflows of resources of \$1,653,054 resulting from the pension portion of State Aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount:
2018	\$ 765,485
2019	1,461,873
2020	681,835
2021	(38,552)
	<u>\$ 2,870,641</u>

*The contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the following year.

NOTE 11. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2018, the School District recognized OPEB expense of \$943,804. At June 30, 2018, the School 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	\$ -	\$ 150,206
Net difference between projected and actual earnings on pension plan investments	-	326,738
Changes in proportion and differences between School District contributions and proportionate share of contributions	776	-
School District contributions subsequent to the measurement date*	895,278	-
Total	\$ 896,054	\$ 476,944

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Year Ending June 30	Amount:
2018	\$ (115,082)
2019	(115,082)
2020	(115,082)
2021	(115,082)
2022	(15,840)
	<u>\$ (476,168)</u>

NOTE 11. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

Actuarial Assumptions - The total pension liability and total OPEB liability as of September 30, 2017 is based on the results of an actuarial valuation as of September 30, 2016 and rolled forward. The total pension and OPEB liabilities were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age, Normal
Wage inflation rate	3.5%
Investment Rate of Return - Pension	7.0 - 7.5%
Investment rate of return - OPEB	7.5%
Projected salary increases	3.5 - 12.3%, including wage inflation at 3.5%
Healthcare cost trend rate	7.5%, Year 1 graded to 3.5% Year 12
Cost-of-Living Pension Adjustments	3% Annual Non-Compounded for MIP Members
Mortality	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB

Assumption changes as a result of an experience study for the periods from 2007 to 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
% Alternative Investment Pools	18.0%	8.7%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	-0.1%
Real Estate and Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.0%
Short Term Investment Pools	2.0%	0.0%
TOTAL	<u>100.0%</u>	

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

NOTE 11. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

Rate of Return - For the plan year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, and OPEB plan investment, net of OPEB plan investment expense, was 13.24% and 11.82%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate - The discount rate used to measure the total pension liability was 7.00 - 7.50 percent as of September 30, 2017, depending on the plan option. The discount rate used to measure the total OPEB liability was 7.50 percent as of September 30, 2017. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plans fiduciary net position and the OPEB plans fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

MPSERS approved a decrease in the discount rate for the September 30, 2017 annual actuarial valuation for the pension plan and the OPEB plan to 7.05 percent and 7.15 percent, respectively. As a result, the actuarial computed employer contributions, net pension liability, and net OPEB liability will increase for the measurement period ending September 30, 2018.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the School District, calculated using the discount rate, depending on the plan option. The following also reflects what the School District's 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:

1% Decrease (Non-Hybrid/Hybrid) 6.5% / 6.0%	Current Discount Rate Assumption (Non-Hybrid/Hybrid) 7.5% / 7.0%	1% Decrease (Non-Hybrid/Hybrid) 8.5% / 8.0%
\$ 53,840,974	\$ 41,331,328	\$ 30,799,004

NOTE 11. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONCLUDED

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the School District, calculated using the current discount rate. It also reflects what the School District's net OPEB 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:

1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
\$ 16,524,220	\$ 14,107,722	\$ 12,056,872

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the net OPEB liability of the School District, calculated using the current healthcare cost trend rate. It also reflects what the School District's net OPEB 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:

1% Decrease 6.50%	Current Healthcare Cost Trend Rate 7.50%	1% Increase 8.50%
\$ 11,947,344	\$ 14,107,722	\$ 16,560,680

Pension Plan and OPEB Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan - At June 30, 2018, the School District reported a payable of \$243,363 and \$104,341 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018.

NOTE 12. TAX ABATEMENTS

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by various municipalities within the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. For the fiscal year ended June 30, 2018, the School District's property tax revenues were reduced by \$418,187 under these programs.

NOTE 13. OTHER BENEFITS

The School District also provides 403(b) tax deferred annuity plans and. All employees are eligible to participate in the plans and are fully vested immediately for all contributions.

The School District is also able to offer a tax deferred “buy-in” program for years of service for all eligible employees in the state-provided pension plan. The percentage rate for the employee’s contribution was calculated based on the previous year’s salary and age.

NOTE 14. CAPITAL PROJECTS SINKING FUND

The Capital Projects Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of Section 1212 of the Revised School Code.

NOTE 15. CAPITAL PROJECTS BOND EXPENDITURES

The Capital Projects Bond Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of Section 1351a of the Revised School Code.

Beginning with the year of bond issuance, The School District reported the annual construction activity in the 2016 Capital Projects Bond Fund.

NOTE 16. OPERATING LEASES

In August 2014, the School District renewed the lease for a special education lift bus through June 2016. Annual payments of \$10,965 were payable in August 2014 and August 2015. The School Board extended the lease for 2016, 2017, and 2018 with annual payments of \$10,500, \$9,624, and \$9,120 respectively.

The School District leases copiers under various operating leases. These leases were entered into in August 2015 and April 2008. Rent expense was \$41,861 for the fiscal year ended June 30, 2018.

In July 2012, the School Board approved a new seven year lease agreement with the St. Joseph Lincoln Senior Citizen Center. The lease is “rent free” through its entirety ending August 31, 2019. The School District estimates the estimated value of the “rent free” space is \$1,500 per month. Rent expense of \$18,000 was incurred for the fiscal year ended June 30, 2018.

In August 2015, the School District entered into a three-year lease of 235 MacBook Air Computers for one to one use by the sixth graders (class of 2022) during their time at Upton Middle School. Rent expense of \$37,889 was paid in August of 2017 and February of 2018.

NOTE 17. UNEARNED/UNAVAILABLE REVENUE

Governmental funds report revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned/unavailable revenue are as follows:

Liability - Unearned Revenue	Food Services Fund	General Fund	Total
Funds in students' lunch accounts at year-end	\$ 31,076	\$ -	\$ 31,076
Early Literacy Grant	-	35,490	35,490
At-Risk Carrover	-	22,541	22,541
Total	\$ 31,076	\$ 58,031	\$ 89,107
Deferred Inflow - Unavailable			
Booster contributions for donated band uniforms	\$ -	\$ 20,010	\$ 20,010
Booster contributions for donated scoreboards	-	1,136	1,136
Total	-	21,146	21,146

NOTE 18. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

In fiscal year 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the School District to recognize on the face of the financial statements its proportionate share of the Net OPEB liability related to its participation in the Michigan Public School Employees' Retirement System (MPERS). The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

For the year ending June 30, 2017, the School District did not consider revenues received from State Aid in support of pension contributions after the measurement date as deferred inflows. The School District has begun recording the deferred inflows to maintain consistency with the new standard. The implementation resulted in the School District reporting a net pension liability, deferred outflows of resources, and deferred inflows of resources as of June 30, 2017. The following summarizes the restatements that have been made to the School District's financial statements:

Net OPEB liability	\$ (14,880,521)
Deferred outflows of resources related to OPEB	621,730
Deferred inflows of resources for revenue received from State Aid in support of OPEB contributions	(450,352)
Deferred inflows of resources for revenue received from State Aid in support of pension contributions	(1,210,239)
Cumulative Effect on Change in Accounting	\$ (15,919,382)

NOTE 19. CONTINGENT LIABILITIES

Grants – In the normal course of operations, the School District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 20. UPCOMING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. Any activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2021.

NOTE 21. SUBSEQUENT EVENTS

The School District has evaluated subsequent events through October 5, 2018, the date the financial statements were available to be issued. No events or transactions occurred during this period which requires recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

ST. JOSEPH PUBLIC SCHOOLS

REQUIRED SUPPLEMENTARY SCHEDULE
BUDGETARY COMPARISON SCHEDULE — GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Original Budget	Final Amended Budget	Actual	Variance (Negative) Positive
Revenues				
Property taxes	\$ 5,576,948	\$ 5,778,000	\$ 5,796,455	\$ 18,455
Local sources	688,538	475,646	490,799	15,153
State sources	19,925,957	20,369,955	20,356,678	(13,277)
Federal sources	273,207	223,251	211,049	(12,202)
Interdistrict sources	423,092	386,644	389,961	3,317
Athletic sources	160,679	174,745	177,167	2,422
Earnings on investments	3,000	21,528	27,765	6,237
Total Revenues	\$ 27,051,421	\$ 27,429,769	\$ 27,449,874	\$ 20,105
Expenditures				
Instruction:				
Basic programs	\$ 14,544,384	\$ 14,699,232	\$ 14,666,317	\$ 32,915
Added needs	1,945,211	2,070,326	2,018,852	51,474
Supporting services:				
Pupil	1,229,966	1,198,412	1,173,717	24,695
Instructional staff	1,196,965	1,271,799	1,285,812	(14,013)
General administration	410,610	415,653	409,240	6,413
School administration	1,473,036	1,490,074	1,484,965	5,109
Business services	541,907	584,649	576,471	8,178
Operations and maintenance	2,977,358	3,047,895	3,067,261	(19,366)
Transportation	842,239	843,211	809,492	33,719
Technology/Communication	643,427	671,971	657,170	14,801
Community services	52,685	43,950	46,403	(2,453)
Athletics	791,558	820,130	815,508	4,622
Total Expenditures	\$ 26,649,346	\$ 27,157,302	\$ 27,011,208	\$ 146,094
Excess of Revenues Over Expenditures	\$ 402,075	\$ 272,467	\$ 438,666	\$ 166,199
Other Financing Sources (Uses)				
Operating transfers in	\$ 40,000	\$ 10,000	\$ 10,000	\$ -
Operating transfers out	(4,273)	(8,275)	(8,275)	-
Total Other Financing Sources (Uses)	\$ 35,727	\$ 1,725	\$ 1,725	\$ -
Net Change in Fund Balances	\$ 437,802	\$ 274,192	\$ 440,391	\$ 166,199
Fund Balances - Beginning of year	3,559,769	3,559,769	3,559,769	
Fund Balances - End of year	\$ 3,997,571	\$ 3,833,961	\$ 4,000,160	

The Notes to Required Supplementary Information are an integral part of this statement

ST. JOSEPH PUBLIC SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's proportion of net pension liability	0.15949%	0.15770%	0.15875%	0.15921%
School District's proportionate share of net pension liability	\$ 41,331,328	\$ 39,347,841	\$38,774,207	\$ 35,067,772
School District's covered-employee payroll	\$ 13,440,641	\$ 13,271,629	\$13,401,946	\$ 13,637,853
School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	307.51%	296.48%	289.32%	257.14%
Plan fiduciary net position as a percentage of total pension liability	63.96%	63.01%	62.92%	66.20%

The Notes to Required Supplementary Information are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
DETERMINED AS OF THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 4,041,331	\$ 3,825,463	\$ 3,678,904	\$ 2,853,827
Contributions in relation to statutorily required contributions	<u>4,041,331</u>	<u>3,825,463</u>	<u>3,678,904</u>	<u>2,853,827</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 13,309,299	\$ 13,885,070	\$ 13,427,369	\$ 13,419,865
Contributions as a percentage of covered-employee payroll	30.36%	27.55%	27.40%	21.27%

The Notes to Required Supplementary Information are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS**REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30**

	<u>2017</u>
School District's proportion of net OPEB liability	0.15931%
School District's proportionate share of net OPEB liability	\$ 14,107,722
School District's covered-employee payroll	\$ 13,440,641
School District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	104.96%
Plan fiduciary net position as a percentage of total OPEB liability	36.53%

The Notes to Required Supplementary Information are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
DETERMINED AS OF THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>
Statutorily required contributions	\$ 948,470
Contributions in relation to statutorily required contributions	<u>948,470</u>
Contribution deficiency (excess)	<u>\$ -</u>
School District's covered-employee payroll	\$ 13,309,299
Contributions as a percentage of covered-employee payroll	7.13%

The Notes to Required Supplementary Information are an integral part of this statement.

Change of pension benefit terms: There were no changes of benefit terms for the plan year ended September 30, 2017.

Change of pension assumptions: On February 23, 2017, MPSERS approved a decrease to the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent to 7.00 to 7.50 percent based on the group.

Change of OPEB benefit terms: There were no changes of benefit terms for the plan year ended September 30, 2017.

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

**OTHER SUPPLEMENTARY
INFORMATION**

ST. JOSEPH PUBLIC SCHOOLS

COMBINING BALANCE SHEET – NON-MAJOR
GOVERNMENTAL FUNDS
JUNE 30, 2018

	Food Services Fund	Total Non-Major Capital Projects Funds	Total Non-Major Debt Service Funds	Total Non-Major Governmental Funds
Assets				
Cash and cash equivalents	\$ 206,832	\$ 1,253,381	\$ 256,194	\$ 1,716,407
Investments	-	683,005	287,464	970,469
Interest receivable	-	-	131	131
Due from other governmental funds	-	-	21,999	21,999
Due from other governmental units	9,759	-	-	9,759
Inventory	6,530	-	-	6,530
Prepaid expenditures	-	15,807	-	15,807
Total Assets	\$ 223,121	\$ 1,952,193	\$ 565,788	\$ 2,741,102
Liabilities and Fund Balances				
Liabilities				
Accounts payable	-	\$ 140,586	-	\$ 140,586
Unearned revenue	31,076	-	-	31,076
Due to other governmental funds	312	-	21,999	22,311
Total Liabilities	\$ 31,388	\$ 140,586	\$ 21,999	\$ 193,973
Fund Balances				
Non-spendable inventory	\$ 6,530	-	-	\$ 6,530
Non-spendable prepaid expenditures	-	15,807	-	15,807
Restricted for debt retirement	-	-	543,789	543,789
Restricted for capital projects	-	1,795,800	-	1,795,800
Restricted for food service	185,203	-	-	185,203
Total Fund Balances	\$ 191,733	\$ 1,811,607	\$ 543,789	\$ 2,547,129
Total Liabilities and Fund Balances	\$ 223,121	\$ 1,952,193	\$ 565,788	\$ 2,741,102

ST. JOSEPH PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	Food Services Fund	Total Non-Major Capital Projects Funds	Total Non-Major Debt Service Funds	Total Non-Major Governmental Funds
Revenues				
Property taxes	\$ -	\$ 1,000,560	\$ 3,921,040	\$ 4,921,600
Local sources	719,616	1,544,048	-	2,263,664
State sources	53,772	-	-	53,772
Federal sources	470,507	-	-	470,507
Earnings on investments	4	9,088	15,292	24,384
Miscellaneous revenue	-	-	75,357	75,357
Total Revenues	\$ 1,243,899	\$ 2,553,696	\$ 4,011,689	\$ 7,809,284
Expenditures				
Supporting services	\$ 1,197,355	\$ 750	\$ 2,102	\$ 1,200,207
Capital outlay	-	2,155,783	-	2,155,783
Debt retirement:				
Principal on long-term debt	-	-	2,025,000	2,025,000
Interest on long-term debt	-	-	1,939,979	1,939,979
Total Expenditures	\$ 1,197,355	\$ 2,156,533	\$ 3,967,081	\$ 7,320,969
Excess (Deficiency) of Revenues over (under) Expenditures	\$ 46,544	\$ 397,163	\$ 44,608	\$ 488,315
Other Financing Sources (Uses)				
Operating transfers in	\$ 8,275	\$ -	\$ -	\$ 8,275
Operating transfers out	(10,000)	-	-	(10,000)
Total Other Financing Sources (Uses)	\$ (1,725)	\$ -	\$ -	\$ (1,725)
Net Change in Fund Balances	\$ 44,819	\$ 397,163	\$ 44,608	\$ 486,590
Fund Balances - Beginning of year	146,914	1,414,444	499,181	2,060,539
Fund Balances - End of year	\$ 191,733	\$ 1,811,607	\$ 543,789	\$ 2,547,129

ST. JOSEPH PUBLIC SCHOOLS

COMBINING BALANCE SHEET – NON-MAJOR
CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2018

	Capital Projects Sinking Fund	2016 Capital Projects Bond Fund	Capital Projects Turf Fund	Capital Projects Robotics Fund	Capital Projects EP Clarke Fund	Total Non-Major Capital Projects Funds
Assets						
Cash and cash equivalents	\$ 186,032	\$ 19,483	\$ 545,310	\$ 1	\$ 502,555	\$ 1,253,381
Investments	-	683,005	-	-	-	683,005
Prepaid expenditures	15,807	-	-	-	-	15,807
Total Assets	\$ 201,839	\$ 702,488	\$ 545,310	\$ 1	\$ 502,555	\$ 1,952,193
Liabilities and Fund Balances						
Liabilities						
Accounts payable	-	-	\$ 15,311	-	\$ 125,275	\$ 140,586
Total Liabilities	-	-	\$ 15,311	-	\$ 125,275	\$ 140,586
Fund Balances						
Non-spendable prepaid expenditures	\$ 15,807	-	-	-	-	\$ 15,807
Restricted for capital projects	186,032	702,488	529,999	1	377,280	1,795,800
Total Fund Balances	\$ 201,839	\$ 702,488	\$ 529,999	\$ 1	\$ 377,280	\$ 1,811,607
Total Liabilities and Fund Balances	\$ 201,839	\$ 702,488	\$ 545,310	\$ 1	\$ 502,555	\$ 1,952,193

ST. JOSEPH PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2018

	Capital Projects Sinking Fund	2016 Capital Projects Bond Fund	Capital Projects Turf Fund	Capital Projects Robotics Fund	Capital Projects EP Clarke Fund	Total Non-Major Capital Projects Funds
Revenues						
Property taxes	\$ 1,000,560	\$ -	\$ -	\$ -	\$ -	\$ 1,000,560
Local sources	182,866	-	794,994	63,633	502,555	1,544,048
Earnings on investments	7	9,081	-	-	-	9,088
Total Revenues	\$ 1,183,433	\$ 9,081	\$ 794,994	\$ 63,633	\$ 502,555	\$ 2,553,696
Expenditures						
Supporting services	\$ 750	\$ -	\$ -	\$ -	\$ -	\$ 750
Capital outlay	1,447,596	254,285	264,995	63,632	125,275	2,155,783
Total Expenditures	\$ 1,448,346	\$ 254,285	\$ 264,995	\$ 63,632	\$ 125,275	\$ 2,156,533
Excess (Deficiency) of Revenues over (under) Expenditures	\$ (264,913)	\$ (245,204)	\$ 529,999	\$ 1	\$ 377,280	\$ 397,163
Other Financing Sources (Uses)						
Operating transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating transfers out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balances	\$ (264,913)	\$ (245,204)	\$ 529,999	\$ 1	\$ 377,280	\$ 397,163
Fund Balances - Beginning of year	466,752	947,692	-	-	-	1,414,444
Fund Balances - End of year	\$ 201,839	\$ 702,488	\$ 529,999	\$ 1	\$ 377,280	\$ 1,811,607

	2016 Debt Service Fund	2005/2010/2015 B Debt Service Fund	2010/2013/2015 A Debt Service Fund	Total Non-Major Debt Service Funds
Assets				
Cash and cash equivalents	\$ 76,984	\$ 53,881	\$ 125,329	\$ 256,194
Investments	-	287,464	-	287,464
Interest receivable	-	131	-	131
Due from other governmental funds	14,917	-	7,082	21,999
Total Assets	<u>\$ 91,901</u>	<u>\$ 341,476</u>	<u>\$ 132,411</u>	<u>\$ 565,788</u>
Liabilities and Fund Balances				
Liabilities				
Due to other governmental funds	-	21,999	-	21,999
Total Liabilities	<u>\$ -</u>	<u>\$ 21,999</u>	<u>\$ -</u>	<u>\$ 21,999</u>
Fund Balances				
Restricted for debt retirement	\$ 91,901	\$ 319,477	\$ 132,411	\$ 543,789
Total Fund Balances	<u>\$ 91,901</u>	<u>\$ 319,477</u>	<u>\$ 132,411</u>	<u>\$ 543,789</u>
Total Liabilities and Fund Balances	<u>\$ 91,901</u>	<u>\$ 341,476</u>	<u>\$ 132,411</u>	<u>\$ 565,788</u>

ST. JOSEPH PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2018

	2016 Debt Service Fund	2005/2010/2015 B Debt Service Fund	2010/2013/2015 A Debt Service Fund	Total Non-Major Debt Service Funds
Revenues				
Property taxes	\$ 292,106	\$ 1,494,476	\$ 2,134,458	\$ 3,921,040
Earnings on investments	11,266	1,787	2,239	15,292
Miscellaneous revenue	4,926	34,421	36,010	75,357
Total Revenues	\$ 308,298	\$ 1,530,684	\$ 2,172,707	\$ 4,011,689
Expenditures				
Supporting services	\$ -	\$ 600	\$ 1,502	\$ 2,102
Debt retirement:				
Principal on long-term debt	250,000	1,040,000	735,000	2,025,000
Interest on long-term debt	42,250	464,544	1,433,185	1,939,979
Total Expenditures	\$ 292,250	\$ 1,505,144	\$ 2,169,687	\$ 3,967,081
Excess of Revenues over Expenditures	\$ 16,048	\$ 25,540	\$ 3,020	\$ 44,608
Other Financing Sources (Uses)				
Operating transfers in	\$ -	\$ -	\$ -	\$ -
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balances	\$ 16,048	\$ 25,540	\$ 3,020	\$ 44,608
Fund Balances - Beginning of year	75,853	293,937	129,391	499,181
Fund Balances - End of year	\$ 91,901	\$ 319,477	\$ 132,411	\$ 543,789

**MANAGEMENT COMPLIANCE
LETTER**



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
St. Joseph Public Schools
St. Joseph, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Joseph Public Schools as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise St. Joseph Public Schools’ basic financial statements and have issued our report thereon dated October 5, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Joseph Public Schools’ internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Joseph Public Schools’ internal control. Accordingly, we do not express an opinion on the effectiveness of St. Joseph Public Schools’ internal control.

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

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

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIALS STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, CONCLUDED**

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
October 5, 2018

SECTION I – STATUS OF PRIOR YEAR FINDINGS

There were no findings for the prior year.

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings for the current year.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The School District has spent under the \$750,000 threshold for federal expenditures and is not required to have a single audit under the Uniform Guidance.