LESLIE 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
Leslie 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 Leslie Public Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Leslie 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 Leslie 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 14 to the financial statements, Leslie 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 compromise Leslie Public Schools' basic financial statements. The additional supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and are 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. The additional supplementary 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, the additional supplementary 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 25, 2018 on our consideration of Leslie 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 Leslie 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 Leslie Public Schools' internal control over financial reporting and compliance.

Maner Costerisan PC

October 25, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Leslie Public Schools (the District) 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, Leslie 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 OVERVIEW

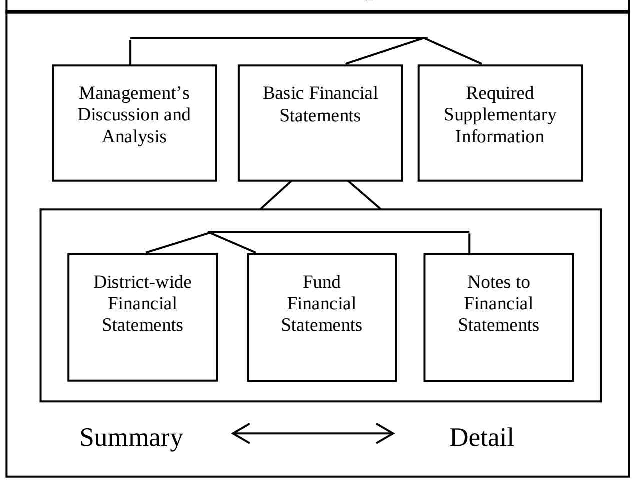
- The District's general fund financial situation improved from the 2017 fiscal year to 2018.
- For the 2017-18 school year, general fund balance increased by $163,908.
- During the 2017-18 school year, compared to 2016-17, general fund revenues increased by $483,299 (4 percent), while expenditures increased by $350,206 (3 percent).
- Student enrollment decreased by 9 students from 2017 count to 2018. This represents a decrease of 0.7% when compared to the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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:

- 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 notes to financial statements.
- The governmental funds statements tell how basic services like instruction and support services 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 Leslie 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 and required information related to pension and OPEB. 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

	District-wide Statements	Fund Financial Statements: Governmental Funds	Fund Financial Statements: 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 assets and liabilities
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, the District's funds do not currently contain capital assets, although they can
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, deferred inflows, 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, deferred inflows, and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are 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 non-financial 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 debt, and its capital project fund) 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 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

Net position - The District's combined net position declined as of June 30, 2018 when compared to June 30, 2017.

Table A-3
Leslie Public Schools' Net Position

	2018	2017
Current assets	$ 4,335,627	$ 4,118,253
Capital assets, net of depreciation	12,077,540	12,584,579
Total assets	16,413,167	16,702,832
Deferred outflows of resources	5,102,630	3,185,295
Noncurrent liabilities	4,966,230	6,157,455
Other liabilities	2,851,723	2,606,011
Net pension liability	19,996,843	20,193,351
Net other postemployment benefits liability	6,862,401	-
Total liabilities	34,677,197	28,956,817
Deferred inflows of resources	2,797,223	724,415
Net position:		
Net investment in capital assets	7,175,048	6,494,303
Restricted	622,396	735,070
Unrestricted	(23,756,067)	(17,022,479)
Total net position	$ (15,958,623)	$ (9,793,106)

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

Table A-4
Changes in Leslie Public School Schools' Net Position

	2018	2017
Revenues:		
Program revenues:		
Charges for services	$ 523,550	$ 514,307
Federal and state categorical grants	3,072,699	2,802,806
General revenues:		
Property taxes	3,446,007	3,362,664
State aid - unrestricted	8,311,630	8,071,893
Intermediate sources	1,018,189	909,330
Other	80,778	41,724
Total revenues	16,452,853	15,702,724
Expenses:		
Instruction	8,030,892	8,091,687
Support services	5,185,492	4,956,829
Community services	129,873	141,614
Food services	705,628	730,989
Interest on long-term debt	179,832	215,210
Capital outlay	891,735	189,136
Depreciation	607,753	560,458
Total expenses	15,731,205	14,885,923
Change in net position	$ 721,648	$ 816,801

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

District Governmental Activities

The District's financial condition has resulted from a number of factors including the following:

- Proposal A established the student foundation grant concept. The foundation grant for Leslie Public Schools has increased from $4,857 per student in 1995 to $7,631 per student in 2018.

- The District strives to manage staffing levels in accordance with student count and seeks to save money in non-instructional areas whenever possible.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

- The District's fund balance as combined for all funds is $1,511,452 compared to $1,475,424 in 2017. Total fund balance increased by $182,587 in 2018, as compared to an increase of $413,407 for 2017.

General Fund and Budget Highlights

- During the 2017-18 fiscal year, the original District budget was amended to reflect changes which affected the District. Significant changes included adjustments for State School Aid revenues, property tax revenues, actual staffing costs and other expenditure changes. The final budget was amended to show an ending fund balance of $952,436 while the actual fund balance for the year was $815,775.

- General fund revenues were $154,960 lower than budgeted. This variance was due primarily to a lower balance of state funds than anticipated.

- General fund expenditures were $18,299 higher than budgeted. This variance was due primarily to normal anticipated budget variances.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets are as follows:

Table A-5
Leslie Public Schools' Capital Assets

	2018			2017
	Cost	Accumulated depreciation	Net book value	Net book value
Land	$ 311,357	$ -	$ 311,357	$ 311,357
Buildings and improvements	24,536,781	13,106,088	11,430,693	11,953,657
Equipment and technology	888,398	783,701	104,697	113,291
Vehicles	1,275,053	1,044,260	230,793	206,274
Total	27,011,589	$ 14,934,049	$ 12,077,540	$ 12,584,579

The change in the net book value is due to current year depreciation.

LONG-TERM DEBT

At year end the District had $4,966,230 of long-term debt outstanding as shown in Table A-6. More detailed information is available in notes to the financial statements.

Table A-6
Leslie Public Schools
Outstanding Long-Term Debt

	2018	2017
General obligation bonds	$ 4,916,220	$ 6,105,989
Termination benefits	50,010	51,466
	$ 4,966,230	$ 6,157,455

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware existing circumstances that could significantly affect its financial health in the future:

- **Employee Contracts:** All Union contracts are settled through June 30, 2019.

- **Fund Balance:** The District's 2018-19 initial general fund budget includes an increase of $113,911 in the fund balance.

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 central administration, Leslie Public Schools, 4141 Hull Rd; Leslie, MI 49251.

BASIC FINANCIAL STATEMENTS

LESLIE PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental activities
ASSETS:	
Cash and cash equivalents	$ 882,345
Investments	1,229,489
Receivables:	
Intergovernmental	2,008,302
Due from fiduciary funds	3,276
Other	125,824
Inventories	16,790
Prepaids	69,601
Capital assets not being depreciated	311,357
Capital assets, net of accumulated depreciation	11,766,183
TOTAL ASSETS	16,413,167
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding	13,728
Related to pension	4,593,040
Related to other postemployment benefit	495,862
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,102,630
LIABILITIES:	
Accounts payable	124,477
Accrued salaries and related items	874,628
Accrued retirement	328,792
Accrued interest	50,960
Notes payable	1,179,811
Unearned revenue	293,055
Noncurrent liabilities:	
Due within one year	1,195,001
Due in more than one year	3,771,229
Net pension liability	19,996,843
Net other postemployment benefit liability	6,862,401
TOTAL LIABILITIES	34,677,197
DEFERRED INFLOWS OF RESOURCES:	
Related to pension	1,791,027
Related to state aid funding for pension	774,197
Related to other postemployment benefit	231,999
TOTAL DEFERRED INFLOWS OF RESOURCES	2,797,223
NET POSITION:	
Net investment in capital assets	7,175,048
Restricted for debt service	354,468
Restricted for capital projects (sinking fund)	267,928
Unrestricted	(23,756,067)
TOTAL NET POSITION	$ (15,958,623)

See notes to financial statements.

LESLIE 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	$ 8,030,892	$ 40,258	$ 2,368,301	$ (5,622,333)
Support services	5,185,492	99,000	239,359	(4,847,133)
Community services	129,873	117,694	-	(12,179)
Food services	705,628	266,598	465,039	26,009
Interest on long-term debt	179,832	-	-	(179,832)
Capital outlay	891,735	-	-	(891,735)
Unallocated depreciation	607,753	-	-	(607,753)
Total governmental activities	$ 15,731,205	$ 523,550	$ 3,072,699	(12,134,956)
General revenues:				
Property taxes, levied for general purposes				1,396,697
Property taxes, levied for debt service				1,362,763
Property taxes, levied for sinking fund				686,547
Investment earnings				16,216
State sources - unrestricted				8,311,630
Intermediate sources				1,018,189
Other				64,562
Total general revenues				12,856,604
CHANGE IN NET POSITION				721,648
NET POSITION, beginning of year, as restated				(16,680,271)
NET POSITION, end of year				$ (15,958,623)

See notes to financial statements.

LESLIE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General fund	Sinking fund	Total nonmajor funds	Total governmental funds
ASSETS				
ASSETS:				
Cash and cash equivalents	$ 429,708	$ 274,065	$ 178,572	$ 882,345
Investments	1,229,489	-	-	1,229,489
Receivables:				
Intergovernmental	1,934,152	-	74,150	2,008,302
Due from other funds	57,917	7,797	272,281	337,995
Due from fiduciary funds	2,756	-	520	3,276
Other	122,468	-	3,356	125,824
Inventories	2,936	-	13,854	16,790
Prepaids	66,028	-	3,573	69,601
TOTAL ASSETS	$ 3,845,454	$ 281,862	$ 546,306	$ 4,673,622
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 123,224	$ -	$ 1,253	$ 124,477
Accrued interest payable	23,412	-	-	23,412
Accrued salaries and related items	862,464	-	12,164	874,628
Accrued retirement	325,640	-	3,152	328,792
Notes payable	1,179,811	-	-	1,179,811
Due to other funds	227,949	13,934	96,112	337,995
Unearned revenue	287,179	-	5,876	293,055
TOTAL LIABILITIES	3,029,679	13,934	118,557	3,162,170

See notes to financial statements.

	General fund	Sinking fund	Total nonmajor funds	Total governmental funds
FUND BALANCES:				
Nonspendable:				
Inventories	$ 2,936	$ -	$ 13,854	$ 16,790
Prepaids	66,028	-	3,573	69,601
Restricted for:				
Debt service	-	-	382,016	382,016
Special revenue (food service)	-	-	17,978	17,978
Capital projects (sinking fund)	-	267,928	-	267,928
Assigned for capital projects	-	-	10,328	10,328
Unassigned	746,811	-	-	746,811
TOTAL FUND BALANCES	815,775	267,928	427,749	1,511,452
TOTAL LIABILITIES AND FUND BALANCES	$ 3,845,454	$ 281,862	$ 546,306	$ 4,673,622

Total governmental fund balances		$ 1,511,452
Amounts reported for governmental activities in the statement of net position is different because:		
Deferred outflows of resources - deferred charge on refunding		13,728
Deferred outflows of resources - related to pension		4,593,040
Deferred outflows of resources - related to other postemployment benefit		495,862
Deferred inflows of resources - related to pension		(1,791,027)
Deferred inflows of resources - related to other postemployment benefit		(231,999)
Deferred inflows of resources - state aid funding for pension		(774,197)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	$ 27,011,590	
Accumulated depreciation is	(14,934,050)	
		12,077,540
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds payable		(4,916,220)
Compensated absences and termination benefits		(50,010)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid		(27,548)
Net pension liability		(19,996,843)
Net other postemployment benefit liability		(6,862,401)
Net position of governmental activities		$ (15,958,623)

See notes to financial statements.

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

	General fund	Sinking fund	Total nonmajor funds	Total governmental funds
REVENUES:				
Local sources:				
Property taxes	$ 1,396,697	$ 686,547	$ 1,433,344	$ 3,516,588
Investment earnings	12,363	3,277	576	16,216
Food service sales	-	-	266,598	266,598
Athletics	78,007	-	-	78,007
Other local sources	254,378	-	-	254,378
Total local sources	1,741,445	689,824	1,700,518	4,131,787
State sources	10,546,473	7,797	45,690	10,599,960
Federal sources	219,218	-	434,485	653,703
Incoming transfers and other	1,050,249	-	-	1,050,249
Total revenues	13,557,385	697,621	2,180,693	16,435,699
EXPENDITURES:				
Current:				
Instruction	7,945,103	-	-	7,945,103
Supporting services	5,353,900	-	-	5,353,900
Food service activities	-	-	705,628	705,628
Capital outlay	-	891,735	-	891,735
Community service activities	129,474	-	-	129,474

See notes to financial statements.

	General fund	Sinking fund	Total nonmajor funds	Total governmental funds
EXPENDITURES (Concluded):				
Debt service:				
Principal repayment on bonded debt	$ -	$ -	$ 1,170,000	$ 1,170,000
Interest on bonded debt	-	-	202,698	202,698
Other	-	981	151	1,132
Total expenditures	13,428,477	892,716	2,078,477	16,399,670
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	128,908	(195,095)	102,216	36,029
OTHER FINANCING SOURCES (USES):				
Transfers in	35,000	-	-	35,000
Transfers out	-	-	(35,000)	(35,000)
Total other financing sources (uses)	35,000	-	(35,000)	-
NET CHANGE IN FUND BALANCES	163,908	(195,095)	67,216	36,029
FUND BALANCES:				
Beginning of year	651,867	463,023	360,533	1,475,423
End of year	$ 815,775	$ 267,928	$ 427,749	$ 1,511,452

See notes to financial statements.

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

Net change in fund balances total governmental funds	$ 36,029
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	(607,753)
Capital outlay	100,714
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	33,762
Accrued interest payable, end of the year	(27,548)
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 in the treatment of long-term debt and related items are as follows:	
Payments on debt	1,170,000
Amortization of deferred charge on refunding	(1,985)
Amortization of bond premium	19,769
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Unavailable revenue, beginning of the year	(70,581)
Unavailable revenue, end of the year	-
Termination benefits 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:	
Compensated absences and termination benefits, beginning of the year	51,466
Compensated absences and termination benefits, end of the year	(50,010)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Pension related items	(74,822)
Other postemployment benefit related items	54,871
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 and other postemployement benefit	87,736
Change in net position of governmental activities	$ 721,648

See notes to financial statements.

LESLIE PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018

	Agency funds
ASSETS:	
Cash and cash equivalents	$ 131,160
LIABILITIES:	
Accounts payable - primary government	$ 3,276
Due to student and other groups	127,884
TOTAL LIABILITIES	$ 131,160

See notes to financial statements.

LESLIE PUBLIC SCHOOLS
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 the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

B. Reporting Entity

The Leslie Public Schools (the "District") is governed by the Leslie 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 fund:

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

The *capital projects sinking fund* accounts for the receipt of debt proceeds, property taxes, and the acquisition of capital assets or construction of major capital projects. The Leslie Public Schools capital projects sinking fund records activity funded with the Sinking Fund millage. For this fund, the District has complied with the applicable provisions of §1212(l) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Additionally, the District reports the following nonmajor fund types:

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 *debt service fund*s account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District maintains debt service funds for the 2012 and 2008 bond issues.

The *capital projects fund* account for the receipt of debt proceeds and transfers from the general fund for the acquisition of capital assets or construction of major capital projects. The District maintains nonmajor capital projects funds for various assigned purposes.

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).

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 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 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.

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.

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)

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

Buildings and additions	20 - 50 years
Equipment and technology	5 - 20 years
Vehicles	8 years

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 pension and other postemployment benefit, and pension and other postemployment benefit 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, pension and other postemployment benefit 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 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Revenues and Expenditures/Expenses (Continued)

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)	17.98
Commercial Personal Property	5.98
Debt service fund:	
PRE, Non-PRE, Commercial Property	5.82
Capital projects fund:	
PRE, Non-PRE, Commercial Property	2.99

3. Compensated absences and termination benefits

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Revenues and Expenditures/Expenses (Concluded)

4. Long-term obligations (Concluded)

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

As of June 30, 2018, the District had no investments.

The District voluntarily invests certain excess funds in pooled short term investment funds which included money market funds. One of the pooled investments utilized by the district is Federated government funds. These Federated government funds are an external money market fund of "qualified" investments for Michigan school districts. The funds reports as of June 30, 2018, the fair value of the District's investments is the same as the value of the pool shares.

Federated government funds are considered money market funds as defined by the GASB and as such are recorded at amortized cost which approximate fair value. These funds are not subject to the fair value disclosures.

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

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2018, the District did not have investments in commercial paper and corporate bonds.

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. As of June 30, 2018, the District did not have any investments that would be subject to rating.

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk - deposits. In the case of deposits, this is the risk that the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2018, $1,723,408 of the District's bank balance of $2,223,408 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount is $2,111,834.

Fiduciary fund balances are not included in the above balance. As of June 30, 2018, the Fiduciary fund's bank balance of $139,272 was uninsured and uncollateralized. The carrying amount is $131,160.

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.

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

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.

NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)

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

The carrying amounts as previously reported in Note 2:

Deposits - including fiduciary funds of $131,160	$ 2,242,994

The above amounts are reported in the financial statements as follows:

Cash - fiduciary funds	$ 131,160
Cash - District-wide	882,345
Investments - District-wide	1,229,489
	$ 2,242,994

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
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 311,357	$ -	$ -	$ 311,357
Capital assets, being depreciated:				
Buildings and additions	24,536,781	-	-	24,536,781
Equipment and technology	868,698	19,700	-	888,398
Vehicles	1,194,039	81,014	-	1,275,053
Total capital assets, being depreciated	26,599,518	100,714	-	26,700,232
Accumulated depreciation:				
Buildings and additions	12,583,124	522,964	-	13,106,088
Equipment and technology	755,407	28,294	-	783,701
Vehicles	987,765	56,495	-	1,044,260
Total accumulated depreciation	14,326,296	607,753	-	14,934,049
Net capital assets being depreciated	12,273,222	(507,039)	-	11,766,183
Net governmental capital assets	$ 12,584,579	$ (507,039)	$ -	$ 12,077,540

NOTE 3 - CAPITAL ASSETS (Concluded)

Depreciation for the fiscal year ended June 30, 2018 amounted to $607,753. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Amounts reported as intergovernmental receivables at June 30, 2018 consist of the following:

Other governmental units:	
State aid	$ 1,903,738
Federal grants	6,085
Payments from ISD	98,479
	$ 2,008,302

NOTE 5 - NOTES PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2018, the District issued state aid anticipation notes payable in the amount of $2,600,000. Proceeds of the notes were used to fund school operations. All of the notes are through the State of Michigan and have the following interest rates and maturities:

Note	Amount	Interest rate	Maturity date
2017A-1	$ 1,750,000	1.27%	July 20, 2018
2017A-2	850,000	1.49%	August 21, 2018
Total	$ 2,600,000		

The State Aid notes are secured by the full faith and credit of the District, as well as pledged state aid. The State Aid note 2017A-1 required payment to an irrevocable set-aside account for principal and accrued interest at June 30, 2018 in the amount of $1,420,189. At year end the balance of these payments are considered defeased debt and are not included in the year-end balance. Activity for the year ended June 30, 2018 is as follows:

Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
$ 986,581	$ 2,600,000	$ 2,406,770	$ 1,179,811

NOTE 6 - LONG-TERM DEBT

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. The following is a summary of the long-term debt transactions of the district.

	General obligation bonds	Compensated absences and termination benefits	Total
Balance July 1, 2017	$ 6,105,989	$ 51,466	$ 6,157,455
Deletions	(1,189,769)	(1,456)	(1,191,225)
Balance June 30, 2018	4,916,220	50,010	4,966,230
Due within one year	(1,190,000)	(5,001)	(1,195,001)
Due in more than one year	$ 3,726,220	$ 45,009	$ 3,771,229

Long-term debts and other obligations currently outstanding are as follows:

2008 Serial bonds due in annual installments of $470,000 to $545,000 through May 2025 with interest from 4.0% to 5.0%.	$ 3,565,000
2012 General obligation bonds due in annual installments of $570,000 to $645,000 through May 1, 2020, with interest at 1.6% to 2.0%.	1,215,000
Plus unamortized premium on bond refunding	136,220
Total general obligation debt	4,916,220
Compensated absences and termination benefits	50,010
Total general long-term debt	$ 4,966,230

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2018, $6,940,000 of bonds outstanding are considered defeased.

NOTE 6 - LONG-TERM DEBT (Concluded)

The annual requirements to amortize long-term debt outstanding as of June 30, 2018, including interest of $590,688 are as follows:

Year ending June 30,	Principal	Interest	Total
2019	$ 1,190,000	$ 165,288	$ 1,355,288
2020	1,105,000	132,200	1,237,200
2021	520,000	99,400	619,400
2022	510,000	78,600	588,600
2023	500,000	58,200	558,200
2024 - 2025	955,000	57,000	1,012,000
Total	4,780,000	590,688	5,370,688
Unamortized premium on bond refunding	136,220	-	136,220
Compensated absences and termination benefits	50,010	-	50,010
	$ 4,966,230	$ 590,688	$ 5,556,918

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.

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

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.

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

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%.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus Plan member. Pension Plus Plan 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 Plan members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus Plan members.

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Pension Reform 2012

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

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

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

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

- Basic plan members: 4% contribution

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

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in 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.

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Pension Reform 2012 (Concluded)

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.

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 Plan) 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.

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Regular Retirement (no reduction factor for age) (Concluded)

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 $1,948,000, with $1,914,000 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 $556,000, with $530,000 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 $19,996,843 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 0.07717% and 0.08094%.

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	$ 25,914,251,095	$ 24,949,181,770
Proportionate share	0.07717%	0.08094%
Net Pension liability for the District	$ 19,996,843	$ 20,193,351

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 $1,988,946.

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
Difference between expected and actual earnings on pension plan investments	$ 173,786	$ (955,981)
Difference between expected and actual experience	-	(98,120)
Changes in proportion and differences between employer contributions and proportionate share	429,587	(736,926)
Changes of assumptions	2,190,813	-
Reporting Unit's contributions subsequent to the measurement date	1,798,854	-
	$ 4,593,040	$ (1,791,027)

$1,798,854, 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	$ 348,332
2019	647,593
2020	146,773
2021	(139,539)

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

<u>OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB</u>

OPEB Liabilities

At June 30, 2018, the District reported a liability of $6,862,401 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 0.07749%.

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	0.07749%
Net other postemployment benefit liability for the District	$ 6,862,401

<u>OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB</u>

For the year ended June 30, 2018, the District recognized OPEB expense of $474,822.

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 plan investment earnings	$ -	$ (158,935)
Differences between expected and actual experience	-	(73,064)
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,530	-
Reporting Unit's contributions subsequent to the measurement date	479,332	-
	$ 495,862	$ (231,999)

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Concluded)

$479,332, 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	$ (52,369)
2019	(52,369)
2020	(52,369)
2021	(52,369)
2022	(5,993)

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.

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

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

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

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

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

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

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

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for 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%
Alternate 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 rates are net of adminstrative expenses and 2.3% inflation.

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

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

OPEB discount rate - The discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was 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% / 6.0%)	Discount rate (7.5% / 7.0%)	1% Increase (8.5% / 8.0%)
Reporting Unit's proportionate share of the net pension liability	$ 26,049,236	$ 19,996,843	$ 14,091,114

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Concluded)

Actuarial Assumptions (Concluded)

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 benefit liability	$ 8,037,855	$ 6,862,401	$ 5,864,809

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 Discount rate (7.5% decreasing to 3.5%)	1% Increase (8.5% decreasing to 4.5%)
Reporting Unit's proportionate share of the net other postemployment benefit liability	$ 5,811,531	$ 6,862,401	$ 8,055,591

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.

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Concluded)

Pension and OPEB Plan Fiduciary Net Position (Concluded)

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 - INTERFUND RECEIVABLES AND PAYABLES

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

Receivable fund	Amount	Payable fund	Amount
General fund	$ 57,917	General fund	$ 227,949
Sinking fund	7,797	Food service fund	43,983
Debt service - 2008	166,147	Sinking Fund	13,934
Debt service - 2012	106,134	Debt service - 2008	7,797
		Debt service - 2012	44,332
	$ 337,995		$ 337,995

The outstanding balances result mainly from time lag between the dates that (1) interfund goods and services are performed or reimbursable expenses occur, (2) transactions are recorded in the accounting systems, and (3) payables between funds are made.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time although the District believes such amounts, if any, would be immaterial.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation and property and casualty. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool’s policy year may be subject to special assessment to make up the deficiency. The pool 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. The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

NOTE 11 - TRANSFERS

The general fund received $35,000 from the food service fund during the current fiscal year as reimbursements for a portion of the indirect costs paid by the general fund.

NOTE 12 - SUBSEQUENT EVENTS

The District borrowed $2,600,000 in August 2018 to replace the notes payable as described in Note 5.

NOTE 13 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77, *Tax Abatements*.

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

Municpality	Taxes abated
Ingham County	$ 17,649

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

There are no significant abatements made by the District.

NOTE 14 - NEW ACCOUNTING STANDARD

For the year ended June 30, 2018, the District implemented the following new pronouncement: 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.

NOTE 14 - NEW ACCOUNTING STANDARD (Concluded)

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

	Governmental activities
Net postion as previously stated July 1, 2017	$ (9,793,106)
Adoption of GASB Statement No. 75:	
Net other postemployment benefit liability	(7,238,313)
Deferred outflows	584,904
Deferred inflows	(233,756)
Net postion as restated July 1, 2017	$ (16,680,271)

NOTE 15 - 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.

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

LESLIE PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Property taxes	$ 1,425,851	$ 1,422,973	$ 1,396,697	$ (26,276)
Other local sources	321,000	345,282	344,748	(534)
State sources	10,263,432	10,677,416	10,546,473	(130,943)
Federal sources	182,000	216,551	219,218	2,667
Incoming transfers and other	824,685	1,050,123	1,050,249	126
Total revenues	13,016,968	13,712,345	13,557,385	(154,960)
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	6,336,066	6,626,020	6,409,767	216,253
Summer school	-	4,996	5,021	(25)
Added needs	1,505,425	1,533,320	1,530,315	3,005
Total instruction	7,841,491	8,164,336	7,945,103	219,233
Supporting services:				
Pupil	834,557	794,405	804,080	(9,675)
Instructional staff	551,781	379,515	384,464	(4,949)
General administration	347,350	448,048	464,969	(16,921)
School administration	820,643	875,628	879,506	(3,878)
Business	186,447	249,035	255,040	(6,005)
Operation and maintenance	1,148,510	1,167,451	1,291,135	(123,684)
Pupil transportation	686,421	658,455	675,935	(17,480)
Central	106,670	245,033	261,258	(16,225)
Athletics	327,402	342,071	337,513	4,558
Total supporting services	5,009,781	5,159,641	5,353,900	(194,259)
Community services	117,175	122,799	129,474	(6,675)
Total expenditures	12,968,447	13,446,776	13,428,477	18,299
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	48,521	265,569	128,908	(136,661)
OTHER FINANCING SOURCES (USES):				
Transfers in	35,000	35,000	35,000	-
NET CHANGE IN FUND BALANCE	$ 83,521	$ 300,569	163,908	$ (136,661)
FUND BALANCE:				
Beginning of year			651,867	
End of year			$ 815,775	

LESLIE 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 (%)	0.07717%	0.08094%	0.07970%	0.07744%
Reporting Unit's proportionate share of net pension liability	$ 19,996,843	$ 20,193,351	$ 19,465,630	$ 17,056,419
Reporting Unit's covered-employee payroll	$ 6,295,783	$ 6,959,664	$ 6,457,949	$ 6,539,867
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	317.62%	290.15%	301.42%	260.81%
Plan fiduciary net position as a percentage of total pension liability	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 for which information is available.

LESLIE 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 YEAR ENDED JUNE 30)

	2018	2017	2016	2015
Statutorily required contributions	$ 1,914,124	$ 1,850,621	$ 1,773,372	$ 1,389,302
Contributions in relation to statutorily required contributions	1,914,124	1,850,621	1,773,372	1,389,302
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll	$ 6,577,513	$ 6,578,407	$ 6,620,123	$ 6,473,895
Contributions as a percentage of covered-employee payroll	29.10%	28.13%	26.79%	21.46%

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.

LESLIE 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 PLAN YEAR ENDED SEPTEMBER 30)

	2017
Reporting Unit's proportion of net OPEB liability (%)	0.07749%
Reporting Unit's proportionate share of net OPEB liability	$ 6,862,401
Reporting Unit's covered-employee payroll	$ 6,295,783
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)	109.00%
Plan fiduciary net position as a percentage of total OPEB 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, reporting units should present information for those years for which information is available.

LESLIE 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	$ 531,612
Contributions in relation to statutorily required contributions	531,612
Contribution deficiency (excess)	$ -
Reporting Unit's covered-employee payroll	$ 6,577,513
Contributions as a percentage of covered-employee payroll	8.08%

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

LESLIE PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

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

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

ADDITIONAL SUPPLEMENTARY INFORMATION

LESLIE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2018

	Special revenue - food service	Debt service	Capital projects	Total nonmajor funds
ASSETS				
ASSETS:				
Cash and cash equivalents	$ 6,380	$ 161,864	$ 10,328	$ 178,572
Other receivable	3,356	-	-	3,356
Intergovernmental receivable	74,150	-	-	74,150
Prepaid expenses	3,573	-	-	3,573
Due from fiduciary funds	520	-	-	520
Due from other funds	-	272,281	-	272,281
Inventories	13,854	-	-	13,854
TOTAL ASSETS	$ 101,833	$ 434,145	$ 10,328	$ 546,306
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 1,253	$ -	$ -	$ 1,253
Accrued salaries and related items	12,164	-	-	12,164
Accrued retirement	3,152	-	-	3,152
Due to other funds	43,983	52,129	-	96,112
Unearned revenue	5,876	-	-	5,876
TOTAL LIABILITIES	66,428	52,129	-	118,557
FUND BALANCES:				
Nonspendable:				
Inventories	13,854	-	-	13,854
Prepaids	3,573	-	-	3,573
Restricted for:				
Food service	17,978	-	-	17,978
Debt service	-	382,016	-	382,016
Assigned for capital projects	-	-	10,328	10,328
TOTAL FUND BALANCES	35,405	382,016	10,328	427,749
TOTAL LIABILITIES AND FUND BALANCES	$ 101,833	$ 434,145	$ 10,328	$ 546,306

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

	Special revenue - food service	Debt service	Capital projects	Total nonmajor funds
REVENUES:				
Local sources:				
Property taxes	$ -	$ 1,433,344	$ -	$ 1,433,344
Food sales	266,598	-	-	266,598
Total local sources	266,598	1,433,344	-	1,699,942
Investment earnings	-	576	-	576
State sources	30,554	15,136	-	45,690
Federal sources	434,485	-	-	434,485
Total revenues	731,637	1,449,056	-	2,180,693
EXPENDITURES:				
Current:				
Food service activities	705,628	-	-	705,628
Debt service:				
Principal repayment	-	1,170,000	-	1,170,000
Interest expense on bonded debt	-	202,698	-	202,698
Other expense	-	151	-	151
Total expenditures	705,628	1,372,849	-	2,078,477
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	26,009	76,207	-	102,216
OTHER FINANCING SOURCES (USES):				
Transfers out	(35,000)	-	-	(35,000)
NET CHANGE IN FUND BALANCES	(8,991)	76,207	-	67,216
FUND BALANCES:				
Beginning of year	44,396	305,809	10,328	360,533
End of year	$ 35,405	$ 382,016	$ 10,328	$ 427,749

LESLIE PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2018

	2012	2008	Total nonmajor
ASSETS			
ASSETS:			
Cash and cash equivalents	$ 109,509	$ 52,355	$ 161,864
Due from other funds	106,134	166,147	272,281
TOTAL ASSETS	$ 215,643	$ 218,502	$ 434,145
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Due to other funds	$ 44,332	$ 7,797	$ 52,129
FUND BALANCES:			
Restricted for debt service	171,311	210,705	382,016
TOTAL LIABILITIES AND FUND BALANCES	$ 215,643	$ 218,502	$ 434,145

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

	2012	2008	Total nonmajor
REVENUES:			
Property taxes	$ 746,476	$ 686,868	$ 1,433,344
State revenue	7,797	7,339	15,136
Investment earnings	576	-	576
Total revenues	754,849	694,207	1,449,056
EXPENDITURES:			
Principal repayment on bonded debt	615,000	555,000	1,170,000
Interest on bonded debt	32,051	170,647	202,698
Other	151	-	151
Total expenditures	647,202	725,647	1,372,849
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	107,647	(31,440)	76,207
FUND BALANCES:			
Beginning of year	63,664	242,145	305,809
End of year	$ 171,311	$ 210,705	$ 382,016

LESLIE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2018

$7,855,000 Bonds issued February 26, 2008:

Principal due May 1,	Interest due May 1,	Interest due November 1,	Debt service requirement for fiscal year June 30,	Debt service requirement for fiscal year Amount
$ 545,000	$ 71,300	$ 71,300	2019	$ 687,600
535,000	60,400	60,400	2020	655,800
520,000	49,700	49,700	2021	619,400
510,000	39,300	39,300	2022	588,600
500,000	29,100	29,100	2023	558,200
485,000	19,100	19,100	2024	523,200
470,000	9,400	9,400	2025	488,800
$ 3,565,000	$ 278,300	$ 278,300		$ 4,121,600

The above bonds have interest rates from 4.0% to 5.0%. The bonds were issued for the purpose of partially refunding the 1998 bonds.

LESLIE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2018

$4,220,000 Bonds issued December 20, 2012:

	Interest due		Debt service requirement for fiscal year	
Principal due May 1,	May 1,	November 1,	June 30,	Amount
$ 645,000	$ 11,344	$ 11,344	2019	$ 667,688
570,000	5,700	5,700	2020	581,400
$ 1,215,000	$ 17,044	$ 17,044		$ 1,249,088

The above bonds have interest rates from 1.6% to 2.0%. The bonds were issued for the purpose of paying off the outstanding balance of the school bond loan fund.

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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
Leslie 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 Leslie Public Schools as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Leslie Public Schools’ basic financial statements and have issued our report dated October 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Leslie 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 Leslie Public Schools’ internal control. Accordingly, we do not express an opinion on the effectiveness of Leslie 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal controls, as described in the accompanying schedule of findings and responses that we consider to be material weaknesses (2018-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Leslie 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as item 2018-002.

Leslie Public Schools' Response to Findings

Leslie Public Schools' response to the findings identified in our audit are is described in the accompanying corrective action plan. Leslie Public Schools' response was no subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 District'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 25, 2018

LESLIE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AS RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

Finding 2018-001 Material Weakness

Criteria: In order to maintain adequate internal controls and proper reporting, all accounts should be reconciled and adjusted monthly. The reconciliations should be completed and reviewed in a timely basis.

Condition: Account reconciliations were not performed on a timely basis during the course of the fiscal year for pooled cash, due to/from accounts, state and federal revenue, and deferred revenue. Material audit adjustments were proposed by the external auditor, accepted and recorded by the client to reconcile the accounts.

Cause: Individuals responsible for recording journal entries and reviewing monthly activity did not complete their procedures. The District controls in place were ineffective in identifying this condition.

Effect: Without completing and reviewing the reconciliations in a timely manner, inaccurate financial information may be used for management decisions and reporting.

Recommendation: The District should implement a month end procedure checklist to ensure that all balance sheet accounts are reconciled with 30 days of month end, the due to/from accounts agree across the different funds, accruals agree to the subledger balances, etc. District should implement journal entry review procedures based upon the employee making the journal entry. The District should eliminate the pooled cash accounts and account for all cash transactions in separate accounts for each fund.

District's Response: The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.

LESLIE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AS RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

Finding 2018-002 Material noncompliance

Criteria: Compliance with the Uniform Budgeting and Accounting Act. MCL (Michigan Compile Laws) 141.436 states, except as otherwise permitted in MCL 388.1702 the local school board shall not adopt a general appropriations act (Budget) or an amendment to that act which causes estimated total expenditures to exceed actual expenditures.

Condition: The District's budget reflects estimated budgeted expenditures less than actual expenditures.

Effect: At June 30, 2018 the District's actual net change in fund balance was less than budgeted by $136,661.

Cause: The primary reason was not properly budgeting revenues and expenditures.

Recommendation: The District is developing procedures to review the budget and general ledger monthly.

District's Response: The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.

Futures taking flight since 1837
Leslie Public Schools
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LESLIE PUBLIC SCHOOLS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2018

Leslie Public Schools respectfully submits the following corrective action plan for the year ended June 30, 2018.

Auditor: Maner Costerisan
2425 E. Grand River Ave., Suite 1
Lansing, Michigan 48912

Audit Period: Year ended June 30, 2018

District Contact Person: Anita Strong, Business Manager

The findings from the June 30, 2018 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Finding - Financial statement audit

Finding 2018-001 - Material Weakness

Recommendation: The District should implement a month end procedure checklist to ensure that all balance sheet accounts are reconciled with 30 days of month end, the due to/from accounts agree across the different funds, accruals agree to the subledger balances, etc. District should implement journal entry review procedures based upon the employee making the journal entry. The District should eliminate the pooled cash accounts and account for all cash transactions in separate accounts for each fund.

Action to be Taken: Management agrees with the finding and we are in the process of developing a month end checklist as recommended. We will also compare the general ledger to the budget on a monthly basis.

Finding 2012-002 - Material noncompliance

Recommendation: The District is developing procedures to review the budget and general ledger monthly.

Actions to be taken: Management agrees with the finding and we are in the process of developing a month end checklist as recommended. We will also compare the general ledger to the budget on a monthly basis.

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October 25, 2018

To the Board of Education
Leslie Public Schools

In planning and performing our audit of the financial statements of Leslie Public Schools as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Leslie Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 25, 2018 on the financial statements of Leslie Public Schools. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows.

Pooled Cash - Repeat

As part of our auditing procedures, we review bank statements and reconciliations performed throughout the year. During these procedures, we noted that bank reconciliation process has become quite cumbersome by the usage of pooled cash accounts. In the interest of better controls over cash and the reconciling process and more accurate reporting of balances, we recommend that Leslie Public Schools discontinue their usage of the pooled cash system and reconcile each account separately.

This report is intended solely for the information and use of management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maner Costerisan PC

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October 25, 2018

To the Board of Education
Leslie Public Schools

We have audited the financial statements of Leslie Public Schools for the year ended June 30, 2018, and have issued our report thereon dated October 25, 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 Leslie 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 Leslie 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 Leslie 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:
>
> > We evaluated the key factors and assumptions used to develop the balance of employee compensated absences 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 25, 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 Leslie 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 Leslie 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.

This information is intended solely for the use of the Board of Education and management of Leslie 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