



CASEVILLE PUBLIC SCHOOL

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CASEVILLE PUBLIC SCHOOLS

Huron County, Michigan

FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
June 30, 2018

TABLE OF CONTENTS

PAGE

Independent Auditor's Report	1 – 3
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 <i>Government Auditing Standards</i>	4 – 5
Management's Discussion and Analysis	6 – 11
Basic Financial Statements	
<i>District-wide Financial Statements:</i>	
Statement of Net Position	12
Statement of Activities	13
<i>Fund Financial Statements:</i>	
<i>Governmental Funds:</i>	
Balance Sheet	14
Reconciliation of Balance Sheet of Governmental Funds to Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balance	16
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
<i>Statement of Fiduciary Net Position</i>	18
Notes to Financial Statements	19 – 41
Required Supplemental Information	
<i>Budgetary Comparison Schedule – General Fund</i>	42
<i>Budgetary Comparison Schedule – 2012 Debt Retirement</i>	43
<i>Schedule of the School District's Proportionate Share of the Net Pension Liability</i>	44
<i>Schedule of the School District's Pension Contributions</i>	45
<i>Schedule of the School District's Proportionate Share of the Net OPEB Liability</i>	46

<u>TABLE OF CONTENTS (continued)</u>	<u>PAGE</u>
<i>Schedule of the School District's OPEB Contributions</i>	47
Notes to Required Supplementary Information	48
Other Supplemental Information	
<i>Non-major Governmental Funds</i>	
Combining Balance Sheet	49
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	50
<i>General Fund</i>	
Detail Schedule of Revenues and Expenditures	51 – 58
<i>Student Activity Fund</i>	
Schedule of Cash Receipts, Cash Disbursements and Due to School Organizations	59
<i>Detail of Bonded Debt</i>	
2012 School Building and Site General Obligation Bonds	60
Detail of Bonded Debt 2005 QZAB	61
Schedule of Audit Findings	62



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INDEPENDENT AUDITOR'S REPORT

To The Board of Education
Caseville Public Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Caseville Public Schools as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Caseville Public Schools, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, pension schedules, OPEB schedules, and notes to the required supplementary information, as noted 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 Caseville Public Schools' basic financial statements. The combining nonmajor governmental fund balance sheet, the combining schedule of revenues, expenditures, and changes in fund balance for nonmajor governmental funds, the general fund schedule of revenues, expenditures, and changes in fund balance, the fiduciary fund schedule of cash receipts, cash disbursements and due to school organization, and bonded debt schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

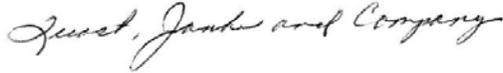
The combining nonmajor governmental fund balance sheet, the combining schedule of revenues, expenditures, and changes in fund balance for nonmajor governmental funds, the general fund detail schedule of revenues, expenditures, and the fiduciary fund schedule of cash receipts, cash disbursements and due to school organization are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the above mentioned schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The detail of bonded debt schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2018, on our consideration of Caseville Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Caseville Public Schools' internal control over financial reporting and compliance.

QUAST, JANKE AND COMPANY



Certified Public Accountants, P.C.
Bay City, Michigan 48708
September 18, 2018



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

To the Board of Education
Caseville Public Schools

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 Caseville Public Schools', as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Caseville Public Schools' basic financial statements, and have issued our report thereon dated September 18, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Caseville 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 Caseville 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Caseville 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.

QUAST, JANKE AND COMPANY



Certified Public Accountants, P.C.
Bay City, Michigan 48708
September 18, 2018

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

Using this Annual Report

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

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

Basic Financial Statements

District-wide Financial Statements / Fund Financial Statements / Fiduciary Funds

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for the General Fund

Budgetary Information for the Debt Service Fund

Schedule of School District’s Proportionate Share of Net Pension Liability

Schedule of School District’s Contributions

Notes to Required Supplementary Information

Other Supplemental Information

Reporting the School District as a Whole – District-wide Financial Statements

One of the most important questions asked about the School District is, “As a whole, what is the School District’s financial condition as a result of the year’s activities?” The statement of net position and the statement of activities, which appear first in the School District’s financial statements, report information on the School District as a whole, and its activities, in a way that helps answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting,

which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds – Fund Financial Statements

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

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

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. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these 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 School District as a Whole

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

TABLE 1:

	Governmental Activities	
	2018	2017
Assets		
Current and other assets	\$ 1,473,720	\$ 1,248,989
Capital assets - net of accumulated depreciation	6,477,701	6,723,562
Total Assets	7,951,421	7,972,551
Deferred Outflows of Resources	1,265,944	1,055,996
Liabilities		
Current liabilities	1,056,701	617,347
Long-term liabilities	11,373,824	10,160,759
Total Liabilities	12,430,525	10,778,106
Deferred Inflows of Resources	451,168	138,080
Net Position		
Invested in property and equipment - Net of related debt	280,473	227,460
Restricted	127,314	121,004
Unrestricted	(4,072,115)	(2,236,103)
Total Net Position	\$ (3,664,328)	\$ (1,887,639)

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District’s governmental activities is discussed below. The School District’s net position decreased by \$ 1,776,689 for the year ended June 30, 2018.

The \$ (4,072,115) and \$ (2,236,103) in unrestricted net assets of governmental activities represents the accumulated results of all past years’ operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

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

As reported in the statement of activities, the cost of all of our governmental activities this year was \$3,769,538. Certain activities were partially funded from those who benefitted from the program or by other governments and organizations that subsidized certain programs with grants and categoricals. We paid for the remaining “public benefit” portion of our governmental activities with \$ 2,700,930 in taxes, and with our other revenues, such as interest, general entitlements, and fund balance.

The School District experienced a decrease in net position of \$ 367,386. The decrease in net position differs from the change in fund balance and the reconciliation is included in the financial statements.

TABLE 2:

	Governmental Activities	
	2018	2017
Revenue		
Program revenue:		
Charges for services	\$ 112,276	\$ 139,530
Grants and categoricals	588,946	628,529
General revenue:		
Property taxes	2,308,876	2,319,906
State foundation allowance	368,182	442,931
Other	23,872	22,350
Total revenue	3,402,152	3,553,245
Function/Program Expenses		
Instruction	2,016,160	1,934,063
Support services	1,013,004	901,409
Food services	155,377	165,185
Athletics	86,927	76,207
Interest on long-term debt	203,727	207,812
Minor equipment and furnishings (unallocated)	0	0
Pension expense (unallocated)	0	200,994
Depreciation (unallocated)	294,343	295,671
Total expenses	3,769,538	3,781,341
Increase (Decrease) in Net Position	\$ (367,386)	\$ (228,095)

The School District’s Funds

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

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District’s overall financial health. As the School District completed this year, the governmental funds reported a combined fund balance of \$ 741,673 which is a decrease of \$ 210,773 from last year. The primary reason for this decrease was increase in operating expenses. In the General Fund, our principal operating fund, the balance decreased by \$ 209,644.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District’s original and final budget amounts compared with amounts actually paid and received is provided as required supplemental information of these financial statements. The Board of Education adopted an initial general fund budget using approximately \$ 260,814 of fund balance to cover the budget deficit for the year. Actual results varied from initial budget amounts and general fund ended with a \$ 209,644 deficit due to decreased expenses. Actual revenues to final budget amounts were within 97.78% and expenditures with 99.55%

Capital Asset and Debt Administration

Capital Assets

At June 30, 2018 and 2017, the School District had invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment as detailed below:

	2018	2017
Land	\$ 97,923	\$ 97,923
Buildings and improvements	11,732,537	11,717,467
Buses and other vehicles	487,728	487,728
Furniture and Equipment	1,583,550	1,550,138
 Total capital assets	 13,901,738	 13,853,256
 Less accumulated depreciation		
Buildings and improvements	5,702,158	5,495,899
Buses and other vehicles	315,339	282,266
Furniture and equipment	1,406,541	1,351,529
Total accumulated depreciation	7,424,037	7,129,694
 Net capital assets	 \$ 6,477,701	 \$ 6,723,562

Debt Administration

At the end of this year, the School District had \$ 6,164,228.15 in outstanding debt versus \$ 6,461,952.00 in the previous year. This debt consisted of the following:

	<u>2018</u>	<u>2017</u>
2012 GO bonds	\$ 5,955,000	\$ 6,185,000
Qualified zone bonds	209,228	276,952
	<u>\$ 6,164,228</u>	<u>\$ 6,461,952</u>

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

We present more detailed information about our long-term liabilities in the notes to the financial statements and related schedules of indebtedness.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2018 fiscal year budget. One of the most important factors affecting the budget is our student count and taxable values of property. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2018 fiscal year budget was adopted in May 2017, based on an estimate of students that will be enrolled in September of 2017. Property tax values have decreased over the past years; which has resulted in less property tax revenue for the District. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, District funding is dependent on the State's ability to fund local school operation. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual District resources are not sufficient to fund original appropriations.

The School District's revenue is dependent on a number of factors including property values and state funding. The financial health of the state and state economy will have an impact on future funding.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the school administration office, 6609 Vine Street, Caseville, Michigan 48725.

CASEVILLE PUBLIC SCHOOLSHuron County, Michigan

STATEMENT OF NET POSITION

June 30, 2018

ASSETS:	
Cash and equivalents	\$ 1,173,116.94
Due from state	217,379.94
Accounts receivable	83,223.41
Inventory	0.00
Capital assets	0.00
Land	97,923.00
Buildings	11,732,537.25
Equipment	1,583,549.64
Vehicles	487,727.50
Accumulated depreciation	<u>(7,424,036.63)</u>
Total Assets	7,951,421.05
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	1,169,276.00
Related to opeb	96,668.00
LIABILITIES:	
Current Liabilities:	
Accounts payable	\$ 33,085.20
Accrued payroll and related benefits payable	231,417.54
Payroll withholding liabilities	1,310.47
Unearned revenue	466,234.49
Accrued interest	33,000.00
Current portion of bonds payable	<u>291,653.38</u>
Total Current Liabilities	1,056,701.08
Long-term Liabilities	
Non current portion of bonds payable	5,872,574.77
Net pension liability	4,104,053.00
Net opeb liability	<u>1,397,196.00</u>
Total Long-term Liabilities	<u>11,373,823.77</u>
Total Liabilities	<u>12,430,524.85</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	403,933.00
Related to OPEB	47,235.00
NET POSITION:	
Investment in capital assets - net of related debt	280,472.61
Restricted for capital projects	0.00
Restricted for debt	127,314.23
Unrestricted	<u>(4,072,114.64)</u>
Total Net Position	\$ <u><u>(3,664,327.80)</u></u>

The accompanying notes are an integral part of the financial statements.

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Program Revenues			Governmental Activities
	Expenses	Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES:				
Instruction	\$ 2,016,159.89	\$ 56,764.65	\$ 435,048.55	\$ (1,524,346.69)
Supporting services	1,013,003.62	0.00	49,314.45	(963,689.17)
Food services	155,377.09	39,162.78	104,583.36	(11,630.95)
Athletics	86,926.86	16,348.19	0.00	(70,578.67)
Interest on long term debt	203,727.42	0.00	0.00	(203,727.42)
Minor equipment and furnishings (unallocated)	0.00	0.00	0.00	0.00
Depreciation amortization (unallocated)	294,343.08	0.00	0.00	(294,343.08)
Total Governmental Activities	\$ 3,769,537.96	\$ 112,275.62	\$ 588,946.36	(3,068,315.98)
GENERAL PURPOSE REVENUES:				
Property taxes - operating				\$ 1,868,589.07
Property taxes - debt				440,286.51
State school aid - unrestricted				368,182.06
Donations				8,619.27
Investment earnings				11,981.27
Miscellaneous				3,271.95
Total General Purpose Revenues				2,700,930.13
Change in Net Position				(367,385.85)
Net Position - Beginning of Year, as Reported				(1,887,638.95)
Prior Period Adjustment - GASB 75				(1,409,303.00)
Net Position - Beginning of Year, as Adjusted				(3,296,941.95)
Net Position - End of Year				\$ (3,664,327.80)

The accompanying notes are an integral part of the financial statements.

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2018

	MAJOR FUNDS		NON MAJOR FUND	
	GENERAL	2012 DEBT RETIREMENT	FOOD SERVICE	TOTAL
ASSETS:				
Cash	\$ 1,021,266.78	\$ 127,314.23	\$ 24,535.93	\$ 1,173,116.94
Due from State	214,963.80	0.00	2,416.14	217,379.94
Accounts receivable - other	0.00	0.00	0.00	0.00
Grants receivable	0.00	0.00	0.00	0.00
Due from ISD	83,223.41	0.00	0.00	83,223.41
Due from other funds	0.00	0.00	0.00	0.00
Inventory - food	0.00	0.00	0.00	0.00
Inventory - USDA donated	0.00	0.00	0.00	0.00
	<u>1,319,453.99</u>	<u>127,314.23</u>	<u>26,952.07</u>	<u>1,473,720.29</u>
Total Assets	\$ <u>1,319,453.99</u>	\$ <u>127,314.23</u>	\$ <u>26,952.07</u>	\$ <u>1,473,720.29</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
Accounts payable	\$ 32,379.00	\$ 0.00	\$ 706.20	\$ 33,085.20
Accrued salaries benefits payable	231,417.54	0.00	0.00	231,417.54
Payroll withholding liabilities	1,310.47	0.00	0.00	1,310.47
Due to other funds	0.00	0.00	0.00	0.00
Unearned revenue	466,234.49	0.00	0.00	466,234.49
	<u>731,341.50</u>	<u>0.00</u>	<u>706.20</u>	<u>732,047.70</u>
Total Liabilities	731,341.50	0.00	706.20	732,047.70
FUND BALANCES:				
NONSPENDABLE				
Prepaid deposits	0.00	0.00	0.00	0.00
Inventory	0.00	0.00	0.00	0.00
RESTRICTED FOR:				
Debt Service	0.00	127,314.23	0.00	127,314.23
Capital projects	0.00	0.00	0.00	0.00
Food Service	0.00	0.00	26,245.87	26,245.87
COMMITTED FOR:				
ASSIGNED TO:	0.00	0.00	0.00	0.00
UNASSIGNED	588,112.49	0.00	0.00	588,112.49
	<u>588,112.49</u>	<u>127,314.23</u>	<u>26,245.87</u>	<u>741,672.59</u>
Total Fund Equity	588,112.49	127,314.23	26,245.87	741,672.59
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>1,319,453.99</u>	\$ <u>127,314.23</u>	\$ <u>26,952.07</u>	\$ <u>1,473,720.29</u>

The accompanying notes are an integral part of the financial statements.

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	741,672.59
Amounts reported for governmental activities in the statement of net position are different because -		
Capital assets used in governmental activities are not financial Resources and are not reported in the funds:		
Capital assets at cost		13,901,737.39
Accumulated depreciation		(7,424,036.63)
Long term liabilities not due and payable in the current period and therefore not reported in the funds -		
Net pension liability		(4,104,053.00)
Net OPEB liability		(1,397,196.00)
Accrued interest on bonds		(33,000.00)
2012 GO Bonds payable		(5,955,000.00)
QZAB Bonds		(209,228.15)
Deferred inflows of resources related to pensions		(403,933.00)
Deferred outflows of resources related to pensions		1,169,276.00
Deferred inflows of resources related to OPEB		(47,235.00)
Deferred outflows of resources related to OPEB		96,668.00
		<hr/>
TOTAL NET POSITION - GOVERNMENTAL FUNDS	\$	<u>(3,664,327.80)</u>

The accompanying notes are an integral part of the financial statements.

CASEVILLE PUBLIC SCHOOLS

Huron County, Michigan

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2018

	MAJOR FUNDS		NON MAJOR FUND	
	GENERAL	2012 DEBT RETIREMENT	FOOD SERVICE	TOTAL
REVENUES:				
Local sources	\$ 1,896,828.48	\$ 440,286.51	\$ 39,162.78	\$ 2,376,277.77
State sources	569,880.24	0.00	5,365.65	575,245.89
Federal sources	68,229.00	0.00	91,773.18	160,002.18
Donated commodities	0.00	0.00	7,444.53	7,444.53
Donated commodities bonus	0.00	0.00	0.00	0.00
Interest	11,080.47	900.80	0.00	11,981.27
Interdistrict and other sources	271,200.47	0.00	0.00	271,200.47
	2,817,218.66	441,187.31	143,746.14	3,402,152.11
Total Revenues				
EXPENDITURES:				
Instruction	1,881,998.89	0.00	0.00	1,881,998.89
Supporting services	941,730.62	0.00	0.00	941,730.62
Other costs	0.00	0.00	0.00	0.00
Food service	0.00	0.00	151,185.09	151,185.09
Athletics	86,926.86	0.00	0.00	86,926.86
Capital outlay depreciable items	48,482.00	0.00	0.00	48,482.00
Capital outlay nondepreciable items	0.00	0.00	0.00	0.00
Debt service-				
Principal repayment	67,723.85	230,000.00	0.00	297,723.85
Interest and fiscal charges	0.00	204,877.42	0.00	204,877.42
	3,026,862.22	434,877.42	151,185.09	3,612,924.73
Total Expenditures				
OTHER FINANCING SOURCES (USES):				
Transfer out	0.00	0.00	0.00	0.00
Transfer in	0.00	0.00	0.00	0.00
Net other financing sources (uses)	0.00	0.00	0.00	0.00
NET CHANGE IN FUND BALANCE	(209,643.56)	6,309.89	(7,438.95)	(210,772.62)
FUND BALANCE - BEGINNING OF YEAR	797,756.05	121,004.34	33,684.82	952,445.21
FUND BALANCE - END OF YEAR	\$ 588,112.49	\$ 127,314.23	\$ 26,245.87	\$ 741,672.59

The accompanying notes are an integral part of the financial statements.

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

FIDUCIARY FUNDS
 STATEMENTS OF FIDUCIARY NET POSITION
June 30, 2018

	FIDUCIARY FUNDS		
	SCHOLARSHIP TRUST FUND	STUDENT ACTIVITY FUND	TOTAL
ASSETS			
Cash in bank	\$ 36,265.34	\$ 86,575.16	\$ 122,840.50
Total Assets	\$ 36,265.34	\$ 86,575.16	\$ 122,840.50
 LIABILITIES AND FUND BALANCE			
LIABILITIES			
Due to school organizations	\$ 0.00	\$ 86,575.16	\$ 86,575.16
Restricted for scholarships	36,265.34	0.00	36,265.34
Total Liabilities and Fund Balance	\$ 36,265.34	\$ 86,575.16	\$ 122,840.50

The accompanying notes are an integral part of the financial statements.

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Caseville Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the School Districts accounting policies are described below:

Reporting Entity

The School District operates under a locally elected Board form of government and provides educational and supportive services mandated by the State of Michigan and/or federal agencies. This Board of Education controls the School Districts instructional and support facilities and provides services to approximately 300 students in grades K-12.

District-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued):

As a general rule, the effect of inter-fund activity has been eliminated from the district-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 School District considers revenues to be available if they are collected within approximately 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The School District reports the following major governmental funds:

General Fund –

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Funds –

The Debt Service Funds are used to account for the accumulation of resources, and for the payment of general long-term debt principal, interest and related costs.

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

Cash and Cash Equivalents – Cash and equivalents include amounts in demand deposits and certificates of deposit.

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

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued):

Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

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

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as inventory and deferred revenue until used. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the School District as assets with an individual cost of more than \$3,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have any infrastructure-type assets.

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

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

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.”

Compensated Absences – School District policy does not provide for payments of unused sick or vacation pay, therefore no provision has been recorded.

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

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

Deferred Outflows of Resources – In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period and so will not be recognized as an outflow of resources (expense) until then.

For district-wide financial statements, the School District reports the following deferred outflows of resources: Related to pension – A deferred outflow is recognized for pension related items. These amounts are expensed in the plan year in which they apply. Related to opeb – A deferred outflow is recognized for other post-employment benefits related items. These amounts are expensed in the plan year in which they apply. The School District also reported deferred outflows of resources for pension and opeb contributions made after the measurement date. This amount will reduce the net pension liability in the following year.

Deferred Inflows of Resources - In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time.

For district-wide financial statements, the School District reports the following deferred inflows of resources: Related to pensions – Future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary. Related to opeb – Future resources yet to be recognized in relation to the OPEB actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the OPEB liability and the actual results. The amounts are amortized over a period determined by the actuary. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

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

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

Property Taxes –

Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1, of the following year. These taxes are due on February 28 before they are added to the County tax rolls. Millage rates for operating were 14.7172 mills and 2.06 mills for debt on taxable value of \$ 125,492,869 Non Pre and \$ 1,204,800 Commercial Personal Property.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Standards – Effective July 1, 2017, the District adopted the provision of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which requires the District to recognize their unfunded postemployment benefits other than pensions (other postemployment benefits or OPEB) as a liability and to more comprehensively and comparably measure the annual costs of other postemployment benefits. In accordance with this statement, the District has reported a net OPEB liability of \$ 1,409,303 in the government-wide statement of net position as a change in accounting principle adjustment to unrestricted net position as of July 1, 2017.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year-end.

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

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amount as appropriated, as follows:

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):

<u>Function</u>	<u>Final Budget</u>	<u>Amount of Expenditures</u>	<u>Budget Variances</u>
General Fund Supporting Services Operation & Maintenance	\$ 264,210	\$ 266,377	\$ 2,167
General Fund Debt Service	\$ 56,644	\$ 67,724	\$ 11,080

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

NOTE 3. CASH AND EQUIVALENTS – CREDIT RISK:

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

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

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

Custodial Credit Risk for Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. At June 30, 2018 the carrying amount of the District’s deposits was \$ 1,173,117 and the bank balance was \$ 1,217,358. The uninsured balance was \$ 967,358.

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

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 3. CASH AND EQUIVALENTS – CREDIT RISK (continued):

pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

The District had no investments at June 30, 2018.

NOTE 4. CAPITAL ASSETS:

Capital asset activity of the School District's for the year ended June 30, 2018 was as follows:

	<u>Balance July 1</u>	<u>Additions/ Retirements/ Completions</u>	<u>Adjustments</u>	<u>Balance June 30</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 97,923	\$ 0	\$ 0	\$ 97,923
Capital assets being depreciated				
Buildings and improvements	11,717,467	15,070	0	11,732,537
Buses and other vehicles	487,728	0	0	487,728
Furniture and equipment	<u>1,550,138</u>	<u>33,412</u>	<u>0</u>	<u>1,583,550</u>
Subtotal	13,755,333	48,482	0	13,803,815
Less accumulated depreciation				
Building and improvements	5,495,901	206,257	0	5,702,158
Buses and other vehicles	282,266	33,073	0	315,339
Furniture and equipment	<u>1,351,527</u>	<u>55,013</u>	<u>0</u>	<u>1,406,541</u>
Total accumulated depreciation	<u>7,129,694</u>	<u>294,343</u>	<u>0</u>	<u>7,424,037</u>
Net capital assets	<u>\$ 6,723,562</u>	<u>\$ (245,861)</u>	<u>\$ 0</u>	<u>\$ 6,477,701</u>

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

At June 30, 2018, the District had no interfund receivables or payables.

There were no transfers made between funds during the current fiscal year.

NOTE 6. SHORT-TERM DEBT:

The School District issued a tax anticipation note in advance of the collection of operating taxes, depositing the proceeds of \$370,000 on October 25, 2017 in its General Fund. This note was necessary because the School District's cash flow obligation to operating expenses precede the collection of its operating taxes. The note was paid in full by the maturity date of March 1, 2018.

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7. UNEARNED REVENUE:

Unearned revenues arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the fund financial statements and Government-wide financial statements, and revenue is recognized. At the end of the current fiscal year end, \$ 465,230.68 was reported as unearned revenue. The district levied taxes in excess of what was allowed by statute. An additional 3.1411 operating mills were levied and collected. The District will reduce the millage rate next year by the same over collected millage and collect less in property taxes. The over collected property taxes for June 30, 2018 will be earned and used in next fiscal year.

NOTE 8. LONG-TERM DEBT:

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment.

General Obligation Bonds are direct obligations and pledge the full faith and credit of the School District.

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

	Beginning Balance 7/1/2017	Additions	Reductions	Ending Balance 6/30/2018
Bonds Payable				
2012 GO bonds	6,185,000.00	0.00	230,000.00	5,955,000.00
Qualified zone bonds	276,952.00	0.00	67,723.85	209,228.15
	\$ 6,461,952.00	\$ 0.00	\$ 297,723.85	\$ 6,164,228.15

Annual debt service requirements to maturity for the above governmental fund obligations are as follows:

	Principal	Interest	Total
2019	\$ 303,739.71	\$ 210,096.33	\$ 513,836.04
2020	314,770.81	201,727.43	516,498.24
2021	325,717.63	192,874.25	518,591.88
2022	265,000.00	168,600.00	433,600.00
2023	275,000.00	158,000.00	433,000.00
2024 - 2028	1,485,000.00	661,900.00	2,146,900.00
2029 - 2033	1,680,000.00	427,900.00	2,107,900.00
2034 - 2037	1,515,000.00	134,050.00	1,649,050.00
Total	\$ 6,164,228.15	\$ 2,155,148.01	\$ 8,319,376.16

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9. STATE REVENUE:

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded by state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2018, the foundation allowance was based on pupil membership counts taken February and October of the previous year.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes (formerly known as Non-Homestead) which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October 2017 to August 2018. Thus, the unpaid portion at June 30th is reported as a due from state.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds which are not expended by the close of the fiscal year are recorded as unearned revenue.

NOTE 10 ECONOMIC DEPENDENCY:

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

NOTE 11. PENSION PLAN:

Plan Description

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

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 11. RETIREMENT PLAN (continued):

Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System. The System's financial statements are available at www.michigan.gov/orsschools.

Benefits Provided

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

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

Contributions

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

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

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

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

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 11. RETIREMENT PLAN (continued):

Required contributions to the pension plan from Caseville Public Schools' were \$ 371,463 for the year ended September 30, 2017.

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

At June 30, 2018, the District reported a liability of \$ 4,104,053 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2017, the School Districts' proportionate share percent was .001583705 percent, which was a *decrease* of .00013726 percent from its proportion measured as of September 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$ 567,301. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,667	\$ 20,138
Changes of assumptions	449,632	0
Net difference between projected and actual earnings on pension plan investments	0	196,201
Changes in proportion and differences between School District contributions and proportionate share of contributions	311,256	28,118
School District contributions subsequent to the measurement date	<u>372,721</u>	<u>159,476</u>
Total	\$ <u>1,169,276</u>	\$ <u>403,933</u>

Contributions subsequent to the measurement date reported as deferred outflows or resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended June 30, 2018. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 11. RETIREMENT PLAN (continued):

**Deferred (Inflows) and Deferred Outflows of Resources by
Year (to Be Recognized in Future Pension Expenses)**

Plan Year Ended September 30	Amount:
2018	\$ 216,676
2019	258,479
2020	89,391
2021	<u>(12,448)</u>
Total	\$ <u>552,098</u>

Actuarial Assumptions

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

Addition information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	
- MIP and Basic Plans (Non-Hybrid):	7.5%
- Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 11. RETIREMENT PLAN (continued):

Notes:

- *Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.6273 for non-university employers 1.2456 for university employers]*
- *Recognition period for assets in years is 5.0000*
- *Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual*

Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

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

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

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

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 11. RETIREMENT PLAN (continued):

Rate of Return

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

Discount Rate

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

1% Decrease (Non-Hybrid/Hybrid) 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 8.5% / 8.0%
\$ 5,346,216	\$ 4,104,053	\$ 3,058,231

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 11. RETIREMENT PLAN (continued):

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

The District's accrued liabilities to the System in the amount of \$ 53,585 associated with salary and wages recorded as liabilities at year end.

NOTE 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

Plan Description

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

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

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System. The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

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

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued):

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

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

Contributions

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

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

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

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

Required contributions to the OPEB plan from the District were \$ 122,837 for the year ended September 30, 2017.

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued):

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

At June 30, 2018, the District reported a liability of \$ 1,397,196 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the District's proportion was .015777%, which was a decrease of 5.4778% from its proportion measured as of October 1, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$ 93,470. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 14,876
Changes of assumptions	0	0
Net difference between projected and actual earnings on OPEB plan investments	0	32,359
Changes in proportion and differences between School District contributions and proportionate share of contributions	66	0
School District contributions subsequent to the measurement date	<u>96,602</u>	<u>0</u>
Total	\$ <u>96,668</u>	\$ <u>47,235</u>

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

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued):

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

2018	\$ (11,400)
2019	\$ (11,400)
2020	\$ (11,400)
2021	\$ (11,400)
2022	\$ <u>(1,569)</u>
Total	\$ <u><u>(47,169)</u></u>

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	7.5%
Projected Salary Increases:	3.5 – 12.3%, including wage inflation at 3.5%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.
Other Assumptions:	
Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued):

Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- *Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.4744 for non-university employers of 1.4186 for university employers]*
- *Recognition period for assets in years is 5.0000*
- *Full actuarial assumptions are available in the 2017 MPERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

Long-Term Expected Return on Plan Assets

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

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

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

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued):

Rate of Return

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

Discount Rate

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

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

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

1% Decrease	Current Discount Rate	1% Increase
6.5%	7.5%	8.5%
\$ 1,636,520	\$ 1,397,196	\$ 1,194,084

Sensitivity of the District's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

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

1% Decrease	Current Healthcare Cost	1% Increase
6.5%	Trend Rate	8.5%
	7.5%	
\$ 1,183,237	\$ 1,397,196	\$ 1,640,131

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued):

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

The District's accrued liabilities to the System in the amount of \$ 11,264 associated with salary and wages recorded as liabilities at year end.

NOTE 13. QUALIFIED ZONE ACADEMY BONDS (QZAB):

These bonds were non-interest bearing and the holders receive a tax credit instead of interest. The proceeds are designated for school improvements including remodeling, equipping, and re-furnishing school buildings; acquiring a school bus; educational technology; and improving athletic fields, playgrounds, and sites. The total amount the School qualified for is \$ 1,015,750. The bonds are to be paid off in annual installments of \$ 56,643 payable each April 15th. Interest earned on the accumulation is considered paid to the principal portion of the bond each year.

The first of these payments was made in 2006. Each payment accumulates with Independent Bank, which pays a 1.5% interest rate on the accumulated amount. Interest will be earned and added to the accumulation. Payments and accumulated interest are set to equal the total amount due of \$ 1,015,750 by April 15, 2021.

NOTE 14. FUND BALANCE CLASSIFICATIONS:

In accordance with Government Accounting Standards Board 54 (GASB 54) adopted July 1, 2010 by the district the fund balance reporting classification for governmental fund balances are as follows:

Non-spendable – The non-spendable fund balance category includes amount that cannot be spent because they are not in spendable form such inventories or are legally or contractually required to be maintained intact.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, or laws or regulations of other governments or is imposed through constitutional provisions or enabling legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purpose imposed by formal board of education resolutions.

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 14. FUND BALANCE CLASSIFICATIONS (continued):

Assigned – Amounts in the assigned fund balance classification are intended to be used by the district for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from the overspending for specific purposes for which amounts have been restricted, committed or assigned.

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

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

NOTE 15. TAX ABATEMENTS:

Effective for the year ended June 30, 2018, the School District is required to disclose significant tax abatements as required by GASB Statement 77, Tax Abatements.

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities.

The property taxes abated for all funds by City of Caseville under this program were \$ 4,804.

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

NOTE 16. MANAGEMENT REVIEW:

Management has evaluated subsequent events and transactions for potential recognition and disclosure through September 18, 2018, the date the financial statements were available to be issued. No significant events or transactions were identified.

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 17. UPCOMING ACCOUNTING PRONOUNCEMENTS:

Government Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities was issued by GASB in January 2017 and will be effective for the School District's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on: (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

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

NOTE 18. ADOPTION OF NEW ACCOUNTING STANDARDS:

As indicted in Note 1, the School District has adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement was issued in June 2015 and was effective for the District's 2018 fiscal year. The Statement requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense and requires additional note disclosures and required supplementary information. The standard requires the change to be applied retroactively. The impact of the change is to reduce beginning net position as of July 1, 2017 by \$1,409,303, restating it from (\$1,887,639) to (\$3,296,942).

REQUIRED SUPPLEMENTAL INFORMATION

CASEVILLE PUBLIC SCHOOLS

Huron County, Michigan

BUDGET COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
REVENUES:				
Local sources	\$ 1,854,100.00	\$ 1,895,682.00	\$ 1,907,908.95	\$ 12,226.95
State sources	608,142.00	581,500.00	569,880.24	(11,619.76)
Federal sources	63,134.00	68,229.00	68,229.00	0.00
Interdistrict and other sources	<u>219,810.00</u>	<u>209,263.00</u>	<u>271,200.47</u>	<u>61,937.47</u>
Total Revenues	2,745,186.00	2,754,674.00	2,817,218.66	62,544.66
EXPENDITURES:				
Instruction-				
Basic Programs	1,474,650.00	1,601,335.00	1,603,450.51	(2,115.51)
Added needs	299,694.00	278,633.00	278,548.38	84.62
Supporting Services:				
Pupil	250.00	22,325.00	22,324.43	0.57
Instructional staff	47,115.00	40,338.00	40,430.06	(92.06)
Academic student assessment	0.00	0.00	0.00	0.00
General administration	304,037.00	321,489.00	321,911.33	(422.33)
School administration	137,990.00	188,127.00	187,709.27	417.73
Business service	13,300.00	6,726.00	6,726.73	(0.73)
Operation and maintenance	273,263.00	264,210.00	266,376.76	(2,166.76)
Pupil transportation	126,841.00	122,601.00	121,381.09	1,219.91
Central	6,640.00	5,651.00	5,675.19	(24.19)
Athletics	86,738.00	86,935.00	86,926.86	8.14
Other pupil activities	0.00	2,700.00	2,607.76	92.24
Capital Outlay	0.00	0.00	0.00	0.00
Facilities improvements	52,000.00	15,070.00	15,070.00	0.00
Other	0.00	0.00	0.00	0.00
Debt service-				
Principal	56,654.00	56,644.00	67,723.85	(11,079.85)
Interest	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Expenditures	2,879,172.00	3,012,784.00	3,026,862.22	(14,078.22)
OTHER FINANCING SOURCES (USES)				
Transfer from Food Service	<u>0.00</u>	<u>(2,704.00)</u>	<u>0.00</u>	<u>(2,704.00)</u>
Net other financing sources (uses)	0.00	(2,704.00)	0.00	(2,704.00)
NET CHANGE IN FUND BALANCE	(133,986.00)	(260,814.00)	(209,643.56)	51,170.44
FUND BALANCE - BEGINNING OF YEAR	<u>792,869.00</u>	<u>792,869.00</u>	<u>797,756.05</u>	<u>0.00</u>
FUND BALANCE - END OF YEAR	\$ <u><u>658,883.00</u></u>	\$ <u><u>532,055.00</u></u>	\$ <u><u>588,112.49</u></u>	\$ <u><u>51,170.44</u></u>

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

BUDGET COMPARISON SCHEDULE - 2012 DEBT RETIREMENT FUND
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
REVENUES:				
Local sources - property tax	\$ 440,000.00	\$ 440,000.00	\$ 440,286.51	\$ 286.51
State sources	0.00	0.00	0.00	0.00
Federal sources	0.00	0.00	0.00	0.00
Interest	<u>3,750.00</u>	<u>3,750.00</u>	<u>900.80</u>	<u>(2,849.20)</u>
Total Revenues	443,750.00	443,750.00	441,187.31	(2,562.69)
EXPENDITURES:				
Debt service-				
Principal repayment	230,000.00	230,000.00	230,000.00	0.00
Interest	<u>208,375.00</u>	<u>208,375.00</u>	<u>204,877.42</u>	<u>3,497.58</u>
Total Expenditures	438,375.00	438,375.00	434,877.42	3,497.58
OTHER FINANCING SOURCES (USES):				
Operating transfers out	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net other financing sources (uses)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
NET CHANGE IN FUND BALANCE	5,375.00	5,375.00	6,309.89	(6,060.27)
FUND BALANCE - BEGINNING OF YEAR	<u>120,478.76</u>	<u>120,478.76</u>	<u>121,004.34</u>	<u>0.00</u>
FUND BALANCE - END OF YEAR	<u>\$ 125,853.76</u>	<u>\$ 125,853.76</u>	<u>\$ 127,314.23</u>	<u>\$ (6,060.27)</u>

CASEVILLE PUBLIC SCHOOLS

Huron County, Michigan

REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
 LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/ 30 OF EACH FISCAL YEAR)
Year Ended June 30, 2018

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
A. School district's proportion of net pension liability (%)						0.01584%	0.01597%	0.01489%	0.01297%
B. School district's proportionate share of net pension liability	\$	\$	\$	\$	\$	\$ 4,104,053	\$ 3,985,460	\$ 3,636,647	\$ 2,857,859
C. School district's covered - employee payroll	\$	\$	\$	\$	\$	\$ 1,296,670	\$ 1,361,531	\$ 1,246,218	\$ 1,003,344
D. School district's proportionate share of net pension liability as a percentage of its covered - employee payroll (%)						316.51%	292.72%	291.81%	284.83%
E. Plan fiduciary net position as a percentage of total pension liability						64.21%	63.27%	63.17%	66.20%

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with FYE June, 30, 2015

CASEVILLE PUBLIC SCHOOLS

Huron County, Michigan

REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF THE SCHOOL DISTRICT'S PENSION CONTRIBUTIONS
 MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
 LAST 10 REPORTING UNIT FISCAL YEARS (AMOUNTS DETERMINED AS OF 6/30 OF EACH YEAR)
Year Ended June 30, 2018

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. Statutorily required contributions	\$	\$	\$	\$	\$	\$	\$ 371,463	\$ 358,711	\$ 348,566	\$ 306,856
B. Contributions in relation to statutorily required contributions							<u>371,463</u>	<u>358,711</u>	<u>348,566</u>	<u>306,856</u>
C. Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
D. Reporting unit's covered - employee payroll							1,345,814	1,361,531	\$ 1,207,241	\$ 1,206,091
E. Contributions as a percentage of covered - employee payroll							27.60%	26.35%	28.87%	25.44%

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with FYE June, 30, 2015

CASEVILLE PUBLIC SCHOOLS

Huron County, Michigan

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)
Year Ended June 30, 2018

	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
A. Employer's proportion of net OPEB liability (%)									0.01578%
B. Employer's proportionate share of net OPEB liability									\$ 1,397,196
C. Employer's covered-employee payroll (OPEB)									\$ 1,296,670
D. Employer's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)									107.75%
E. Plan fiduciary net position as a percentage of total OPEB liability									36.39%

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

CASEVILLE PUBLIC SCHOOLS

Huron County, Michigan

REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF THE SCHOOL DISTRICT'S OPEB CONTRIBUTIONS
 MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
 LAST 10 EMPLOYER FISCAL YEARS (AMOUNTS DETERMINED AS OF 6/30 OF EACH YEAR)
Year Ended June 30, 2018

	<u>2027</u>	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
A. Statutorily required OPEB contributions									\$	114,940
B. OPEB contributions in relation to statutorily required contributions									\$	114,940
C. Contribution deficiency (excess)									\$	<u>0</u>
D. Employer's covered-employee payroll (OPEB)									\$	1,345,814
E. OPEB contributions as a percentage of covered-employee payroll										8.54%

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

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

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

OTHER SUPPLEMENTAL INFORMATION

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	<u>FOOD SERVICE</u>
ASSETS	
Cash in bank	\$ 24,535.93
Due from general fund	0.00
Due from State	2,416.14
Inventory - food	0.00
Inventory - USDA donated	0.00
	<hr/>
Total Assets	\$ <u>26,952.07</u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Unearned revenue	0.00
Accrued expenses	706.20
	<hr/>
Total Liabilities	706.20
 FUND BALANCE	
Restricted	26,245.87
	<hr/>
Total Liabilities and Fund Balance	\$ <u>26,952.07</u>

CASEVILLE PUBLIC SCHOOLS

Huron County, Michigan

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2018

	<u>FOOD SERVICE</u>
REVENUES:	
Food sales	\$ 39,162.78
State sources	5,365.65
Federal sources	91,773.18
Donated commodities	7,444.53
Donated commodities bonus	0.00
Property taxes	0.00
Interest	0.00
Total Revenues	<u>143,746.14</u>
EXPENDITURES:	
Salaries	30,760.23
Retirement	11,476.83
Fringe benefits	4,936.73
Payroll taxes	6,693.80
Purchased services	18,832.84
Supplies and materials	4,080.19
Other costs	9,978.15
Repairs and maintenance	2,382.44
Food costs	62,043.88
Total Expenditures	<u>151,185.09</u>
OTHER FINANCING USES	
Transfer to general fund	<u>0.00</u>
EXCESS OF REVENUES AND OTHER SOURCES (UNDER EXPENDITURES)	(7,438.95)
FUND BALANCE - BEGINNING OF YEAR	<u>33,684.82</u>
FUND BALANCE - END OF YEAR	<u>\$ 26,245.87</u>

CASEVILLE PUBLIC SCHOOLSHuron County, Michigan**GENERAL FUND
DETAIL SCHEDULE OF REVENUES AND EXPENDITURES
Year Ended June 30, 2018****REVENUES:**

Local Services:

Current and delinquent taxes	\$	1,868,535.28
Interest on delinquent taxes		53.79
Rental income		8,358.19
Local medicaid payments		0.00
Student activity sales		0.00
Athletic admission		7,990.00
Investment income		11,080.47
Miscellaneous local		3,271.95
Contributions		<u>8,619.27</u>

Total Local Sources 1,907,908.95

State Sources:

Discretionary payment		180,037.87
High school pupil supports		2,075.92
MPSERS cost 147a		18,462.95
MPSERS UAAL 147c		159,476.44
MPSERS normal cost offset		8,128.88
MPSERS one time deposit		32,807.84
Special education headlee obligation 51c		49,314.45
At risk - 31A		61,833.73
Bus driver safety		222.98
Headlee data collection 152a		6,863.18
Pre K NEMCSA		50,656.00
Best practice		<u>0.00</u>

Total State Source 569,880.24

Federal Sources:

Title I		32,915.00
Title II A		6,809.00
USAC		0.00
REAP		<u>28,505.00</u>

Total Federal Sources 68,229.00

Interdistrict Sources:

Pre K great start ISD		56,764.65
Huron ISD transportation		15,609.76
Huron ISD special education		171,897.73
Huron ISD SE coordinator revenue		20,465.80
Huron ISD other		<u>6,462.53</u>

Total ISD 271,200.47

Total Revenues 2,817,218.66

CASEVILLE PUBLIC SCHOOLS

Huron County, Michigan

GENERAL FUND
DETAIL SCHEDULE OF REVENUES AND EXPENDITURES
Year Ended June 30, 2018

Instruction - Basic Programs

Elementary

Teachers' salaries	\$	348,257.55
Substitute teachers' salaries		20.00
Other special pay		5,468.09
Fringe benefits		87,337.62
Retirement		138,263.76
Payroll taxes		25,824.04
Other costs		9,200.00
Instructional services		8,465.22
Teaching supplies		2,744.61
Repairs and maintenance		381.62
Textbooks and software		5,293.28
Total Elementary		<u>631,255.79</u>

High School

Teachers' salaries		449,224.96
Substitute teachers		240.00
Other special pay		22,417.09
Fringe benefits		128,125.06
Retirement		194,042.35
Payroll taxes		34,919.55
Tuition		0.00
Teaching supplies		4,114.05
Equipment repairs		47.10
Other costs		3,138.47
Miscellaneous		3,925.26
Textbooks and software		1,273.85
Instructional services		3,942.61
New equipment		189.00
ISD tuition		7,015.00
Total High School		<u>852,614.35</u>

Pre-Kindergarten

Teachers' salaries		45,301.00
Fringe benefits		14,110.32
Retirement		17,370.02
Payroll taxes		3,056.99
Other costs		845.97
Cost of meals		6,053.85
Workshops		240.00
Teaching supplies		1,403.71
Instructional services		31,198.51
Total Pre-Kindergarten		<u>119,580.37</u>

Total Basic Programs

1,603,450.51

CASEVILLE PUBLIC SCHOOLS

Huron County, Michigan

GENERAL FUND

DETAIL SCHEDULE OF REVENUES AND EXPENDITURES (continued)

Year Ended June 30, 2018

Instruction - Added Needs		
Special Education		
Teachers' salaries	\$	81,398.64
Other special pay		8,553.50
Fringe benefits		27,685.29
Retirement		39,607.84
Payroll taxes		6,293.53
Miscellaneous		154.89
Instructional services		39,324.53
Other		0.00
Textbooks and software		0.00
Teaching supplies		3,105.86
		<hr/>
Total Special Education		206,124.08
Compensatory Education:		
Aides salaries		16,204.11
Other professional salaries		0.00
Fringe benefits		6,615.87
Retirement		7,101.13
Payroll taxes		1,068.64
Instructional services		41,434.55
Supplies		0.00
ISD tuition		0.00
		<hr/>
Total Compensatory Education		72,424.30
		<hr/>
Total Added Needs		278,548.38
		<hr/>
Total Instruction		1,881,998.89

CASEVILLE PUBLIC SCHOOLS

Huron County, Michigan

GENERAL FUND

DETAIL SCHEDULE OF REVENUES AND EXPENDITURES (continued)

Year Ended June 30, 2018

Supporting Services - Pupil

Guidance services

Salaries	\$	16,495.71
Retirement		4,205.73
Fringe benefits		396.32
payroll taxes		1,226.67
Total Guidance Services		<u>22,324.43</u>

Health services 0.00

Monitoring		0.00
Total Pupil		<u>22,324.43</u>

Supporting Services - Instructional Staff

Improvement of Instruction

Instructional services		0.00
Workshops		9,944.08
Other		0.00
Total Improvement of Instruction		<u>9,944.08</u>

Educational Media Services

Periodicals		0.00
Software and other rentals		0.00
Total Education Media		<u>0.00</u>

Educational Television

TV - telephone 0.00

Instruction Related Technology

Salaries		10,000.00
Retirement		2,491.47
Payroll taxes		6,156.77
Software license		3,118.57
Professional services		8,482.00
Equipment		0.00
Supplies and materials		237.17
		<u>237.17</u>

Total Instruction Related Technology 30,485.98

CASEVILLE PUBLIC SCHOOLS

Huron County, Michigan

GENERAL FUND

DETAIL SCHEDULE OF REVENUES AND EXPENDITURES (continued)

Year Ended June 30, 2018

Supporting Services Instruction Staff (Cont.):

Supervision and Direction of Instructional Staff

Salaries	0.00
Retirement	0.00
Payroll taxes	0.00
Other purchased services	0.00
Fringes	0.00
Total Supervision and Direction of Staff	<u>0.00</u>

Total Instructional Staff 40,430.06

Supporting Services - Academic Student Assessment

Aides salaries	0.00
Fringes	0.00
Total Academic Student Assessment	<u>0.00</u>

Supporting Services - General Administration

Board of Education

Board salaries	4,200.00
Payroll taxes	321.30
Legal services	8,597.25
Audit	5,379.18
Phone	720.00
Postage	0.00
Purchased services	6,284.00
Supplies	0.00
Workshops	986.82
Miscellaneous	1,445.80
Advertising	790.48
Dues and fees	776.00
Total Board of Education	<u>29,500.83</u>

CASEVILLE PUBLIC SCHOOLS

Huron County, Michigan

GENERAL FUND

DETAIL SCHEDULE OF REVENUES AND EXPENDITURES (continued)

Year Ended June 30, 2018

Supporting Services - General Administration (Cont):

Executive Administration

Superintendent	\$	98,520.00
Administrator assistant salary		22,770.56
Administrative financial assistant		48,189.00
Fringe benefits		33,965.13
Retirement		65,205.90
Payroll taxes		12,848.19
Other costs		7,200.00
Telephone		1,500.00
Dues & fees		50.00
Postage		48.45
Office supplies		1,279.07
Misc expenses		834.20
Total Executive Administration		<u>292,410.50</u>

Total General Administration 321,911.33

Support Services - School Administration

Office of Principal

Administration salaries		30,755.00
Administrator assistant salary		75,127.81
Fringe benefits		17,249.73
Retirement		41,048.87
Payroll taxes		7,674.22
Telephone		750.00
Postage		1,896.52
Office supplies		437.88
Other costs		3,600.00
Misc expenses		9,169.24
Total School Administration		<u>187,709.27</u>

Support Services - Business

Other Business Services

Insurance		1,967.00
Taxes abated		3,163.36
Misc		0.00
Interest on debt		1,596.37
Total Business		<u>6,726.73</u>

CASEVILLE PUBLIC SCHOOLS

Huron County, Michigan

GENERAL FUND

DETAIL SCHEDULE OF REVENUES AND EXPENDITURES (continued)

Year Ended June 30, 2018

Supporting Services - Operation and Maintenance

Operating Building Services

Craft and trade salaries	\$	29,250.00
Fringe benefits		0.00
Retirement		14,804.28
Payroll taxes		2,237.82
Internet		1,443.20
Telephone		3,494.16
Utilities		43,448.18
Water		5,657.21
Trash disposal		1,216.14
Furniture/equipment		34,862.99
Insurance		11,872.00
Repair and maintenance - building		101,612.38
Repair and maintenance - equipment		4,100.62
Miscellaneous		214.11
Supplies		9,631.67
Other costs		2,532.00
Total Operation and Maintenance		<u>266,376.76</u>

Supporting Services - Pupil Transportation

Pupil Transportation

Supervision salaries		4,875.00
Fringe benefits		0.00
Retirement		1,796.68
Payroll taxes		372.84
Contracted drivers		56,521.10
Transportation insurance		6,250.00
Repair and maintenance		29,397.51
Gasoline, oil and grease		20,263.42
Supplies		272.59
Other costs		371.00
Workshops		0.00
Miscellaneous		1,260.95
Total Pupil Transportation		<u>121,381.09</u>

CASEVILLE PUBLIC SCHOOLS

Huron County, Michigan

GENERAL FUND

DETAIL SCHEDULE OF REVENUES AND EXPENDITURES (continued)

Year Ended June 30, 2018

Supporting Services - Central		
Staff/Personnel Services		
Advertising	\$	0.00
Other		0.00
Workshops		<u>2,035.19</u>
Total Staff/Personnel Services		2,035.19
Non-Instructional Technology Services		
Software		<u>3,640.00</u>
Total Supporting Services - Central		5,675.19
Supporting Services - Other		
Pupil Activities		
Purchased services		2,607.76
Athletic Activities		
Professional services		66,861.89
Workshops		60.00
Supplies		17,897.67
Dues		1,679.30
Misc. expenses		<u>428.00</u>
Total Athletic Activities		<u>86,926.86</u>
Total Supporting Services - Other		89,534.62
Facilities Acquisition, Construction, and Improvements		
Building Acquisition and Construction Services		15,070.00
Debt Service		
Principal		67,723.85
Interest		<u>0.00</u>
Total Debt Service		67,723.85
Other Financing Sources		
Food service transfer - indirect costs		<u>0.00</u>
Total Other Financing Uses		<u>0.00</u>
Total Expenditures and Other Financing Uses		<u>3,026,862.22</u>
Excess of Revenues over (Under) Expenditures		(209,643.56)
Fund Balance - Beginning of Year		<u>797,756.05</u>
Fund Balance - End of Year	\$	<u><u>588,112.49</u></u>

CASEVILLE PUBLIC SCHOOLS

Huron County, Michigan

STUDENT ACTIVITY
 SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
 DUE TO SCHOOL ORGANIZATIONS
For the Year Ended June 30, 2018

	Balance Beginning of Year	Additions	Reductions	Balance Ending of Year
Yearbook	\$ 3,335.20	\$ 8,188.00	\$ 5,404.74	\$ 6,118.46
Band	2,158.24	1,733.00	2,545.29	1,345.95
Student Council	1,199.23	1,336.00	1,448.22	1,087.01
Cheerleaders	0.00	3,472.00	2,335.45	1,136.55
Class of 2016	97.41	0.00	97.41	0.00
Class of 2017	2,115.89	0.00	2,115.89	0.00
Class of 2018	15,345.66	21,651.99	36,997.65	0.00
Class of 2019	11,196.54	6,601.90	5,065.66	12,732.78
Class of 2020	9,306.52	2,882.00	0.00	12,188.52
Class of 2021	4,913.00	4,576.00	2,798.00	6,691.00
Class of 2022	400.00	738.00	0.00	1,138.00
Class of 2023	0.00	2,130.30	513.26	1,617.04
Football	8,797.42	2,957.39	1,563.66	10,191.15
Basketball	53.21	6,829.34	6,561.75	320.80
National Honor Society	382.48	5,825.04	1,722.40	4,485.12
Elementary Events	12,648.10	14,322.22	9,161.93	17,808.39
Miscellaneous	4,045.01	7,010.49	7,064.63	3,990.87
Volleyball	243.18	1,166.00	1,347.62	61.56
Track	990.98	0.00	0.00	990.98
Technology	4,652.05	0.00	0.00	4,652.05
Softball/Baseball	528.93	0.00	510.00	18.93
	<hr/>	<hr/>	<hr/>	<hr/>
Total Student Organizations	82,409.05	91,419.67	87,253.56	86,575.16
 Scholarship Funds:				
Nienstedt	23,028.87	0.00	500.00	22,528.87
Other scholarships	12,204.14	11,232.33	9,700.00	13,736.47
	<hr/>	<hr/>	<hr/>	<hr/>
Total Scholarship Funds	35,233.01	11,232.33	10,200.00	36,265.34
	<hr/>	<hr/>	<hr/>	<hr/>
Total Trust & Agency	\$ 117,642.06	\$ 102,652.00	\$ 97,453.56	\$ 122,840.50
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CASEVILLE PUBLIC SCHOOLS

Huron County, Michigan

2012 SCHOOL BUILDING AND SITE GENERAL OBLIGATION BONDS

Year Ended June 30, 2018

Original issue amount \$7,310,000

Interest rates 1.50% to 4.00%

<u>Payment Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total Payment</u>
11/1/2018	\$	3.00%	\$ 99,000.00	\$ 99,000.00
5/1/2019	235,000.00	4.00%	99,000.00	334,000.00
11/1/2019		4.00%	94,300.00	94,300.00
5/1/2020	245,000.00	4.00%	94,300.00	339,300.00
11/1/2020		4.00%	89,400.00	89,400.00
5/1/2021	255,000.00	4.00%	89,400.00	344,400.00
11/1/2021		4.00%	84,300.00	84,300.00
5/1/2022	265,000.00	4.00%	84,300.00	349,300.00
11/1/2022		4.00%	79,000.00	79,000.00
5/1/2023	275,000.00	3.00%	79,000.00	354,000.00
11/1/2023		3.00%	74,875.00	74,875.00
5/1/2024	280,000.00	3.00%	74,875.00	354,875.00
11/1/2024		3.00%	70,675.00	70,675.00
5/1/2025	290,000.00	3.00%	70,675.00	360,675.00
11/1/2025		3.00%	66,325.00	66,325.00
5/1/2026	300,000.00	3.00%	66,325.00	366,325.00
11/1/2026		3.00%	61,825.00	61,825.00
5/1/2027	305,000.00	3.00%	61,825.00	366,825.00
11/1/2027		3.00%	57,250.00	57,250.00
5/1/2028	310,000.00	3.00%	57,250.00	367,250.00
11/1/2028		3.00%	52,600.00	52,600.00
5/1/2029	320,000.00	3.00%	52,600.00	372,600.00
11/1/2029		3.00%	47,800.00	47,800.00
5/1/2030	325,000.00	3.00%	47,800.00	372,800.00
11/1/2030		3.00%	42,925.00	42,925.00
5/1/2031	335,000.00	3.00%	42,925.00	377,925.00
11/1/2031		3.00%	37,900.00	37,900.00
5/1/2032	345,000.00	3.00%	37,900.00	382,900.00
11/1/2032		3.00%	32,725.00	32,725.00
5/1/2033	355,000.00	3.50%	32,725.00	387,725.00
11/1/2033		3.50%	26,512.50	26,512.50
5/1/2034	365,000.00	3.50%	26,512.50	391,512.50
11/1/2034		3.50%	20,125.00	20,125.00
5/1/2035	375,000.00	3.50%	20,125.00	395,125.00
11/1/2035		3.50%	13,562.50	13,562.50
5/1/2036	385,000.00	3.50%	13,562.50	398,562.50
11/1/2036		3.50%	6,825.00	6,825.00
5/1/2037	390,000.00	3.50%	6,825.00	396,825.00
11/1/2037			0.00	0.00
	<u>\$ 5,955,000.00</u>		<u>\$ 2,115,850.00</u>	<u>\$ 8,070,850.00</u>

CASEVILLE PUBLIC SCHOOLS

Huron County, Michigan

DETAIL OF BONDED DEBT
 QUALIFIED ZONE ACADEMY BONDS
 2005 SCHOOL BUILDING AND SITE BONDS
Year Ended June 30, 2018

<u>Payment Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Outstanding Balance</u>	<u>Accumulating Total</u>
4/15/2006	\$ 56,643.38 *	0.0%	\$ 0.00	\$ 959,106.62	\$ 56,643.38
4/15/2007	56,643.38 *	0.0%	849.65	901,613.59	114,136.41
4/15/2008	56,653.38 *	0.0%	1,712.05	843,258.16	172,491.84
4/15/2009	56,653.38 *	0.0%	2,587.38	784,027.40	231,722.60
4/15/2010	56,653.38 *	0.0%	3,475.84	723,908.18	291,841.82
4/15/2011	56,653.38 *	0.0%	4,377.63	662,887.17	352,862.83
4/15/2012	56,653.38 *	0.0%	5,392.64	600,851.15	414,898.85
4/15/2013	56,653.38 *	0.0%	6,221.99	537,985.78	477,764.22
4/15/2014	56,653.38 *	0.0%	7,164.97	474,177.43	541,572.57
4/15/2015	56,653.38 *	0.0%	8,122.09	409,411.95	606,338.04
4/15/2016	56,653.38 *	0.0%	9,093.57	343,675.01	672,074.99
4/15/2017	56,653.38 *	0.0%	10,079.63	276,952.00	738,798.00
4/15/2018	56,643.38 *	0.0%	11,080.47	209,228.15	806,521.85
4/15/2019	56,643.38	0.0%	12,096.33	140,488.44	875,261.56
4/15/2020	56,643.38	0.0%	13,127.43	70,717.63	945,032.37
4/15/2021	<u>56,643.38</u>	0.0%	<u>14,074.25</u>	<u>0.00</u>	<u>\$ 1,015,750.00</u>
	<u>\$ 906,294.08</u>		<u>\$ 109,455.92</u>		

*Payment made to Independent Bank

CASEVILLE PUBLIC SCHOOLS
Huron County, Michigan

AUDIT FINDINGS
SCHEDULE OF AUDIT FINDINGS
June 30, 2018

There were no findings related to the financial statements, which are required to be reported in accordance with *Government Auditing Standards* generally accepted in the United States of America for the year ended June 30, 2018.



1010 N. JOHNSON STREET
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Phone: (989) 892-4549
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CERTIFIED PUBLIC ACCOUNTANTS

Partners:
Timothy J. Quast, C.P.A.
David G. Gwizdala, C.P.A.

Members:
American Institute of C.P.A.'s
Michigan Association of C.P.A.'s

September 18, 2018

The Board of Education
Caseville Public Schools
6609 Vine St.
Caseville, MI 48725

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Caseville Public Schools for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 30, 2018. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT FINDINGS:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Caseville Public Schools are described in Note 1 to the financial statements. As discussed in Note 1, the School District adopted Governmental Accounting Standards Board Statement No. 75. We noted no transactions entered into by Caseville Public Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements was the School District's share of the MPSERS pension plan net pension liability and the School District's share of other post-employment benefit of the MPSERS benefit plan net opeb liability recorded on the government-wide statements. The District's estimate as of June 30, 2018 is \$4,104,053 for net pension liability and \$1,397,196 for net opeb liability based on data received from the Office of Retirement Services. We evaluated the key factors and assumptions used to develop the net pension liability and net opeb liability estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Other estimates affecting the School District financial statements are the useful lives of capital assets. Useful lives are estimated based on the expected length of time during which a capital asset is able to deliver a given level of service.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 18, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Caseville Public Schools' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Caseville Public Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, the Budgetary Comparison Schedules, Pension Schedules, OPEB Schedules and the Notes to the Required Supplementary Information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial

statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Non-major Governmental Funds Combining Balance Sheet and Combining Schedule of Revenues, Expenditures and Changes in Fund Balance, the General Fund Detail Schedule of Revenues and Expenditures, the Student Activity Fund Schedule of Cash Receipts, Cash Disbursements and Due to School Organizations, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Schedules of Detailed Bonded Debt, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the Board of Education and management of Caseville Public Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Certified Public Accountants, P.C.
Bay City, Michigan 48708