HOPKINS PUBLIC SCHOOLS

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional supplementary information)

YEAR ENDED JUNE 30, 2018

Maner Costerisan
Certified Public Accountants
Business & Technology Advisors

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Hopkins 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 Hopkins Public Schools as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Hopkins Public Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins 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 - Change in Accounting Principle

As discussed in Note 11 to the financial statements, Hopkins Public Schools implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hopkins Public Schools basic financial statements. The additional supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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, this information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 15, 2018 on our consideration of Hopkins 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hopkins Public Schools' 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 Hopkins Public Schools' internal control over financial reporting and compliance.

Maner Costerisan PC

October 15, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Hopkins Public Schools (HPS) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

For the year ended June 30, 2018, Hopkins Public Schools implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These changes are significant at the government-wide level.

FINANCIAL HIGHLIGHTS

Fiscal year ending June 30, 2018 Hopkins Public Schools was able to once again add to their fund balance. They ended the year with an excess in the general fund budget of just over $280,000. Board policy states that the goal of the board is to have the undesignated portion of the District's fund equity not fall below fifteen percent (15%) of the preceding year expenditures. With this addition to surplus, the fund balance will grow to almost fourteen percent (14%). As a result of the increase in fund balance, the District was able to keep its borrowing flat at $1.3 million. The State added an additional $120 per pupil which brought the base foundation to $7,631. The State added a new 22n categorical payment of $25 per high school student which provided over $12,000 of new revenue. There was an increase in Section 51c Special Education funding of almost $20,000 due to increased expenditures in 2016/17. The State eliminated the Technology Infrastructure Grant (TRIG), resulting in a $16,000 loss of revenue for the District. The District was eligible to receive a total of almost $450,000 in At Risk 31A funds, which was an increase in almost $165,000 over prior year's funding. Additionally, they continued to receive the FIRST Robotics Grant, Early Literacy Targeted Instruction Grant, Computer Adaptive Tests Grant, and the Vocational Education Grant. A new Bilingual Education Grant was made available to the District. The State kept the 147c(1) funds relatively flat but added new 147c(2) funds that were required to be passed back through to the State the following month. There were over $50,000 of new 147a(2) funds. The State continued the pupil count calculation from the prior year of 90% of funding coming from the fall count and 10% of funding coming from the *prior* winter count. The student count decreased by 9 students, bringing the total to 1,668 students for the fall count day, which was then adjusted UP by 3.05 FTE's to 1,671 after all Section 25 adjustments were made. Section 25 allows for the movement of students between the fall and winter counts to be allocated correctly between districts, and this was the fourth consecutive year the State allowed for this calculation. Our winter count came in slightly lower at 1,658. The District was able to purchase two new buses to help in the replacement schedule of their aging fleet.

The school lunch fund also added to their fund balance during the 2017/18 school year with a surplus of over $30,000. The debt retirement fund continued in a borrowing position from the state with property values in the District increasing by almost 5%.

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

OVERVIEW OF THE FINANCIAL STATEMENTS

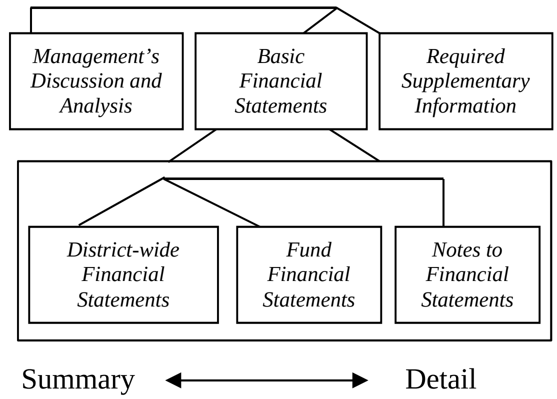
- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.

- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

Figure A-1
Organization of Hopkins Public Schools' Annual Financial Report



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2
Major Features of District-wide and Fund Financial Statements

		Fund Financial Statements	
	District-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net position include *all* of the District's assets, deferred outflows of resources, deferred inflows of resources, and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how they have changed. Net position - the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities:

- Governmental activities - Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch).

The District has two kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

- Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-3
Hopkins Public Schools' Net Position

	2018	2017
Assets:		
Current assets	$ 5,610,873	$ 5,437,254
Capital assets	30,007,034	30,530,180
Total assets	35,617,907	35,967,434
Deferred outflows of resources	6,880,379	4,075,094
Liabilities:		
Long-term liabilities outstanding	34,121,079	36,495,102
Other liabilities	2,791,925	2,759,380
Net other postemployment benefits liability	7,730,626	-
Net pension liability	22,605,030	21,079,471
Total liabilities	67,248,660	60,333,953
Deferred inflows of resources	2,435,259	721,853
Net position:		
Net investment in capital assets	636,684	(4,573,672)
Restricted for debt service	-	244,850
Restricted for capital projects - sinking fund	429,453	304,672
Unrestricted	(28,251,770)	(16,989,128)
Total net position	$ (27,185,633)	$ (21,013,278)

The 2017 figures have not been updated for the adoption of GASB 75.

Table A-4
Changes in Hopkins Public Schools' Net Position

	2018	2017
Revenues:		
Operating grants	$ 2,707,443	$ 2,228,333
Charges for services	416,023	544,853
General revenues:		
Property taxes	3,874,616	3,735,625
State aid - unrestricted	11,925,697	11,592,644
Other	941,246	772,045
Total revenues	19,865,025	18,873,500
Expenses:		
Instruction	9,427,436	8,941,821
Support services	6,248,503	5,586,318
Community services	12,547	20,414
Food services	693,268	648,873
Interest on long-term debt	1,048,621	1,203,348
Unallocated depreciation	857,567	883,754
Total expenses	18,287,942	17,284,528
Change in net position	$ 1,577,083	$ 1,588,972

The 2017 figures have not been updated for the adoption of GASB 75.

DISTRICT GOVERNMENTAL ACTIVITIES

The District's class sizes continue to grow, especially in the middle school, with over twenty thousand dollars in overloads and class size overages being paid out in instructional costs; however, ultimately these overages help to increase the District's bottom line. There was an additional 2.0 FTE's added to the middle school with the addition of a new PE teacher and additional class sections added due to the increasing enrollment.. The increase in pension costs increased only slightly by an average of 0.45% due to the MPSERS Offset funding and 147c funds the State of Michigan is passing through, the District continued to pay the state hard cap for health insurance and the dental/vision costs remained low due to the District moving from a self-funded plan to a premium plan.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's taxable values grew by 4.8% for 2018, and the 20-year average is 4.65%. The winter tax bills continued to reflect a rate of 10.34 mills to be levied for debt on all properties in order to allow the District to pay back their original bonds and also pay back their loan from the State's school bond loan fund in the time frame allowed. The District's sinking fund mills were rolled back from 1.60 mills to 1.5768 mills due to the Headlee Rollback calculation. This was the second year of five for the sinking fund tax collection.

The Hopkins Board of Education and district employees are encouraged by the steady turnaround of the financial position of the District. However, at the same time, they are discouraged by the reductions coming from the federal government and our local Educational Service Agency and also the use of the state's School Aid Fund to offset expenditures in the state's General Fund.

General Fund and Budget Highlights

The District is required to adopt an operating budget prior to the start of the fiscal year. Certain information is not known at the time of the budget adoption, such as the exact amount of state aid, the student enrollment, and the cost of employee contracts. During fiscal year 2018, the budget was amended twice to reflect changes and to recognize these changes with the Board of Education. For fiscal year 2017/18, these budget amendments included an increase in the student foundation allowance, additional staffing needs, final contract settlements, utility costs, technology and furniture equipment purchases, and the replacement of two buses in the fleet. The District received greater funding per pupil from the increase in the student foundation allowance, received additional revenue from the At Risk grant and Special Education Headlee Obligation, replaced obsolete cameras on our buses, and received additional grants that helped offset general fund costs. The District also added staff members to aide in the re-structuring of the middle school schedule and also help reduce gym classroom sizes.

Final budget amendments were presented to the Board of Education in June, based on information gathered through the middle of June. The final budget amendment anticipated a surplus of almost $170,000 if spending was 100% in all line items. The actual year-end report showed a greater surplus of just over $280,000, which was great news for the District.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital purchases in fiscal year 2018 increased slightly due to the acquisition of two new school buses and new classroom furniture and cleaning equipment. Replacement of technology as well as new technology furnishings comprised a portion of the spending as well.

Table A-5
Hopkins Public Schools' Capital Assets
Net of Depreciation

	2018	2017
Land	$ 739,062	$ 739,062
Building and additions	28,001,819	28,563,326
Furniture and equipment	600,583	634,741
Transportation equipment	665,570	593,051
Total	$ 30,007,034	$ 30,530,180

Long-term Debt

Table A-6
Hopkins Public Schools' Outstanding Long-Term Debt

	2018	2017
General and limited obligation bonds	$ 29,649,863	$ 33,690,740
School bond loan fund	3,509,920	1,817,509
Other *	961,296	986,853
Total	$ 34,121,079	$ 36,495,102

* Installment purchase agreement, accrued sick pay, and termination benefits.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited the District is aware of several impact areas for 2018 and the future.

- The District budgeted an increase in State Aid of almost $400,000 for the 2018-2019 fiscal year. The 2017-2018 base State Aid Foundation allowance of $7,631 will be increased next year by $240 per student to the new base foundation of $7,871for future planning. The District will again receive 147c funding to offset employee retirement costs. The 2018-2019 budget does not reflect an increase in At Risk funding or any new categorical additions. The budget also reflects a slight decrease in federal grant funding levels as well as stable funding amounts from AAESA to offset special education costs.

- The blended student count for the District decreased slightly by less than 10 FTE's in 2017-2018; however, the enrollment trend has not been stable enough to say that this declining trend will continue, especially with the large increase in the 2016-2017 student count. The District is budgeting the enrollment to decrease only slightly from the Spring 2018 count.

- The Affordable Care Act continues to be an unknown in upcoming budget years. The District once again faced additional costs in 2017-2018 due to the new requirement of offering health insurance coverage to those employees who work 30 or more hours. As the health insurance marketplace is changing, there were additional employees who found it necessary to enroll in the coverage offered.

- The District does not anticipate the large increase in At-Risk funding to continue. As the fund balance continues to grow, it has allowed the District to make great improvements in the area of curriculum and purchase new classroom furniture and equipment which has not been done in years. Additionally, the district was able to purchase new bus camera hardware and software.

- The District's transportation fleet is still aging; however, the District has worked hard to budget for the purchase of eleven new buses over the past four years, which has made an impact on the replacement process and anticipates purchasing one additional bus in 2018-2019.

- The District will continue to monitor class sizes in buildings to keep the staff to student ratio at a level that provides the best educational opportunities for our students. The District believes the number of retirees per school year has reached a plateau and will now average only 1 to 2 per school year so a large potential savings in one school year is not in the near foreseeable future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Hopkins Public Schools, 400 Clark Street, Hopkins, MI 49328.

BASIC FINANCIAL STATEMENTS

HOPKINS PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental activities
ASSETS:	
Cash and cash equivalents	$ 2,826,331
Receivables:	
Accounts receivable	1,214
Intergovernmental	2,562,020
Due from fiduciary funds	1,161
Inventories	71,184
Prepaids	148,963
Capital assets, not being depreciated	739,062
Capital assets, net of accumulated depreciation	29,267,972
TOTAL ASSETS	35,617,907
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charges, net of amortization	639,871
Related to other postemployment benefits	518,278
Related to pensions	5,722,230
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,880,379
LIABILITIES:	
Accounts payable	101,861
Accrued salaries and related items	849,469
Accrued retirement	367,085
Accrued interest	171,546
State aid note payable	1,300,000
Unearned revenue	1,964
Noncurrent liabilities:	
Due within one year	4,056,285
Due in more than one year	30,064,794
Net other postemployment benefits liability	7,730,626
Net pension liability	22,605,030
TOTAL LIABILITIES	67,248,660
DEFERRED INFLOWS OF RESOURCES:	
Related to other postemployment benefits	275,194
Related to pensions	1,249,752
Related to state aid funding for pension	910,313
TOTAL DEFERRED INFLOWS OF RESOURCES	2,435,259
NET POSITION:	
Net investment in capital assets	636,684
Restricted for capital projects - sinking fund	429,453
Unrestricted	(28,251,770)
TOTAL NET POSITION	$ (27,185,633)

See notes to financial statements.

HOPKINS PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Functions/programs	Expenses	Program revenues: Charges for services	Program revenues: Operating grants	Governmental activities: Net (expense) revenue and changes in net position
Governmental activities:				
Instruction	$ 9,427,436	$ -	$ 1,881,799	$ (7,545,637)
Support services	6,248,503	100,948	425,553	(5,722,002)
Community services	12,547	-	-	(12,547)
Food services	693,268	315,075	400,091	21,898
Interest on long-term debt	1,048,621	-	-	(1,048,621)
Unallocated depreciation	857,567	-	-	(857,567)
Total governmental activities	$ 18,287,942	$ 416,023	$ 2,707,443	(15,164,476)
General revenues:				
Property taxes, levied for general purposes				654,520
Property taxes, levied for debt service				2,796,268
Property taxes, levied for sinking fund				423,828
Investment earnings				9,440
State sources - unrestricted				11,925,697
Intermediate sources				630,573
Other				301,233
Total general revenues				16,741,559
CHANGE IN NET POSITION				1,577,083
NET POSITION, beginning of year, as restated				(28,762,716)
NET POSITION, end of year				$ (27,185,633)

See notes to financial statements.

HOPKINS PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General fund	2016 Refunding B	Sinking fund	Total nonmajor funds	Total governmental funds
ASSETS					
ASSETS:					
Cash and cash equivalents	$ 2,050,481	$ 53,757	$ 429,453	$ 292,640	$ 2,826,331
Receivables:					
Accounts receivable	1,214	-	-	-	1,214
Intergovernmental	2,557,673	-	-	4,347	2,562,020
Due from fiduciary fund	1,161	-	-	-	1,161
Inventories	64,371	-	-	6,813	71,184
Prepaids	148,963	-	-	-	148,963
TOTAL ASSETS	$ 4,823,863	$ 53,757	$ 429,453	$ 303,800	$ 5,610,873
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	$ 101,861	$ -	$ -	$ -	$ 101,861
Accrued salaries and related items	849,339	-	-	130	849,469
Accrued retirement	367,085	-	-	-	367,085
Unearned revenue	1,964	-	-	-	1,964
Accrued interest	16,033	-	-	-	16,033
State aid note payable	1,300,000	-	-	-	1,300,000
TOTAL LIABILITIES	2,636,282	-	-	130	2,636,412

See notes to financial statements.

	General fund	2016 Refunding B	Sinking fund	Total nonmajor funds	Total governmental funds
FUND BALANCES:					
Nonspendable:					
Inventories	$ 64,371	$ -	$ -	$ 6,813	$ 71,184
Prepaids	148,963	-	-	-	148,963
Restricted:					
Debt service	-	53,757	-	48,916	102,673
Capital projects	-	-	429,453	-	429,453
Food service	-	-	-	118,751	118,751
Assigned:					
Capital projects funds	-	-	-	129,190	129,190
Unassigned:	1,974,247	-	-	-	1,974,247
TOTAL FUND BALANCES	2,187,581	53,757	429,453	303,670	2,974,461
TOTAL LIABILITIES AND FUND BALANCES	$ 4,823,863	$ 53,757	$ 429,453	$ 303,800	$ 5,610,873
Total governmental fund balances					$ 2,974,461
Amounts reported for governmental activities in the statement of net position are different because:					
Deferred charges on refunding				$ 639,871	
Deferred outflows of resources - related to pensions				5,722,230	
Deferred outflows of resources - related to other postemployment benefits				518,278	
Deferred inflows of resources - related to pensions				(1,249,752)	
Deferred inflows of resources - related to other postemployment benefits				(275,194)	
Deferred inflows of resources - related to state funding for pension				(910,313)	
					4,445,120
Capital assets used in governmental activities are not financial resources and are not reported in the funds:					
The cost of the capital assets is				47,189,283	
Accumulated depreciation is				(17,182,249)	
					30,007,034
Long-term liabilities are not due and payable in the current period and are not reported in the funds:					
Bonds and notes payable					(33,424,106)
Compensated absences and termination benefits					(696,973)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid					(155,513)
Net pension liability					(22,605,030)
Net other postemployment benefit liability					(7,730,626)
Net position of governmental activities					$ (27,185,633)

See notes to financial statements.

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

	General fund	2016 Refunding B	Sinking fund	Total nonmajor funds	Total governmental funds
REVENUES:					
Local sources:					
Property taxes	$ 654,520	$ 1,624,654	$ 423,828	$ 1,171,614	$ 3,874,616
Tuition	17,110	-	-	-	17,110
Investment earnings	8,355	-	-	1,085	9,440
Food sales	-	-	-	304,552	304,552
Other	276,564	-	1,731	11,443	289,738
Total local sources	956,549	1,624,654	425,559	1,488,694	4,495,456
State sources	14,061,516	-	-	22,835	14,084,351
Federal sources	179,586	-	-	377,256	556,842
Incoming transfers and other	630,573	-	-	-	630,573
Total revenues	15,828,224	1,624,654	425,559	1,888,785	19,767,222
EXPENDITURES:					
Current:					
Instruction	9,172,060	-	-	-	9,172,060
Supporting services	6,209,492	-	-	-	6,209,492
Food service activities	-	-	-	645,773	645,773
Community service activities	12,402	-	-	-	12,402
Capital outlay	-	-	300,778	39,462	340,240

See notes to financial statements.

	General fund	2016 Refunding B	Sinking fund	Total nonmajor funds	Total governmental funds
EXPENDITURES (Concluded):					
Debt service:					
Principal repayment	$ 232,190	$ 2,215,000	$ -	$ 1,545,000	$ 3,992,190
Interest	25,889	223,850	-	746,940	996,679
Bond issuance costs	-	-	-	47,822	47,822
Other	-	1,659	-	1,978	3,637
Total expenditures	15,652,033	2,440,509	300,778	3,026,975	21,420,295
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	176,191	(815,855)	124,781	(1,138,190)	(1,653,073)
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of bond	-	-	-	3,435,000	3,435,000
Payments to refunded bond escrow	-	-	-	(3,387,178)	(3,387,178)
Proceeds from school loan revolving fund	-	819,671	-	802,893	1,622,564
Proceeds from sale of capital assets	6,600	-	-	-	6,600
Proceeds from shared services	99,256	-	-	-	99,256
Total other financing sources (uses)	105,856	819,671	-	850,715	1,776,242
NET CHANGE IN FUND BALANCES	282,047	3,816	124,781	(287,475)	123,169
FUND BALANCES:					
Beginning of year	1,905,534	49,941	304,672	591,145	2,851,292
End of year	$ 2,187,581	$ 53,757	$ 429,453	$ 303,670	$ 2,974,461

See notes to financial statements.

HOPKINS PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Net change in fund balances total governmental funds	$ 123,169
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(1,153,008)
Capital outlay	640,362
Loss on disposal of capital assets	(10,500)
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	173,418
Accrued interest payable, end of the year	(155,513)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Payments on debt	3,992,190
Proceeds from school bond loan fund	(1,622,564)
Proceeds from the issuance of bonds	(3,435,000)
Payment to escrow agent	3,387,178
Amortization of deferred loss on refunding	(58,853)
Amortization of bond premium	126,513
Long-term interest on school bond loan and revolving fund (accrued)	(69,847)
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences and termination benefits, beginning of the year	635,340
Accrued compensated absences and termination benefits, end of the year	(696,973)
Some revenues and expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Pension related items	(307,979)
Other postemployement benefit related items	17,203
Restricted Revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period:	
State aid funding for pension	(8,053)
Change in net position of governmental activities	$ 1,577,083

See notes to financial statements.

HOPKINS PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	Agency fund	Private Purpose Trust Fund
ASSETS:		
Cash	$ 236,934	$ -
Land	-	37,000
Land improvements	-	3,522
Building	-	40,000
Building improvements	-	1,097
TOTAL ASSETS	236,934	81,619
LIABILITIES:		
Due to other funds	$ 1,161	$ -
Due to student and other groups	235,773	-
TOTAL LIABILITIES	236,934	-
NET POSITION:		
Restricted for school use	-	81,619
TOTAL NET POSITION	$ 236,934	$ 81,619

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of Hopkins Public Schools. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

B. Reporting Entity

The Hopkins Public Schools (the "District") is governed by the Hopkins Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

C. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Continued)

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Included are all transactions related to the approved current operating budget.

The *sinking fund* accounts for the receipt of the sinking fund millage proceeds and acquisition of fixed assets or construction of capital projects. The District has complied with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95 relating to sinking funds.

The *2016 Refunding - Series B debt service fund* accounts for the resources accumulated and payments made for principal and interest on debt obligations.

Other Non-major Funds

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

The *capital improvement fund* accounts for the receipt of proceeds from the District's sale of its cable television channel and the acquisition or construction of capital facilities or equipment held by the District.

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

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

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

The *private purpose trust* fund is accounted for using the accrual method of accounting. The District's private purpose trust fund accounts for assets held for the educational enrichment of the students. These funds are not included in the District's government-wide financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Concluded)

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

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

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6.0 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

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

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

The private-purpose trust fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

Budgetary basis of accounting:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information (Concluded)

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

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2018. The District does not consider these amendments to be significant.

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

1. Cash and cash equivalents

   The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of 3 months or less from the date of acquisition.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

2. Investments

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

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

3. Inventories and prepaid items

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

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

4. Capital assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of 2 years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

4. Capital assets (Concluded)

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

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

Capital asset classes	Lives
Building and additions	50
Furniture and equipment	5 - 15
Transportation equipment	8

5. Defined benefit plans

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

6. Deferred outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding and pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

7. Deferred inflows

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

8. Net position flow assumption

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

During the year ended June 30, 2016, the District issued bonded debt in the amount of $14,135,000 used to make principal and interest payments related to the School Bond Loan fund and the School Loan Revolving fund. 34% of these proceeds are not considered capital related debt, as this amount was used to pay off accrued interest. The current allocation of this debt not considered capital related to debt at June 30, 2018 is $3,330,300.

In the computation of net invested in capital assets, school bond revolving fund principal proceeds of $3,426,335 are considered capital-related debt. Accrued interest on the school bond revolving fund of $83,585 has been included in the calculation of unrestricted net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Concluded)

9. Fund balance flow assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the 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.

10. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

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 committed. The Board of Education has by resolution authorized the superintendent and finance director to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

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

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

Fund	Mills
General fund:	
Non-Principal Residence Exemption (PRE)	17.72
Commercial Personal Property	5.91
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	10.34
Sinking fund:	
PRE, Non-PRE, Commercial Personal Property	1.58

3. Compensated absences

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Revenues and Expenditures/Expenses (Concluded)

4. Long-term obligations

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

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

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

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2018, $2,841,593 of the District’s bank balance of $3,341,593 was exposed to custodial credit risk because it was uninsured and uncollateralized. Interest bearing accounts and certificates of deposit are included in the above totals.

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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

The District does not have any investments subject to the fair value measurement.

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

NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)

A reconciliation of cash and investments as shown on the combined statement of net position follows:

Carrying value:	
Cash on hand	$ 300
Carrying amount of deposits	3,062,965
Total	$ 3,063,265
Per financial statements:	
Cash - including agency funds of $236,934	$ 3,063,265

NOTE 3 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 739,062	$ -	$ -	$ 739,062
Capital assets being depreciated:				
Buildings and additions	40,962,643	240,111	-	41,202,754
Furniture and equipment	3,855,972	230,411	(767,611)	3,318,772
Transportation equipment	1,758,855	169,840	-	1,928,695
Total capital assets being depreciated	46,577,470	640,362	(767,611)	46,450,221
Accumulated depreciation:				
Buildings and additions	12,399,317	801,618	-	13,200,935
Furniture and equipment	3,221,231	254,069	(757,111)	2,718,189
Transportation equipment	1,165,804	97,321	-	1,263,125
Total accumulated depreciation	16,786,352	1,153,008	(757,111)	17,182,249
Net capital assets being depreciated	29,791,118	(512,646)	(10,500)	29,267,972
Net governmental capital assets	$ 30,530,180	$ (512,646)	$ (10,500)	$ 30,007,034

Depreciation for the fiscal year ended June 30, 2018 amounted to $1,153,008.

NOTE 3 - CAPITAL ASSETS (Concluded)

Depreciation expense was charged to programs of the primary government as follows:

Instruction	$ 198,120
Support services	97,321
Unallocated depreciation	857,567
Total depreciation	$ 1,153,008

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2018 at the fund level consist of the following:

	General fund	Total nonmajor funds	Total
State Aid - State of Michigan	$ 2,516,767	$ 4,347	$ 2,521,114
Federal grants	38,750	-	38,750
Other	2,156	-	2,156
	$ 2,557,673	$ 4,347	$ 2,562,020

No allowance for doubtful accounts is considered necessary.

NOTE 5 - NOTES PAYABLE - STATE AID ANTICIPATION NOTES

At June 30, 2018, the District issued state aid anticipation notes payable in the amount of $1,300,000 which bears the interest rate of 1.48% and matures on August 20, 2018. Proceeds of the notes were used to fund school operations. The notes are secured by the full faith and credit of the District as well as pledged state aid, and were used to fund school operations.

Balance June 30, 2017	Additions	Payments	Balance June 30, 2018
$ 1,300,000	$ 1,300,000	$ 1,300,000	$ 1,300,000

NOTE 6 - LONG-TERM DEBT AND LOANS PAYABLE

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

2009 general obligation refunding bonds due in annual installments of $370,000 to $405,000 through May 1, 2026 with interest at 3.50% to 4.125%.	$ 3,070,000
2016 series A general obligation refunding bonds due in annual installments of $735,000 to $940,000 through May 1, 2032 with interest at 3.0% to 5.0%.	11,735,000
2016 series B general obligation refunding bonds due in annual installments of $2,300,000 to $2,605,000 through May 1, 2022 with interest at 1.60% to 2.24%.	9,795,000
2018 general obligation refunding bonds due in annual installments of $405,000 to $450,000 through May 1, 2026 with interest at 4.00% to 4.13%.	3,435,000
Plus: premium on bond issuance, net of amortization	1,614,863
Total general obligation bonds	29,649,863
Borrowings from the State of Michigan under the School Bond Loan Fund, including interest.	3,509,920
Bus installment purchase agreement due in annual installments of $42,215 and $42,208 through June 23, 2020 with interest at 1.79%.	84,423
Bus installment purchase agreement due in annual installments of $44,975 through February 23, 2022 with interest at 2.25%.	179,900
Accrued retirement benefits:	
Obligation under contract for compensated absences	474,373
Obligation under contract for termination benefits - severance	222,600
Total general long-term debt	$ 34,121,079

NOTE 6 - LONG-TERM DEBT AND LOANS PAYABLE (Continued)

The annual requirements to amortize the long-term obligations as of June 30, 2018, including interest of $5,676,357 are as follows:

Year ending June 30,	Total
2019	$ 4,897,219
2020	4,880,213
2021	4,845,701
2022	4,844,101
2023	2,086,386
2024 - 2028	8,242,060
2029 - 2032	4,180,000
	33,975,680
Borrowings from the State of Michigan under the School Bond Loan Fund, including interest	3,509,920
Premium on bond issuance	1,614,863
Accrued retirement benefits:	
Obligation under contract for compensated absences and termination benefits	696,973
Total general long-term debt and interest	$ 39,797,436

An amount of $102,673 is available in the debt service fund to service the general obligation debt. Interest expense for all funds for the year ended June 30, 2018 was $1,048,621.

Borrowing from the State of Michigan - The school bond loans payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rates of 3.13323% - 3.18098% for the School Loan Revolving Fund notes have been assessed for the year ended June 30, 2018. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.55 mills. The school district is required to levy 7.55 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the above amortization schedule.

NOTE 6 - LONG-TERM DEBT AND LOANS PAYABLE (Concluded)

The following is a summary of the changes in liabilities reported in the general long-term debt account group:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due within one year
General obligation bonds	$ 33,690,740	$ 3,435,000	$ 7,475,877	$ 29,649,863	$ 3,890,000
School bond loan fund	1,817,509	1,692,411	-	3,509,920	-
Bus installment purchase	351,513	-	87,190	264,323	87,190
Accumulated unpaid sick pay	433,740	40,633	-	474,373	79,095
Accrued termination benefits	201,600	21,000	-	222,600	-
Totals	$ 36,495,102	$ 5,189,044	$ 7,563,067	$ 34,121,079	$ 4,056,285

At June 30, 2018 outstanding general obligation bonds of $30,360,000 relating to the 1996, 1998 1999, 2007, and 2008 issues are considered to be defeased.

On February 13, 2018, the District issued general obligation bonds of $3,435,000 with interest rates ranging from 4.00% to 4.125% to refund the districts outstanding 2008 bonds with interest rates ranging from 4.00% to 5.00%. The bonds mature at various times through May 1, 2026. After paying issuance costs of $47,822, the net proceeds were $3,387,178. The net proceeds after the issuance of the general obligation bonds were used to purchase U.S government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements. As a result of the advance refunding, the District reduced its total debt service requirements by $162,316, which resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of $150,744.

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS

Plan Description

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

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Plan Description (Concluded)

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 option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

<u>Pension Reform 2010</u>

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

<u>Pension Reform 2012</u>

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

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

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

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

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

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Pension Reform 2012 (Concluded)

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

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

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

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

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

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

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for 2 consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

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

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

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2016 valuation will be amortized over a 22-year period for fiscal 2017.

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

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

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Employer Contributions (Concluded)

The District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately $2,406,020, with $2,369,124 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2018 were equal to the required contribution total. OPEB benefits were approximately $624,516, with $598,419 specifically for the Defined Benefit Plan.

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

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

Pension Liabilities

At June 30, 2018, the District reported a liability of $22,605,030 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the District's proportion was 0.08723% and 0.08449%.

MPSERS (Plan) Non-university employers	September 30, 2017		September 30, 2016	
Total pension liability	$	72,407,218,688	$	67,917,445,078
Plan fiduciary net position	$	46,492,967,573	$	42,968,263,308
Net pension liability	$	25,914,251,115	$	24,949,181,763
Proportionate share		0.08723%		0.08449%
Net pension liability for the District	$	22,605,030	$	21,079,471

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

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

For the year ended June 30, 2018, the District recognized pension expense of $2,677,103.

At June 30, 2018, the Reporting Unit 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
Changes of assumptions	$ 2,476,561	$ -
Net difference between projected and actual earnings on pension plan investments	-	(1,080,669)
Differences between expected and actual experience	196,453	(110,918)
Changes in proportion and difference between employer contributions and proportionate share of contributions	864,087	(58,165)
Reporting Unit's contributions subsequent to the measurement date	2,185,129	-
	$ 5,722,230	$ (1,249,752)

$2,185,129, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2018	$ 688,627
2019	1,049,474
2020	528,291
2021	20,957

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

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

OPEB Liabilities

At June 30, 2018, the District reported a liability of $7,730,626 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.08730%.

MPSERS (Plan) Non-university employers:		September 30, 2017
Total other postemployment benefit liability	$	13,920,945,991
Plan fiduciary net position	$	5,065,474,948
Net other postemployment benefit liability	$	8,855,471,043
Proportionate share		0.08730%
Net other postemployment benefit liability for the District	$	7,730,626

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

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

For the year ended June 30, 2018, the District recognized OPEB expense of $1,131,248.

At June 30, 2018, the Reporting Unit 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
Net difference between projected and actual earnings on pension plan investments	$ -	$ (179,043)
Differences between expected and actual experience	-	(82,308)
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	(13,843)
Reporting Unit's contributions subsequent to the measurement date	518,278	-
	$ 518,278	$ (275,194)

$518,278, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2018	$ (66,250)
2019	(66,250)
2020	(66,250)
2021	(66,250)
2021	(10,194)

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

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

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

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

Cost of living pension adjustments - 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit - 7.5% for year one and graded to 3.5% to year twelve.

Additional assumptions for other postemployment benefit only - applies to individuals hired before September 4, 2012:

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

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

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

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

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

Investment category	Target allocation	Long-term expected real rate of return*
Domestic Equity Pools	28.00%	5.60%
Private Investment Pools	18.00%	8.70%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	(0.10%)
Real Estate and Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.00%
Short Term Investment Pools	2.00%	(0.90%)
	100.00%	

* Long term rate of return does not include 2.3% inflation.

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

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

OPEB discount rate - The discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was 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 net pension liability to changes in the discount rate -The following presents the Reporting Unit's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for Pension Plus Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Pension		
	1% Decrease (6.5% / 7.5%)	Discount rate (7.5% - 7.0%)	1% Increase (8.5% - 8.0%)
Reporting Unit's proportionate share of the net pension liability	$ 29,446,835	$ 22,605,030	$ 16,844,665

Sensitivity of the net OPEB liability to changes in the discount rate -The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease (6.5%)	Discount rate (7.5%)	1% Increase (8.5%)
Reporting Unit's proportionate share of the net Other Postemployment Benefits liability	$ 9,054,798	$ 7,730,626	$ 6,606,819

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Concluded)

Actuarial Assumptions (Concluded)

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease (6.5% decreasing to 2.5%)	Healthcare cost trend rates (7.5% decreasing to 3.5%)	1% Increase (8.5% decreasing to 4.5%)
Reporting Unit's proportionate share of the net Other Postemployment Benefits liability	$ 6,546,801	$ 7,730,626	$ 9,074,777

Pension and OPEB Plan Fiduciary Net Position

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

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

Other Information

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

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. With regard to injuries to employees, the District participates in an association of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The association is considered a public entity risk sharing pool. The District pays annual premiums to the association for its workers' disability compensation coverage. In the event the association's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the policy year may be subject to special assessment to make up the difference. The association maintains reinsurance for claims in excess of $500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. Participant's annual dental and vision benefits are limited.

Hopkins Public Schools is self-insured for dental and vision claims. Claims for the years ending June 30, 2018 and 2017 were approximately $185,000 and $185,000, respectively. The estimated liabilities for claims incurred but unreported as of June 30, 2018 and 2017 are not significant.

The District continues to carry commercial insurance for all other risks of loss, including property and casualty and other employee health and accident insurance.

NOTE 9 - INTER-FUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2018 are as follows:

Payable fund		Receivable fund	
Agency	$ 1,161	General	$ 1,161

The outstanding balances between funds result mainly from the time lag between dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts are expected to be repaid within one year.

NOTE 10 - SUBSEQUENT EVENTS

Subsequent to year end, the District has approved borrowing $1,300,000 for fiscal year 2019 to replace the notes payable as described in Note 5.

NOTE 11 - NEW ACCOUNTING STANDARDS

For the year ended June 30, 2017, the District implemented the following new pronouncements: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Summary:

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

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

	Governmental activities
Net position as previously stated July 1, 2017	$ (21,013,278)
Adoption of GASB Statement 75:	
Net other post employment benefit liability	(8,154,098)
Deferred outflows	649,353
Deferred inflows	(244,693)
Net position as restated July 1, 2017	$ (28,762,716)

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS (Concluded)

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

REQUIRED SUPPLEMENTARY INFORMATION

HOPKINS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local sources	$ 878,932	$ 871,668	$ 956,549	$ 84,881
State sources	13,682,515	14,043,612	14,061,516	17,904
Federal sources	187,513	203,971	179,586	(24,385)
Incoming transfers and other	718,613	723,252	630,573	(92,679)
Total revenues	15,467,573	15,842,503	15,828,224	(14,279)
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	7,544,760	7,668,763	7,635,038	33,725
Added needs	1,536,093	1,568,576	1,537,022	31,554
Total instruction	9,080,853	9,237,339	9,172,060	65,279
Supporting services:				
Pupil	725,662	753,555	751,247	2,308
Instructional staff	230,647	223,021	200,497	22,524
General administration	327,473	354,645	358,588	(3,943)
School administration	937,345	964,896	952,053	12,843
Business	240,122	244,580	234,735	9,845
Operation/maintenance	1,535,780	1,575,483	1,595,435	(19,952)
Pupil transportation	969,872	1,014,870	980,816	34,054
Central services	573,069	716,144	703,597	12,547
Athletics	421,989	428,704	432,524	(3,820)
Total supporting services	5,961,959	6,275,898	6,209,492	66,406
Community services	33,910	7,319	12,402	(5,083)
Debt services	242,055	258,088	258,079	9
Total expenditures	15,318,777	15,778,644	15,652,033	126,611
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	148,796	63,859	176,191	112,332
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	-	6,600	6,600	-
Proceeds from shared services	-	99,256	99,256	-
Total other financing sources (uses)	-	105,856	105,856	-
NET CHANGE IN FUND BALANCE	$ 148,796	$ 169,715	282,047	$ 112,332
FUND BALANCE:				
Beginning of year			1,905,534	
End of year			$ 2,187,581	

HOPKINS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.008723%	0.08449%	0.08275%	0.08137%
Reporting Unit's proportionate share of net pension liability	$ 22,605,030	$ 21,079,471	$ 20,210,589	$ 17,922,184
Reporting Unit's covered-employee payroll	$ 7,378,958	$ 7,214,118	$ 6,918,053	$ 6,940,753
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	306.34%	292.20%	292.14%	258.22%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years which information is available.

HOPKINS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE PLAN YEAR ENDED JUNE 30)

	2018	2017	2016	2015
Statutorily required contributions	$ 2,046,009	$ 1,897,258	$ 1,596,266	$ 1,448,006
Contributions in relation to statutorily required contributions	2,046,009	1,897,258	1,596,266	1,448,006
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll	$ 7,497,015	$ 7,373,865	$ 7,104,003	$ 6,908,669
Contributions as a percentage of covered-employee payroll	27.29%	25.73%	22.47%	20.96%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

HOPKINS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED SEPTEMBER 30)

	2017
Reporting Unit's proportion of net pension liability (%)	0.08730%
Reporting Unit's proportionate share of net OPEB liability	$ 7,730,626
Reporting Unit's covered-employee payroll	$ 7,378,958
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	104.77%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years which information is available.

HOPKINS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	2018
Statutorily required contributions	$ 598,419
Contributions in relation to statutorily required contributions	598,419
Contribution deficiency (excess)	$ -
Reporting Unit's covered-employee payroll	$ 7,497,015
Contributions as a percentage of covered-employee payroll	7.98%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years which information is available.

HOPKINS PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

Changes of benefits terms: There were no changes of benefits terms in 2017.

Changes of assumptions: There were no changes of benefit assumptions in 2017.

ADDITIONAL SUPPLEMENTARY INFORMATION

HOPKINS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Food service	Debt service	Capital improvement fund	Total nonmajor funds
ASSETS				
ASSETS:				
Cash and cash equivalents	$ 114,534	$ 48,916	$ 129,190	$ 292,640
Intergovernmental	4,347	-	-	4,347
Inventories	6,813	-	-	6,813
TOTAL ASSETS	$ 125,694	$ 48,916	$ 129,190	$ 303,800
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accrued salaries and related items	$ 130	$ -	$ -	$ 130
FUND BALANCES:				
Nonspendable:				
Inventories	6,813	-	-	6,813
Restricted:				
Debt service	-	48,916	-	48,916
Food service	118,751	-	-	118,751
Assigned:				
Capital projects	-	-	129,190	129,190
TOTAL FUND BALANCES	125,564	48,916	129,190	303,670
TOTAL LIABILITIES AND FUND BALANCES	$ 125,694	$ 48,916	$ 129,190	$ 303,800

HOPKINS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	Food service	Debt service	Capital improvement fund	Total nonmajor funds
REVENUES:				
Local sources:				
Property taxes	$ -	$ 1,171,614	$ -	$ 1,171,614
Investment earnings	443	-	642	1,085
Food sales	304,552	-	-	304,552
Other	11,443	-	-	11,443
Total local sources	316,438	1,171,614	642	1,488,694
State sources	22,835	-	-	22,835
Federal sources	377,256	-	-	377,256
Total revenues	716,529	1,171,614	642	1,888,785
EXPENDITURES:				
Current:				
Food service activities	645,773	-	-	645,773
Capital outlay	39,462	-	-	39,462
Debt service:				
Principal repayment	-	1,545,000	-	1,545,000
Interest	-	746,940	-	746,940
Bond issuance costs	-	47,822	-	47,822
Other	-	1,978	-	1,978
Total expenditures	685,235	2,341,740	-	3,026,975
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	31,294	(1,170,126)	642	(1,138,190)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of refunding bonds	-	3,435,000	-	3,435,000
Payment to refunded bond escrows	-	(3,387,178)	-	(3,387,178)
Proceed from school bond loan fund	-	802,893	-	802,893
Total other financing sources	-	850,715	-	850,715
NET CHANGE IN FUND BALANCES	31,294	(319,411)	642	(287,475)
FUND BALANCES:				
Beginning of year	94,270	368,327	128,548	591,145
End of year	$ 125,564	$ 48,916	$ 129,190	$ 303,670

HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF REVENUES AND OTHER FINANCING SOURCES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
LOCAL SOURCES:		
Property taxes	$ 654,520	$ 669,898
Tuition	17,110	15,759
Investment earnings	8,355	-
Other local revenue	276,564	309,665
TOTAL LOCAL SOURCES	956,549	995,322
STATE SOURCES:		
Foundation grant	11,929,100	11,676,025
Special education	338,365	322,894
At risk	447,955	285,424
Other state revenue	1,346,096	1,096,838
TOTAL STATE SOURCES	14,061,516	13,381,181
FEDERAL SOURCES:		
Title I	110,323	119,584
Title II - improving teacher quality	51,970	25,993
Other federal revenue	17,293	10,740
TOTAL FEDERAL SOURCES	179,586	156,317
INCOMING TRANSFERS AND OTHER TRANSACTIONS:		
Special education	630,573	602,705
OTHER FINANCING SOURCES:		
Proceeds from sale of capital assets	6,600	-
Proceeds from shared services	99,256	97,393
TOTAL OTHER FINANCING SOURCES	105,856	97,393
TOTAL REVENUES AND OTHER FINANCING SOURCES	$ 15,934,080	$ 15,232,918

HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
INSTRUCTION:		
Basic programs:		
Elementary:		
Salaries	$ 1,967,986	$ 1,875,490
Benefits	1,823,910	1,625,139
Purchased services	59,752	93,146
Supplies and materials	58,854	66,813
Other expenses	3,178	4,150
Capital outlay	8,757	85
Total elementary	3,922,437	3,664,823
Middle school:		
Salaries	953,402	872,044
Benefits	592,762	524,069
Purchased services	52,833	44,346
Supplies and materials	24,027	29,228
Capital outlay	180	-
Total middle school	1,623,204	1,469,687
High school:		
Salaries	1,192,089	1,200,136
Benefits	750,353	744,620
Purchased services	95,344	73,003
Supplies and materials	44,497	40,057
Other expenses	823	16
Capital outlay	6,291	-
Total high school	2,089,397	2,057,832
Total basic programs	7,635,038	7,192,342
Added needs:		
Special education:		
Salaries	526,460	533,224
Benefits	378,422	395,514
Purchased services	79,464	79,356
Supplies and materials	3,414	2,085
Total special education	987,760	1,010,179

HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
INSTRUCTION (Concluded):		
Compensatory education:		
Salaries	$ 225,969	$ 244,892
Benefits	152,406	154,244
Purchased services	691	-
Supplies and materials	39,235	37,311
Total compensatory education	418,301	436,447
Vocational education:		
Salaries	63,861	63,289
Benefits	49,371	46,619
Purchased services	8,079	9,871
Supplies and materials	2,735	2,100
Other expenses	1,175	1,175
Capital outlay	5,740	-
Total vocational education	130,961	123,054
Total added needs	1,537,022	1,569,680
TOTAL INSTRUCTION	9,172,060	8,762,022
SUPPORTING SERVICES:		
Pupil services:		
Salaries	275,707	268,311
Benefits	199,100	185,967
Purchased services	263,879	224,708
Supplies and materials	9,816	6,833
Other expenses	2,745	1,788
Total pupil services	751,247	687,607
Instructional staff services:		
Salaries	101,927	98,054
Benefits	53,589	57,625
Purchased services	25,249	13,301
Supplies and materials	9,988	9,536
Other expenses	9,744	9,286
Total instructional staff services	200,497	187,802

HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
SUPPORTING SERVICES (Continued):		
General administration:		
Salaries	$ 145,235	$ 140,535
Benefits	87,134	78,514
Purchased services	102,627	101,985
Supplies and materials	12,206	1,499
Other expenses	11,386	12,387
Total general administration	358,588	334,920
School administration:		
Salaries	571,366	553,188
Benefits	361,604	339,344
Purchased services	8,814	9,558
Supplies and materials	6,730	4,948
Other expenses	3,539	3,852
Total school administration	952,053	910,890
Business services:		
Salaries	104,308	100,904
Benefits	54,738	57,143
Purchased services	65,865	56,977
Supplies and materials	2,305	3,264
Other expenses	7,519	6,102
Total business services	234,735	224,390
Operations and maintenance:		
Salaries	481,737	465,109
Benefits	360,159	374,982
Purchased services	311,834	299,285
Supplies and materials	411,795	385,472
Other expenses	19,824	5,190
Capital outlay	10,086	-
Total operations and maintenance	1,595,435	1,530,038

HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
SUPPORTING SERVICES (Concluded):		
Transportation:		
Salaries	$ 389,472	$ 433,021
Benefits	273,118	272,803
Purchased services	41,857	45,436
Supplies and materials	99,973	84,940
Other expenses	6,556	6,766
Capital outlay	169,840	83,970
Total transportation	980,816	926,936
Central services:		
Salaries	233,710	192,726
Benefits	136,166	110,490
Purchased services	88,204	48,765
Supplies and materials	82,810	1,556
Other expenses	1,027	664
Capital outlay	161,680	287,265
Total central services	703,597	641,466
Athletics:		
Salaries	140,438	146,113
Benefits	76,796	71,534
Purchased services	140,850	126,146
Supplies and materials	36,297	31,181
Other expenses	19,700	19,831
Capital outlay	18,443	16,598
Total athletics	432,524	411,403
TOTAL SUPPORTING SERVICES	6,209,492	5,855,452

HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
COMMUNITY SERVICES:		
Salaries	$ 3,814	$ 17,559
Benefits	3,762	6,991
Purchased services	4,469	2,662
Supplies and materials	160	154
Other expenses	197	2,069
TOTAL COMMUNITY SERVICES	12,402	29,435
DEBT SERVICES:		
Principal payments	232,190	227,190
Interest	25,889	13,554
TOTAL DEBT SERVICES	258,079	240,744
TOTAL EXPENDITURES	$ 15,652,033	$ 14,887,653

HOPKINS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

ASSETS	2009 Refunding	2016 Refunding A	2018 Refunding	Total nonmajor debt service
ASSETS:				
Cash and cash equivalents	$ 10,738	$ 16,972	$ 21,206	$ 48,916
FUND BALANCES:				
Restricted for debt service	$ 10,738	$ 16,972	$ 21,206	$ 48,916

HOPKINS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018

	2008 Refunding	2009 Refunding	2016 Refunding A	2018 Refunding	Total nonmajor debt service
REVENUES:					
Local sources:					
Property taxes	$ 336,387	$ 323,314	$ 511,913	$ -	$ 1,171,614
EXPENDITURES:					
Principal payments	415,000	415,000	715,000	-	1,545,000
Interest	77,553	129,362	529,650	10,375	746,940
Bond issuance costs	-	-	-	47,822	47,822
Other	-	381	865	732	1,978
Total expenditures	492,553	544,743	1,245,515	58,929	2,341,740
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(156,166)	(221,429)	(733,602)	(58,929)	(1,170,126)
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of refunding bonds	-	-	-	3,435,000	3,435,000
Payment to refunded bond escrows	-	-	-	(3,387,178)	(3,387,178)
Proceeds from school bond loan fund		220,983	404,545	177,365	802,893
Transfers in (out)	145,052	-	-	(145,052)	-
Total other financing sources (uses)	145,052	220,983	404,545	80,135	850,715
NET CHANGE IN FUND BALANCES	(11,114)	(446)	(329,057)	21,206	(319,411)
FUND BALANCES:					
Beginning of year	11,114	11,184	346,029	-	368,327
End of year	$ -	$ 10,738	$ 16,972	$ 21,206	$ 48,916

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND LIABILITY BY ACTIVITY
YEAR ENDED JUNE 30, 2018

	Balance 7/1/17	Receipts	Disbursements	Balance 6/30/18
Board of Ed Interest	$ 791	$ 120	$ 635	$ 276
Interest	5,061	1,611	4,411	2,261
HS Principal	2,263	7	-	2,270
Middle school principal	8,906	450	3,762	5,594
Yearbook	3,379	10,531	8,930	4,980
FFA	3,585	24,599	23,357	4,827
Band	709	3,408	3,898	219
HES Mackinaw City	2,397	69,110	64,329	7,178
S4SD	618	-	-	618
Destination Imagination	66	-	-	66
NHS	433	2,664	3,055	42
Spanish Club	38	998	1,141	(105)
Sp Ed - high school	43	5,900	5,900	43
Student Council - HS	2,318	5,326	5,225	2,419
Student Council - MS	2,942	1,560	211	4,291
Student Council - HES	7,240	7,752	9,772	5,220
Student Council - SYC	1,498	592	655	1,435
Drama Club	673	-	-	673
AP Classes	755	7,641	7,523	873
Class of 2019	1,198	8,104	6,762	2,540
Hockey	60	-	-	60
Robotics Club	8,902	20,122	16,655	12,369
HHS Scholarship	3,309	20,720	14,000	10,029
Class of 2021	600	1,936	1,237	1,299
Jobe Scholarship	1,278	635	1,500	413
Culture Committee	141	20	-	161
MS Library	-	7	-	7
MS Art Club	-	150	-	150
Pepsi Scholarship	669	24	-	693
Athletic Director	942	13	355	600
AD - Programs	5,054	1,410	1,288	5,176

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND LIABILITY BY ACTIVITY
YEAR ENDED JUNE 30, 2018

	Balance 7/1/17	Receipts	Disbursements	Balance 6/30/18
Cross Country	$ 2,406	$ 718	$ 791	$ 2,333
Basketball, Girls	4,087	5,035	5,372	3,750
Baseball	1,051	8,880	6,866	3,065
Softball	1,525	4,468	3,420	2,573
Class of 2018	2,487	-	2,244	243
Agriscience Lab	10,376	4,598	10,776	4,198
Wrestling	1,992	475	1,681	786
Class of 2017	192	-	-	192
Basketball, Boys	5,221	10,563	10,530	5,254
Golf	324	-	-	324
Bowling	27	225	111	141
Volleyball	8,879	11,422	13,713	6,588
Football	2,347	10,689	10,247	2,789
Cheer - Sideline	29	-	-	29
Art Club	759	10	-	769
6th Grade Camp	4,768	21,050	19,399	6,419
6th Grade Team	241	1,615	561	1,295
7th Grade Team	541	4,937	4,246	1,232
8th Grade Team	215	4,451	3,803	863
Science Fair	22	-	-	22
Track	398	5,775	3,790	2,383
Ski Club	448	2,093	2,075	466
Washburn, Becky	7	100	-	107
Modreske, Shelly	50	134	117	67
Soccer - Boys	6,055	3,275	2,844	6,486
Brethauer	318	8,800	414	8,704
Galligan, Anne	373	100	241	232
VanderMeulen	101	100	69	132
Young Authors	221	645	495	371
Bolen, Padric	48	100	-	148
Yearbook	9,955	2,494	2,855	9,594
King, Jessica	108	1,418	1,204	322
Belka, Jen	94	686	724	56
Ruthruff, Heather	703	150	210	643

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND LIABILITY BY ACTIVITY
YEAR ENDED JUNE 30, 2018

	Balance 7/1/17	Receipts	Disbursements	Balance 6/30/18
Thompson, Keith	$ 63	$ 100	$ 163	$ -
Kastran, Jenna	682	100	284	498
Duchene, Jill	242	3,989	4,254	(23)
Siebers, Kim	334	1,995	1,706	623
Craig, Sue	318	1,444	1,237	525
Hall, Shelly	204	100	304	-
Cimek	201	100	61	240
Hopkins El Library	3,363	6,453	7,096	2,720
Musical	22,346	15,966	16,023	22,289
Sycamore Mackinac Trip	1,341	44,058	44,690	709
Cheer - Competitive	928	5,205	4,342	1,791
Choir	7,176	31,621	29,488	9,309
Misc	2,059	10,298	8,764	3,593
Field Trip	792	-	288	504
Hopkins El Art	196	100	130	166
Hopkins El Music	69	340	375	34
Phys Ed	474	100	204	370
Secor, Sharon	10	605	605	10
Zapolnik, Lisa	413	488	395	506
Behm, Marsha	350	-	-	350
Merren	355	2,058	1,585	828
Equestrian Team	58	-	-	58
Cardenas, D	758	1,693	1,996	455
Meyers, Holly	-	576	525	51
Kastran	252	100	161	191
1st - Rhonda Gilbert	144	882	888	138
3rd - Sarah McClish	472	516	550	438
Sycamore Spec. Ed - Santiago	129	-	124	5
VanDreumel	295	2,302	2,161	436

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND LIABILITY BY ACTIVITY
YEAR ENDED JUNE 30, 2018

	Balance 7/1/17	Receipts	Disbursements	Balance 6/30/18
Sycamore, Misc.	$ 2,684	$ 2,695	$ 3,742	$ 1,637
VanderWeg, Meghan	164	669	696	137
Sycamore Music	2,070	130	1,058	1,142
Sycamore Art	4	-	-	4
Sycamore Gym	15	-	-	15
Sycamore Young Authors	3,268	5,127	3,657	4,738
K - Leslie Hartuniewicz	263	685	571	377
Pickett, Chelsea	89	444	265	268
2nd - B Herman	161	338	317	182
Sycamore Library	1,216	4,241	4,063	1,394
Class of 2020	1,715	280	1,020	975
Seabert	38	100	94	44
EGGE	55	808	821	42
High School Spirit Shop	35	-	-	35
Cribley	1	100	92	9
Class of 2022	405	-	-	405
Class of 2015	777	-	777	-
Coots	720	1,331	842	1,209
Soccer - Girls	5,276	1,605	1,389	5,492
Kidsport	161	-	-	161
Skinner FFA Memorial Scholarship	915	-	-	915
Weight Room	-	270	108	162
STOMP	-	500	76	424
Physical Education - HMS	-	150	-	150
MASA Region 3	2,967	1,000	983	2,984
BOE Organizational Grants	10,327	13,439	6,100	17,666
Class of 2023	200	-	-	200
Sleeman	-	100	-	100
	$ 209,786	$ 475,617	$ 448,469	$ 236,934

HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
2009 REFUNDING BONDS
JUNE 30, 2018

2009 Refunding Bonds

Fiscal year ended	Interest rate	Interest due November 1	Interest due May 1	Principal due May 1,	Total due annually
2019	3.50%	$ 57,938	$ 57,938	$ 405,000	$ 520,876
2020	3.50%	50,850	50,850	400,000	501,700
2021	3.625%	43,850	43,850	390,000	477,700
2022	3.75%	36,781	36,781	380,000	453,562
2023	3.75%	29,656	29,656	380,000	439,312
2024	4.00%	22,531	22,531	375,000	420,062
2025	4.000%	15,031	15,031	370,000	400,062
2026	4.125%	7,631	7,631	370,000	385,262
Total 2009 bonded debt		$ 264,268	$ 264,268	$ 3,070,000	$ 3,598,536

Total amount of original issue was $7,160,000.

HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
2016 SERIES A REFUNDING BONDS
JUNE 30, 2018

2016 Refunding Bonds - Series A

Fiscal year ended June 30,	Interest rate	Interest due November 1,	Interest due May 1,	Principal due May 1,	Total due annually
2019	4.00%	$ 250,525	$ 250,525	$ 735,000	$ 1,236,050
2020	4.00%	235,825	235,825	750,000	1,221,650
2021	3.00%	220,825	220,825	765,000	1,206,650
2022	3.00%	209,350	209,350	775,000	1,193,700
2023	3.00%	197,725	197,725	785,000	1,180,450
2024	4.00%	185,950	185,950	800,000	1,171,900
2025	4.00%	169,950	169,950	810,000	1,149,900
2026	4.00%	153,750	153,750	825,000	1,132,500
2027	5.00%	137,250	137,250	865,000	1,139,500
2028	5.00%	115,625	115,625	910,000	1,141,250
2029	5.00%	92,875	92,875	930,000	1,115,750
2030	5.00%	69,625	69,625	925,000	1,064,250
2031	5.00%	46,500	46,500	920,000	1,013,000
2032	5.00%	23,500	23,500	940,000	987,000
Total 2016 Series A bonded debt		$ 2,109,275	$ 2,109,275	$ 11,735,000	$ 15,953,550

Total amount of original issue was $12,450,000.

HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
2016 SERIES B REFUNDING BONDS
JUNE 30, 2018

2016 Refunding Bonds - Series B

		Interest due			
Fiscal year ended	Interest rate	November 1	May 1	Principal due May 1,	Total due annually
2019	1.60%	$ 96,531	$ 96,531	$ 2,300,000	$ 2,493,062
2020	1.90%	78,131	78,131	2,390,000	2,546,262
2021	2.10%	55,426	55,426	2,500,000	2,610,852
2022	2.24%	29,176	29,176	2,605,000	2,663,352
Total 2016 Series B bonded debt		$ 259,264	$ 259,264	$ 9,795,000	$ 10,313,528

Total amount of original issue was $14,135,000.

HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
2018 REFUNDING BONDS
JUNE 30, 2018

2018 Refunding Bonds

Fiscal year ended	Interest rate	Interest due November 1	Interest due May 1	Principal due May 1,	Total due annually
2019	4.00%	$ 61,544	$ 42,938	$ 450,000	$ 554,482
2020	4.00%	37,313	37,313	445,000	519,626
2021	4.00%	31,750	31,750	440,000	503,500
2022	4.00%	26,250	26,250	435,000	487,500
2023	4.00%	20,812	20,812	425,000	466,624
2024	4.125%	15,500	15,500	420,000	451,000
2025	4.125%	10,250	10,250	415,000	435,500
2026	4.125%	5,062	5,062	405,000	415,124
Total 2018 bonded debt		$ 208,481	$ 189,875	$ 3,435,000	$ 3,833,356

Total amount of original issue was $7,465,000.

HOPKINS PUBLIC SCHOOLS
SCHOOL BOND LOAN FUND
JUNE 30, 2018

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Bond Loan Fund. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from the State of Michigan under this program have been summarized as follows:

Year ended June 30,	Loan proceeds (repayment)	Accrued interest	Net increase (decrease)	Balance
1997	$ 352,402	$ 3,345	$ 355,747	$ 355,747
1998	795,365	39,786	835,151	1,190,898
1999	715,300	62,002	777,302	1,968,200
2000	735,978	138,033	874,011	2,842,211
2001	481,735	152,688	634,423	3,476,634
2002	475,473	157,175	632,648	4,109,282
2003	337,000	146,604	483,604	4,592,886
2004	257,000	134,798	391,798	4,984,684
2005	212,606	152,227	364,833	5,349,517
2006	74,593	220,718	295,311	5,644,828
2007	(210,000)	266,875	56,875	5,701,703
2008	6,600	256,255	262,855	5,964,558
2009	625,829	303,348	929,177	6,893,735
2010	597,221	404,576	1,001,797	7,895,532
2011	701,479	405,961	1,107,440	9,002,972
2012	746,268	411,287	1,157,555	10,160,527
2013	730,394	420,256	1,150,650	11,311,177
2014	681,945	411,670	1,093,615	12,404,792
2015	460,677	438,541	899,218	13,304,010
2016	(13,629,724)	328,347	(13,301,377)	2,633
2017	1,803,771	11,105	1,814,876	1,817,509
2018	1,622,564	69,847	1,692,411	3,509,920

HOPKINS PUBLIC SCHOOLS
SCHEDULE OF INSTALLMENT PURCHASE AGREEMENT
JUNE 30, 2018

Fiscal year ended	Interest rate	Principal due June 23	Interest due June 23	Total due annually
2019	1.79%	$ 42,215	$ 1,511	$ 43,726
2020	1.79%	42,208	756	42,964
Total installment purchase agreement		$ 84,423	$ 2,267	$ 86,690

The above installment purchase agreement payable dated August 28, 2014 was issued for the purpose of acquiring school buses. The original amount of issuance was $253,283.

HOPKINS PUBLIC SCHOOLS
SCHEDULE OF INSTALLMENT PURCHASE AGREEMENT
JUNE 30, 2018

Fiscal year ended	Interest rate	Principal due June 23	Interest due June 23	Total due annually
2019	2.25%	$ 44,975	$ 4,048	$ 49,023
2020	2.25%	44,975	3,036	48,011
2021	2.25%	44,975	2,024	46,999
2022	2.25%	44,975	1,012	45,987
Total installment purchase agreement		$ 179,900	$ 10,120	$ 190,020

The above installment purchase agreement payable dated March 11, 2016 was issued for the purpose of acquiring school buses. The original amount of issuance was $269,850.

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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 STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education
Hopkins Public Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins Public Schools as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Hopkins Public Schools' basic financial statements and have issued our report thereon dated October 15, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hopkins 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.

Maner Costerisan PC

October 15, 2018

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October 15, 2018

To the Board of Directors
Hopkins Public Schools

We have audited the financial statements of Hopkins Public Schools for the year ended June 30, 2018, and have issued our report thereon dated October 15, 2018. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards*

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Hopkins Public Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Hopkins Public Schools' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

1. Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Hopkins Public Schools are described in Note 1 to the financial statements. During 2018 the District implemented Governmental Accounting Standard No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The application of existing policies was not changed during 2018. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 were:

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.

Management's estimate in calculating the liability for employee compensated absences and termination benefits:

The estimated liability is approximately $696,973. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences and termination benefits in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets:

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We did not identify any sensitive disclosures.

2. Difficulties Encountered in Performing the Audit

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

3. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are 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 the financial statements taken as a whole.

4. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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.

5. Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 15, 2018.

6. 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 the Hopkins 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.

7. 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 the Hopkins 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.

8. Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries 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 other supplementary information, which accompany the financial statements but are not RSI. With respect to this other 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 other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

A separate management letter was not issued.

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

Very truly yours,

Maner Costerisan PC