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October 28, 2016

Management and the Board of Education
Bullock Creek School District
1420 Badour Road
Midland, MI

We have completed our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bullock Creek School District as of and for the year ended June 30, 2016, and have issued our report dated October 28, 2016. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 1, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 of the financial statements. The School District has adopted Government Accounting Standards Statement (GASB) No. 72, 76, 79, and 82, *Fair Value Measurement and Application*, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, *Certain External Investment Pools and Pool Participants*, and *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73, respectively*. GASB No. 72, 76, and 79 are effective July 1, 2015, and GASB 82 is effective for years beginning July 1, 2016, however, early implementation is encouraged. Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. Statement 76 identifies the hierarchy of generally accepted accounting principles. Statement 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Statement 82 amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Bullock Creek School District's financial statements was (were):

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.

- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report. We noted no bias on the calculation of the estimates.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole and free from bias.

Disclosures in the financial statements are neutral, consistent and clear.

Accounting Standards and Regulatory Updates

Accounting Standards

The Governmental Accounting Standards Board has released the following Statements:

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

GASB Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

The School District is evaluating the impact the above pronouncements will have on its financial reporting.

Regulatory and Other Updates

Cybersecurity and data backup best practices

The School District's data is critically important. There are millions of ways data can be compromised. It is vitally important that all employees have proper knowledge on what is safe to click on and what is not. It is equally

important that a proper data backup solution is in place in the event a School District's information is targeted by malware or a phishing attack. A School District's vital information is always a moment away from being compromised. Encouraging and educating employees to pay attention to what they click on and what they do is the first step in keeping information safe.

Having a proper data backup solution in place can mean the difference between a School District surviving a cyber-attack or losing valuable data and time. Every School District should know the answer to two questions when looking at data backup solutions.

1. How long can my District survive a network outage?

Many School Districts assume that they are properly backing up their network but how often are those backups tested? Internally managed backups are more susceptible to lack of testing. Management often believes they have successful backups but in the moment of a disaster, they find out that their last successful backup was months ago. Test backups often to make sure files can be recovered when needed.

2. Does our District understand the difference between a backup and disaster recovery?

Management often assumes that simply backing up files is "good enough". Backing up files is something all School Districts should do. However, it's important to remember that restoring files and emails is one thing, but recovering and restoring all company data in the event of a disaster is another.

Audit and FID Submission Deadline

Beginning in the previous year, the deadline to submit the Financial Information Database (FID) and the school district financial audits will be November 1st. This will continue to be the deadline for future fiscal years.

Uniform Grant Guidance (Super Circular)

In December 2013, the Federal Office of Management and Budget (OMB) issued final guidance on administrative requirements. The Guidance supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, A-122, A-89, A-102 and A-133 and the guidance in Circular A-50 on Single Audit Act follow-up. Districts implemented the new administrative requirements and Cost Principles for all new federal grants awarded after December 26, 2014, and to additional funding to existing awards (referred to as funding increments) made after that date. EDGAR is the source for guidance that school districts will follow. Additional information and resources are available at the following websites:

- OMB http://www.whitehouse.gov/omb/grants_docs
- Council on Federal Assistance Reform (COFAR) <https://cfo.gov/cofar/>
- US Department of Education <http://1.usa.gov/1rzFswz>
- EDGAR <http://1.usa.gov/1pOUq2p>
- MDE http://www.michigan.gov/mde/0,4615,7-140-5236_76204---,00.html

Fiscal Year (FY) 2017 School Aid

- The Omnibus Education Bill (Senate Bill 801) for FY 2017 has been passed by the legislature. It has been presented to the Governor for signature. There is always the possibility of vetoes. Following are some highlights of the bill:
- The per pupil Foundation Grants for FY 2017 will increase by a range of \$60 to \$120 using the "2X formula." The increase will be added to the FY 2016 foundation grant resulting in the lowest foundation for FY 2017 being \$7,511 and the maximum state guaranteed foundation being \$8,229.
- A new Section 20m would provide hold harmless districts with the difference in per pupil funding between \$60 and the increase in their foundation which is limited to the rate of inflation (.1% in this case).
- The Pupil Membership Blend will remain at 90% of the current school year October count and 10% of the prior school year February count.
- The Section 31a At-Risk funding is maintained at \$389,685,500.
- The per pupil funding under Sections 20f(2) and 20f(4) will be equal to the per pupil funding under those Sections in 2015-16.

- ISD General Operation funding under Section 81 will remain at \$67.1 million.
- An additional \$90 million is appropriated in Section 147c to reflect the actuarially estimated costs of the required state share of the MPSERS Unfunded Accrued Liability (UAL) and maintain the UAL cap at 20.96%.

Other School Aid Changes

- Section 18 has been amended to require that the FID data and audited financial statements must be consistent or school aid must be withheld.
- Section 51a(15) has been amended to state that there will be a 10% state school aid penalty for a district or ISD that does not comply with the language in Section 51a(14) that requires the pupil's resident district and/or ISD to provide special education services and cover special education added costs for pupils educated in a Public School Academy who reside outside of the ISD in which the academy is located.
- The Section 101 Instructional Day requirement will go from a minimum of 175 days to a minimum of 180 days beginning with the 2016-17 school year.

Early Warning

Pursuant to Public Act 109 of 2015, each school district and public school academy that has a general fund balance less than 5% of total unrestricted general revenue for either of the 2013-2014 or 2014-2015 school fiscal years is required to submit budget assumptions to the Center for Educational Performance and Information (CEPI).

Uniform Budgeting and Accounting Act (UBAA)

The UB&AA establishes budget and accounting requirements for local governments and school districts, including public school academies. It also establishes oversight requirements for MDE as well as the Michigan Attorney General. Material violations of the UB&AA, including but not limited to general fund deficits, should be reported as financial statement findings in the audit report. UB&AA states that if it becomes apparent during the year that the probable revenues will be less than the budgeted revenues, the fiscal officer shall present recommendations to the legislative body which, if fiscal adopted, would prevent expenditures from exceeding available revenues for the fiscal year. UBAA states that an officer of the district shall not incur expenditures against an appropriation account in excess of the amount appropriated by the board. Noncompliance includes, but is not limited to, over-expending the budget authorized by the board. MDE is analyzing the general fund only, and at the total revenues, expenditures and financing sources (uses) levels, rather than at the line item level. MDE has stated a 0% tolerance for UBAA noncompliance.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures that were more than trivial.

There were no uncorrected misstatements that were more than trivial.

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 auditors' report. We are pleased to report we had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other 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 School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

The School District adopted a new accounting standard, and our report will include the following emphasis of matter paragraph:

Adoption of New Accounting Standard

As described in Note 1 to the financial statements, during the year ended June 30, 2016, the School District adopted GASB No. 72, 76, 79, and 82, *Fair Value Measurement and Application, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, Certain External Investment Pools and Pool Participants, and Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73, respectively*. Our opinions are not modified with respect to this matter.

Other Reports

Other information that is required to be reported to you is included in the: 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*; Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; Report on Schedule of Expenditures of Federal Awards Required by the Uniform Grant Guidance; the Schedule of Findings and Questioned Costs, the Independent Auditors' Report for the 2012 School Building and Site Bonds, Series 2, and the 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* for the 2012 School Building and Site Bonds, Series 2. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's contributions, and budgetary comparison information, we 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 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.

Report on Other Supplementary Information

With respect to the other supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We discussed these matters with various personnel in the School District during the audit. We would also be pleased to meet with you to discuss these matters at your convenience.

Restriction on Use

These communications are intended solely for the information and use of management, the Board of Education, and others within the School District, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan

Bullock Creek School District

Financial Statements

June 30, 2016

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Bullock Creek School District
Members of the Board of Education and Administration
June 30, 2016

Members of the Board of Education

James Nemeth	President
Nelson Terburgh	Vice President
Henry Mashue	Treasurer
Holly Miller	Secretary
Joel Beeck	Trustee
Scott Cain	Trustee
Jill Derry	Trustee

Administration

Shawn Hale	Superintendent
Julie Pierce	Director of Business Services

Independent Auditors' Report

Management and the Board of Education
Bullock Creek School District

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 Bullock Creek School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 Bullock Creek School District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2016, the School District adopted GASB Statements No. 72, 76, 79, and 82, *Fair Value Measurement and Application, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, Certain External Investment Pools and Pool Participants*, and *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73, respectively*. Our opinions are not modified with respect to this matter.

Other Matters:

Required Supplementary Information

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

Other Information

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

The other supplementary information, as identified in the table of contents, is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other than the prior year information, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Supplementary Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Bullock Creek School District's basic financial statements as of and for the year ended June 30, 2015, which are not presented with the accompanying basic financial statements. In our report dated October 22, 2015, we expressed unmodified opinions on the respective basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Bullock Creek School District's basic financial statements as a whole. The 2015 information in the comparative supplementary schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2015 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2015 information in the comparative supplementary schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016 on our consideration of Bullock Creek School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bullock Creek School District's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

October 28, 2016
Saginaw, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

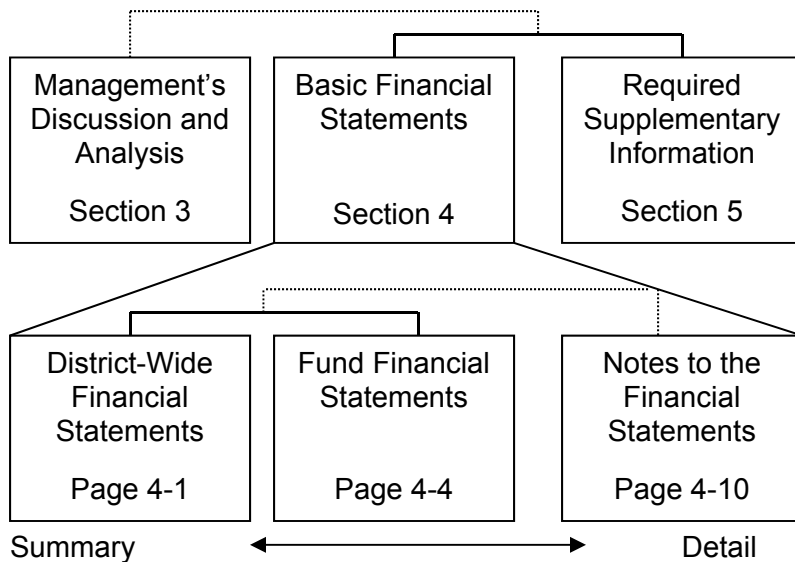
**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

The following discussion and analysis of the Bullock Creek School District's financial performance provides an overall review of the District's financial activities and position for the fiscal year ended June 30, 2016. Readers should also review the financial statements, the notes to the financial statements and the supplementary information to enhance their understanding of the District's financial performance.

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 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. The overall organization of this report is shown in Figure A-1.

**Figure A-1
Bullock Creek School District
Organization of Annual Financial Report**



The basic financial statements include two kinds of statements that present different views of the District: the district-wide financial statements and the fund financial statements.

District-wide Financial Statements

The District-wide statements provide a perspective of the District as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two District-wide statements: The Statement of Net Position and the Statement of Activities.

The Statement of Net Position (page 4-1) combines and consolidates the governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities (page 4-3) accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various district services.

When analyzed together, the two statements help the reader determine whether the District is financially stronger or weaker as a result of the year's activities.

Fund Financial Statements

The fund financial statements focus on individual parts of the district, reporting the District's operation in more detail than the district-wide statements. The fund level statements are reported on a *modified accrual basis*. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's *Public School Accounting Manual*. In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds. The funds used by Bullock Creek School District include Capital Project Funds, Fiduciary Funds, Debt Service Funds and a Special Revenue Fund for Food Service.

Bullock Creek School District is the trustee, or fiduciary, for its student activity funds established for the benefit of our students. These fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. They are excluded from the other financial statements because the District may not use the assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Financial Analysis of the District as a Whole

Summary of the Statement of Net Position

	Governmental Activities		
	June 30, 2016	June 30, 2015	Change
Assets			
Current assets	\$ 10,693,428	\$ 8,936,478	\$ 1,756,950
Capital assets	33,316,538	32,830,364	486,174
Less accumulated depreciation	(14,932,592)	(14,159,837)	(772,755)
Capital assets net book value	18,383,946	18,670,527	(286,581)
Deferred outflow s of resources	4,156,177	3,116,728	1,039,449
Total assets	<u>33,233,551</u>	<u>30,723,733</u>	<u>2,509,818</u>
Liabilities			
Current liabilities	6,042,976	5,987,720	55,256
Noncurrent liabilities	39,650,771	35,827,618	3,823,153
Total liabilities	<u>45,693,747</u>	<u>41,815,338</u>	<u>3,878,409</u>
Deferred inflow s of resources	792,652	2,664,576	(1,871,924)
Net Position			
Net investment in capital assets	8,965,989	7,804,470	1,161,519
Restricted	664,243	1,177,927	(513,684)
Unrestricted	(22,883,080)	(22,738,578)	(144,502)
Total net position	<u>\$ (13,252,848)</u>	<u>\$ (13,756,181)</u>	<u>\$ 503,333</u>

Unrestricted net position is similar but not identical to fund balance. Reserves for grants, deferred gifts and debt service within the fund balance are treated as restricted assets since they are not available for general operations. A reconciliation of the difference between increased net position and an increase in fund balance is on page 4-8.

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

Effective for the year ended June 30, 2015, the District adopted new accounting guidance, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions, and Statements No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date*. This change impacted every public school district participating in MPSERS, and will continue to significantly affect the District's financial statements for years to come. Please refer to Note 11 of the Financial Statements for further details.

The net position for the District decreased by \$503,333 during the 2015-16 year. The *Summary of the Statement of Activities* (right) shows the details of this change.

The *Summary of the Statement of Activities* shows the change from another perspective. As shown in the *Summary of the Statement of Net Position*, the majority of the change in total assets is due to an increase in assets, associated with an increase in cash from the sale of bonds. The net change in total liabilities is an increase, which is related to the increase in bonds payable associated with the bonds sold by the District in 2015-2016.

Summary of the Statement of Activities

	<u>Governmental Activities</u>		
	<u>Year ended 2016</u>	<u>Year ended 2015</u>	<u>Difference</u>
Revenues			
Program Revenues			
Charges for Services	\$ 370,229	\$ 346,463	\$ 23,766
Operating Grants/Contributions	4,371,622	3,895,289	476,333
Capital Grants/Contributions	14,528	23,087	(8,559)
General Revenues			
Property Taxes	3,758,401	3,736,527	21,874
State Foundation Allowance	12,390,872	12,239,378	151,494
Other	208,719	415,814	(207,095)
Total Revenues	<u>21,114,371</u>	<u>20,656,558</u>	<u>457,813</u>
Expenses			
Instruction	12,448,091	12,212,897	235,194
Support Services	6,933,575	6,560,586	372,989
Food Services	863,936	866,288	(2,352)
Other Transactions	365,436	286,993	78,443
Total Expenses	<u>20,611,038</u>	<u>19,926,764</u>	<u>684,274</u>
Change in Net Position	<u>\$ 503,333</u>	<u>\$ 729,794</u>	<u>\$ (226,461)</u>

Approximately 84% of the District's revenues are received from State sources. The Net State Foundation Grant is based on three variables:

1. The State of Michigan State Aid Act per student foundation allowance.
2. Student enrollment calculated by blending 90 percent of the current year's fall count and 10 percent of the prior year's winter count.
3. The amount raised by the District's non principal residence exemption tax levy of 18 mills.

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

The School District's Funds

At June 30, 2016, the District's governmental funds reported a combined fund balance of \$4,671,285 which is an increase of \$1,700,164 from last year. The primary reasons for the increase are:

- In the General Fund, our principal operating fund, the fund balance increased by \$85,977. This is the result of conservative spending in the areas of insurance, supplies and purchased services from the original budget. The reserves and designations of fund balance are identified on page 4-4. By law, the portion of the fund balance restricted for other purposes is unavailable for school operations.
- A 2012 & 2015 Capital Projects Fund was created through the issuance of bonds which are used for capital related projects. The 2012 project came to an end this fiscal year while the 2015 project commenced with the issuance of \$2.360 million in bonds. At the end of 2015-16, a total of \$1,950,296 of the bond proceeds remain in the fund balance to be spent in 2016-17 on the purchase of new buses, technology equipment and building improvements throughout the district.
- In the Special Revenue Funds, the Food Service fund balance decreased by \$14,924. This was partly due to an increase in expenditures, mainly in food costs as adjustments were constantly made to find economical solutions to the increased regulations from the USDA. A slight decrease in the number of meals served also caused a reduction in overall revenues.

Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. In 2015-16 the State was able to fully fund the Bullock Creek School District foundation allowance of \$7,391 per pupil.

Student Enrollment

The District's student enrollment for the fall count of 2015-2016 was 1,850 students. This is a decrease of 14 students from the previous September. While the District has seen an overall decrease in students, it continues to have a strong school of choice population. This is due, in part, to the District offering some unique programs that other area schools do not offer such as Nature Kindergarten and a Young Fives program. The following summarizes fall student enrollments in the past five years:

Enrollment History

Year	Student FTE	FTE Change from Prior Year
2015-2016	1,850	(14)
2014-2015	1,864	(16)
2013-2014	1,880	(53)
2012-2013	1,933	(49)
2011-2012	1,982	(12)

Preliminary student enrollment projections for 2016-2017 indicate that enrollments are likely to decrease slightly compared to 2015-2016. The District uses county birthrates, current enrollment, and community factors as part of this forecast.

Property Taxes Levied for General Operations

The District levies 18.0 mills of property taxes on non principal residence exemption properties and 6.0 mills on Commercial personal property for operations (General Fund). Under Michigan law, the tax levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at lesser of the rate of the prior year's Consumer Price Index increase or 5 percent. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, theoretically 50 percent of

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

the market value. The following summarizes the local tax revenues as a percent of all general fund revenues for the past five years:

Local Property Tax History

Year	Local Property Tax Revenue	% of General Fund Revenue
2015-2016	\$ 868,740	4.8%
2014-2015	861,934	4.9%
2013-2014	853,744	4.9%
2012-2013	853,070	5.0%
2011-2012	838,848	4.9%

Capital Assets

At June 30, 2016, the District had \$18,383,946 invested in capital assets including land, construction in progress, buildings, furniture, and equipment.

Assets	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Land and construction in progress	\$ 558,292	\$ 212,611
Buildings and additions	29,382,956	29,356,634
Equipment and furniture	1,035,879	977,825
Buses and other vehicles	2,339,411	2,283,294
Subtotal	<u>33,316,538</u>	<u>32,830,364</u>
Less accumulated depreciation	<u>(14,932,592)</u>	<u>(14,159,837)</u>
Total	<u>\$ 18,383,946</u>	<u>\$ 18,670,527</u>

Debt Administration

At June 30, 2016, the District had \$11,685,000 in general obligation bonds outstanding for capital projects. During the 2015-2016 fiscal year, the District levied a debt millage of 7.0 mills that generated revenue of \$2,066,366 and was based on the taxable value of all properties within the District. The revenue raised by the debt levy is used to pay maturities on the general obligation bonds.

The School District's general obligation bond rating continues to be equivalent to the State's credit rating.

For more detailed information on debt, please see the accompanying Notes to the Financial Statements (page 4-19).

Original versus Revised Budget

The Uniform Budget Act of the State of Michigan requires that a local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The budget for 2015-2016 was approved on June 22, 2015 and amended in January and June of 2016.

General Fund Revenues

Total Revenues Revised Budget	\$ 18,088,669
Total Revenues Original Budget	<u>17,593,223</u>
Change	<u>\$ 495,446</u>

The District's actual general fund revenues were slightly less than the revised budget by \$68,239 a variance of less than one percent or .3733%.

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

Some of the significant revenue budget adjustments for the year include:

- An increase in State Aid of \$545,268 primarily due to an increase in foundation allowance, At Risk funding and other small, one time restrictive grants like the Early Literacy Grant.

General Fund Expenditures

Total Expenditures Revised Budget	\$ 18,418,383
Total Expenditures Original Budget	18,443,013
Change	\$ (24,630)

The District's actual general fund expenditures were less than the revised budget by \$320,989, a variance of 1.74%.

The significant expenditure budget adjustment for the year includes:

- Various reductions in budgeted expenditures in salaries, health insurance costs and the Special Education Tuition billing and other charges from Midland County Educational Service Agency
- The remaining items were related to either minor changes in programs or benefits costs based on personnel changes along with savings in supplies and contracted services.

Economic Factors and Next Year's Budget and Rates

Since most of the District's revenue is derived from the per pupil foundation allowance, student enrollment as reported in the *blended count* is one of the key factors in forecasting revenue. The other key factor in determining revenue is the actual per pupil foundation allowance established in the State Aid Act. The Board of Education was required by law to approve the 2016-2017 budget by July 1, 2016. The District's initial budget was based on a per pupil foundation allowance of \$7,491 and a loss of 10 students.

Requests for Information

This financial report is designed to give our citizens, taxpayers, parents, students, investors and creditors a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to: Director of Business Services, Bullock Creek School District, 1420 South Badour Road, Midland, MI 48640; telephone number 989-631-9022.

BASIC FINANCIAL STATEMENTS

Bullock Creek School District
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>
Assets	
Cash	\$ 7,551,141
Due from other governmental units	2,948,793
Due from agency fund activities	2,618
Asset held for sale	172,832
Prepaid items	18,044
Capital assets not being depreciated	558,292
Capital assets - net of accumulated depreciation	<u>17,825,654</u>
Total assets	<u>29,077,374</u>
Deferred Outflows of Resources	
Deferred amount on debt refunding	445,489
Deferred amount relating to net pension liability	<u>3,710,688</u>
Total deferred outflows of resources	<u>4,156,177</u>
Total assets and deferred outflows of resources	<u>33,233,551</u>

See Accompanying Notes to the Financial Statements

Bullock Creek School District
Statement of Net Position
June 30, 2016

	Governmental Activities
Liabilities	
Accounts payable	289,753
State aid anticipation note payable	3,900,000
Payroll deductions and withholdings	27,117
Accrued expenditures	642,399
Accrued salaries payable	903,378
Unearned revenue	280,329
Noncurrent liabilities	
Net pension liability	27,468,529
Debt due within one year	1,856,335
Debt due in more than one year	10,325,907
Total liabilities	45,693,747
Deferred Inflows of Resources	
Deferred amount relating to net pension liability	792,652
Total liabilities and deferred inflows of resources	46,486,399
Net Position	
Net investment in capital assets	8,965,989
Restricted for	
Debt service	664,243
Unrestricted (deficit)	(22,883,080)
Total net position	\$ (13,252,848)

See Accompanying Notes to the Financial Statements

Bullock Creek School District
Statement of Activities
For the Year Ended June 30, 2016

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Position	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Functions/Programs					
Governmental activities					
Instruction	\$ 12,448,091	\$ -	\$ 2,856,611	\$ -	\$ (9,591,480)
Supporting services	6,933,575	168,623	880,797	14,528	(5,869,627)
Food services	863,936	201,606	634,214	-	(28,116)
Interest and fiscal charges on long-term debt	365,436	-	-	-	(365,436)
 Total governmental activities	 <u>\$ 20,611,038</u>	 <u>\$ 370,229</u>	 <u>\$ 4,371,622</u>	 <u>\$ 14,528</u>	 <u>(15,854,659)</u>
General revenues					
Property taxes, levied for general purposes					1,692,483
Property taxes, levied for debt service					2,065,918
State aid - unrestricted					12,390,872
Interest and investment earnings					3,182
Gain on sale of capital assets					21,000
Other					184,537
 Total general revenues					 <u>16,357,992</u>
 Change in net position					 503,333
Net position - beginning					<u>(13,756,181)</u>
Net position - ending					<u>\$ (13,252,848)</u>

See Accompanying Notes to the Financial Statements

Bullock Creek School District
Governmental Funds
Balance Sheet
June 30, 2016

	General Fund	2012 & 2015 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 4,435,026	\$ 2,129,122	\$ 986,993	\$ 7,551,141
Due from other funds	16,043	-	-	16,043
Due from agency fund activities	2,459	-	159	2,618
Due from other governmental units	2,919,176	-	29,617	2,948,793
Asset held for sale	172,832	-	-	172,832
Prepaid items	18,044	-	-	18,044
Total assets	<u>\$ 7,563,580</u>	<u>\$ 2,129,122</u>	<u>\$ 1,016,769</u>	<u>\$ 10,709,471</u>
Liabilities				
Accounts payable	\$ 110,138	\$ 178,826	\$ 789	\$ 289,753
State aid anticipation note payable	3,900,000	-	-	3,900,000
Due to other funds	-	-	16,043	16,043
Payroll deductions and withholdings	27,117	-	-	27,117
Accrued expenditures	620,760	-	806	621,566
Accrued salaries payable	901,415	-	1,963	903,378
Unearned revenue	280,101	-	228	280,329
Total liabilities	<u>5,839,531</u>	<u>178,826</u>	<u>19,829</u>	<u>6,038,186</u>
Fund Balance				
Non-spendable				
Asset held for sale	172,832	-	-	172,832
Prepaid items	18,044	-	-	18,044
Restricted for				
Debt service	-	-	685,076	685,076
Capital projects	-	1,950,296	-	1,950,296
Food service	-	-	179,105	179,105
Committed for				
Purchase of textbooks	85,000	-	-	85,000
Assigned for				
Future year budget	312,125	-	-	312,125
Capital projects	-	-	132,759	132,759
Unassigned	1,136,048	-	-	1,136,048
Total fund balance	<u>1,724,049</u>	<u>1,950,296</u>	<u>996,940</u>	<u>4,671,285</u>
 Total liabilities and fund balance	 <u>\$ 7,563,580</u>	 <u>\$ 2,129,122</u>	 <u>\$ 1,016,769</u>	 <u>\$ 10,709,471</u>

See Accompanying Notes to the Financial Statements

Bullock Creek School District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2016

Total fund balances for governmental funds	\$ 4,671,285
Total net position for governmental activities in the statement of net position is different because	
Inventories used in governmental activities are reported on the purchase method in the funds.	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets not being depreciated	558,292
Capital assets - net of accumulated depreciation	17,825,654
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	445,489
Deferred inflows of resources resulting from net pension liability	(792,652)
Deferred outflows of resources resulting from net pension liability	3,710,688
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(20,833)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Net pension liability	(27,468,529)
Compensated absences	(368,500)
Bonds payable	(11,752,407)
Capital lease payable	(61,335)
Net position of governmental activities	<u><u>\$ (13,252,848)</u></u>

Bullock Creek School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016

	General Fund	2012 & 2015 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 1,321,417	\$ 1,280	\$ 2,268,006	\$ 3,590,703
State sources	15,282,714	-	34,388	15,317,102
Federal sources	579,531	-	599,826	1,179,357
Interdistrict sources	1,027,209	-	-	1,027,209
	<u>18,210,871</u>	<u>1,280</u>	<u>2,902,220</u>	<u>21,114,371</u>
Total revenues				
Expenditures				
Current				
Education				
Instruction	11,607,283	-	-	11,607,283
Supporting services	6,404,521	-	-	6,404,521
Food services	-	-	836,518	836,518
Capital outlay	1,674	699,441	-	701,115
Debt service				
Principal	77,357	-	1,820,000	1,897,357
Interest and other expenditures	6,559	-	289,456	296,015
Bond issuance costs	-	31,398	-	31,398
	<u>18,097,394</u>	<u>730,839</u>	<u>2,945,974</u>	<u>21,774,207</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>113,477</u>	<u>(729,559)</u>	<u>(43,754)</u>	<u>(659,836)</u>

See Accompanying Notes to the Financial Statements

Bullock Creek School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016

	General Fund	2012 & 2015 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)				
Proceeds from issuance of bonds	\$ -	\$ 2,360,000	\$ -	\$ 2,360,000
Transfers in	20,000	-	47,500	67,500
Transfers out	(47,500)	-	(20,000)	(67,500)
Total other financing sources (uses)	(27,500)	2,360,000	27,500	2,360,000
Net change in fund balance	85,977	1,630,441	(16,254)	1,700,164
Fund balance - beginning	1,638,072	319,855	1,013,194	2,971,121
Fund balance - ending	<u>\$ 1,724,049</u>	<u>\$ 1,950,296</u>	<u>\$ 996,940</u>	<u>\$ 4,671,285</u>

See Accompanying Notes to the Financial Statements

Bullock Creek School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

Net change in fund balances - Total governmental funds	\$ 1,700,164
Total change in net position reported for governmental activities in the statement of activities is different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(976,411)
Capital outlay	689,830
Expenses are recorded when incurred in the statement of activities.	
Interest	1,530
Compensated absences	(18,541)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(3,365,711)
Net change in the deferral of resources related to the net pension liability	3,067,786
Net change between actual pension contributions and the cost of benefits earned net of employee contributions	(93,118)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(2,360,000)
Repayments of long-term debt	1,897,357
Amortization of deferred amount on refunding	(63,295)
Amortization of bond premium	23,742
Change in net position of governmental activities	\$ 503,333

See Accompanying Notes to the Financial Statements

Bullock Creek School District
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2016

	<u>Agency Funds</u>
Assets	
Cash	\$ <u>186,121</u>
Liabilities	
Due to other funds	\$ 2,618
Due to agency fund activities	<u>183,503</u>
Total liabilities	<u>\$ 186,121</u>

See Accompanying Notes to the Financial Statements

Bullock Creek School District
Notes to the Financial Statements
June 30, 2016

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Bullock Creek School District (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business-type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements, the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 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

Bullock Creek School District
Notes to the Financial Statements
June 30, 2016

well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

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

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

2012 & 2015 Capital Projects Fund – Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring busses, technology equipment, and for building and site improvements and remodeling. The funds are kept open until the purpose for which the fund was created has been accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District’s Special Revenue Funds include Food Service Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Capital Projects Fund – Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring busses, technology equipment, and for building and site improvements and remodeling. The funds are kept open until the purpose for which the fund was created has been accomplished.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Net Position or Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2016, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.00000
Commercial personal property	6.00000
Debt Service Funds	7.00000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District’s boundaries. All of the School District’s tax roll lies within Midland County.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2016

The property tax levy runs from July 1 to June 30 in the City of Midland and January 1 to December 31 in the County. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by Midland County and remitted to the School District by May 15.

Asset held for sale – Students participating in the home building course annually build a residential home for the community which is eventually sold. The direct costs to the School District for the build are reflected in total as an asset held for sale.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Equipment and furniture	5-10 years
Buses and other vehicles	5-10 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce the net pension liability in the following year.

Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt.

Compensated Absences – Sick days are earned at a rate determined by their job category, for most employees this is at the rate of twelve days per school year. Unlimited unused sick days may be accumulated by an employee. Retiring employees who meet certain criteria are paid for accumulated sick days at a rate determined by their job category. There is no contractual provision for payment of unused vacation days. They may be used for vacation only.

The liability for compensated absences reported in the district-wide financial statements consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments, and other employees who are expected to become eligible in the future to receive such payments upon retirement, are included. The amount reported is salary related and includes no fringe benefits.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2016

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

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

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered.

For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net

pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the finance committee or the Superintendent. The Board of Education has granted the finance committee and Superintendent the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

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When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates

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

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

The Governmental Accounting Standards Board ("The GASB") has issued Statement No. 72 *Fair Value Measurement and Application*. Statement 72 provides guidance for accounting and financial reporting issues related to fair value measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The guidance establishes a three level hierarchy of inputs for valuation of fair value. Statement 72 is effective for the year ending June 30, 2016.

GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement 76 is effective for the year ending June 30, 2016.

GASB No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria that, if met, permit external investment pools to elect to measure all of their investments at amortized cost for financial reporting purposes. Also, it establishes additional disclosure requirements for qualifying external investment pools that make that election and for governments that participate in such external investment pools. Statement 79 is effective for the year ending June 30, 2016.

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GASB No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement 82 is effective for the year ending June 30, 2016.

Upcoming Accounting and Reporting Changes

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to

their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

GASB Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

The School District is evaluating the impact that the above GASBs will have on its financial reporting.

Bullock Creek School District
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Note 2 – Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal yearend, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A School District is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures Over Appropriations

The School District did not have significant expenditure budget variances.

District-Wide Deficits

The School District has an unrestricted net position deficit for District-Wide activities in the amount of \$22,883,080 as of June 30, 2016. There are no governmental funds with a deficit.

Compliance – Bond Proceeds

The Capital Projects Funds include project activities funded with bonds issued after May 1, 1994. The following is a summary of the revenue and expenditures in the 2012 Capital Projects Fund from the inception of the funds through the current fiscal year:

	2012 & 2015 Capital Projects Fund		
	Series II	Series III	Total
Revenues	\$ 3,878	\$ 1,280	\$ 5,158
Expenditures	(3,451,373)	(410,984)	(3,862,357)
Other Financing Sources	3,447,495	2,360,000	5,807,495
	\$ -	\$ 1,950,296	\$ 1,950,296

Note 3 – Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 7,551,141	\$ 186,121	\$ 7,737,262

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 7,736,622
Petty cash and cash on hand	640
Total	\$ 7,737,262

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Interest rate risk – The School District will minimize this risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; and investing operating funds primarily in short-term securities, liquid asset funds, money market mutual funds, or similar investment pools limiting the average maturity in accordance with the School District’s cash requirements.

Credit risk – State statutes and the School District’s investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers’ acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The School District will minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any type of security or issuer will be minimized.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of yearend, \$7,582,491 of the School District’s bank balance of \$7,832,491 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 – Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 212,611	\$ -	\$ -	\$ 212,611
Construction-in-progress	-	345,681	-	345,681
Total capital assets not being depreciated	212,611	345,681	-	558,292
Capital assets being depreciated				
Buildings and additions	29,356,634	26,322	-	29,382,956
Equipment and furniture	977,825	58,054	-	1,035,879
Buses and other vehicles	2,283,294	259,773	(203,656)	2,339,411
Total capital assets being depreciated	32,617,753	344,149	(203,656)	32,758,246
Less accumulated depreciation for				
Buildings and additions	(12,004,314)	(662,069)	-	(12,666,383)
Equipment and furniture	(522,526)	(99,004)	-	(621,530)
Buses and other vehicles	(1,632,997)	(215,338)	203,656	(1,644,679)
Total accumulated depreciation	(14,159,837)	(976,411)	203,656	(14,932,592)
Net capital assets being depreciated	18,457,916	(632,262)	-	17,825,654
Net capital assets	\$ 18,670,527	\$ (286,581)	\$ -	\$ 18,383,946

Depreciation expense was charged to activities of the School District as follows:

Governmental activities	
Instruction	\$ 570,168
Support services	396,180
Food services	10,063
Total governmental activities	<u>\$ 976,411</u>

Bullock Creek School District
Notes to the Financial Statements
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As of yearend, the School District had the following construction contracts in progress:

Project	Total Contract	Remaining Construction Commitment at Year End	Contract Payable at Year End
Construction project	\$ 1,477,486	\$ 805,187	\$ 178,826

Note 5 – Interfund Receivables, Payables and Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
Nonmajor Governmental Funds	General Fund	\$ 16,043
Agency Fund	General Fund	2,459
Agency Fund	Nonmajor Governmental Funds	159
		<u>\$ 18,661</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	Transfers Out		
	General Fund	Nonmajor Governmental Funds	Total
Transfers in			
General Fund	\$ -	\$ 20,000	\$ 20,000
Nonmajor governmental funds	47,500	-	47,500
	<u>\$ 47,500</u>	<u>\$ 20,000</u>	<u>\$ 67,500</u>

These transfers were made to reimburse the General Fund for indirect costs and also to cover debt service payments.

Note 6 – Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Grant, categorical aid, and food service payments received prior to meeting all eligibility requirements	<u>\$ 280,329</u>
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Bullock Creek School District
Notes to the Financial Statements
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Note 7 – Leases

Capital Leases

The School District has a capital lease for copy machines. The future minimum lease payments are as follows:

Year ending June 30,

2017	\$	62,963
Less amount representing interest		<u>(1,628)</u>
Present value of minimum lease payments	\$	<u>61,335</u>

The assets acquired through capital leases are as follows:

Asset		
Equipment and furniture	\$	358,859
Less accumulated depreciation		<u>(299,049)</u>
Total	\$	<u>59,810</u>

Note 8 – State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year was as follows:

	<u>Beginning</u>			<u>Ending</u>
	Balance	Proceeds	Repayments	Balance
State aid anticipation note	<u>\$ 3,900,000</u>	<u>\$ 3,900,000</u>	<u>\$ 3,900,000</u>	<u>\$ 3,900,000</u>

Note 9 – Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning			Ending	Amount Due
	Balance	Additions	Reductions	Balance	Within One
					Year
Government obligation bonds	\$ 11,145,000	\$ 2,360,000	\$ (1,820,000)	\$ 11,685,000	\$ 1,795,000
Capital lease	138,692	-	(77,357)	61,335	61,335
Compensated absences	349,959	18,541	-	368,500	-
Premium on bonds	91,149	-	(23,742)	67,407	-
Total	<u>\$ 11,724,800</u>	<u>\$ 2,378,541</u>	<u>\$ (1,921,099)</u>	<u>\$ 12,182,242</u>	<u>\$ 1,856,335</u>

For governmental activities, compensated absences and the capital leases are primarily liquidated by the General Fund.

Bullock Creek School District
Notes to the Financial Statements
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General obligation bonds payable at year end, consist of the following:

\$4,590,000 refunding bond due in annual installments of \$490,000 to \$585,000 through May 1, 2022, interest at 1.55% to 2.80%.	\$ 3,210,000
\$2,360,000 serial bond due in annual installments of \$250,000 to \$490,000 through May 1, 2022, interest at 1.30% to 2.55%.	2,360,000
\$2,545,000 refunding bond due in annual installments of \$50,000 to \$460,000 through May 1, 2026, interest at 0.90% to 3.05%.	2,295,000
\$1,775,000 refunding bond due in annual installments of \$225,000 to \$230,000 through May 1, 2019, interest at 5.00%.	685,000
\$3,485,000 serial bond due in annual installments of \$575,000 to \$660,000 through May 1, 2021, interest at 0.90% to 1.75%.	<u>3,135,000</u>
Total general obligation bonded debt	<u>\$ 11,685,000</u>

Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,795,000	\$ 250,006	\$ 2,045,006
2018	1,825,000	219,826	2,044,826
2019	1,855,000	185,684	2,040,684
2020	1,705,000	147,128	1,852,128
2021	1,695,000	114,322	1,809,322
2022-2026	<u>2,810,000</u>	<u>203,646</u>	<u>3,013,646</u>
Total	<u>\$ 11,685,000</u>	<u>\$ 1,120,612</u>	<u>\$ 12,805,612</u>

The general obligation bonds are payable from the Debt Service Funds. As of yearend, the funds had a balance of \$685,076 to pay this debt. Future debt and interest will be payable from future tax levies.

Compensated Absences

Accrued compensated absences at year end, consist of \$368,500 in accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

Deferred Amount on Refunding

The School District issued bonds in 2014 to advance refund and retire previously issued bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$374,938. This amount, less accumulated amortization, is reported in the accompanying statement of net position as a deferred inflow of resources and is being charged to activities through fiscal year 2022. The balance at June 30, 2016 is \$281,204.

The School District issued bonds in 2015 to advance refund and retire previously issued bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$180,713. This amount, less accumulated amortization, is reported in the accompanying statement of net position as a deferred inflow of resources and is being charged to activities through fiscal year 2026. The balance at June 30, 2016 is \$164,285.

The following summarizes the activity of the deferred amount on refunding:

	Beginning Balance	Additions	Reductions	Ending Balance
2014 Refunding Bonds	\$ 328,071	\$ -	\$ 46,867	\$ 281,204
2015 Refunding Bonds	180,713	-	16,428	164,285
Total	<u>\$ 508,784</u>	<u>\$ -</u>	<u>\$ 63,295</u>	<u>\$ 445,489</u>

Bullock Creek School District
Notes to the Financial Statements
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Note 10 – Risk Management

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

The School District is self-insured for dental insurance. The School District has contracted with MEBS and NGS to process the dental claims and perform other administrative duties. According to the provisions of this program, the School District pays 70-100% of dental claims, up to \$800 for teachers and \$600 for all other eligible employees annually, to each covered employee and the remaining balance is paid by the employee. The School District evaluates the liability related to the dental claims at the end of each fiscal year. The liability is calculated, based upon claims already incurred and reported and an estimate of incurred but not reported claims, as provided by the administrator. For governmental activities, the liability for dental benefits is primarily liquidated by the General Fund.

The School District's cash balance of \$6,996 is deemed to be adequate to cover outstanding claims.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District for the year. The School District had no unemployment compensation expense for the year ended June 30, 2016. No provision has been made for possible future claims.

Note 11 – Pension Plans and Post Employment Benefits

Organization

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

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

The System's financial statements are available at www.michigan.gov/mpers-cafr.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for DB plan members are determined by final average compensation and years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. 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.

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

Contributions and Funding Status

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21 year period for the plan's 2015 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2015.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	22.52 - 23.07%
Member Investment Plan	3.0 - 7.0	22.52 - 23.07
Pension Plus	3.0 - 6.4	21.99
Defined Contribution	0.0	17.72 - 18.76

Required contributions to the pension plan from the School District were \$2,169,511 for the year ending September 30, 2015.

Net Pension Liability

June 30, 2016, the School District reported a liability of \$27,468,529 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014. The School District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2015, the School District's proportionate share percent was 0.1125 percent, which was an increase of 0.003 percent since the prior measurement date.

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

For the year ended June 30, 2016, the School District recognized total pension expense of \$2,474,272. The School District's actual contributions for the years ended June 30, 2016, 2015, and 2014 and were approximately \$1,773,500, \$1,718,600, and \$1,474,000, respectively.

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At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 90,984
Changes in assumptions	676,333	-
Net difference between projected and actual earnings on pension plan investments	140,205	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	566,998	-
Employer contributions subsequent to the measurement date	<u>2,327,152</u>	<u>701,668</u>
	<u>\$ 3,710,688</u>	<u>\$ 792,652</u>

\$2,327,152 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. \$701,668 reported as deferred inflows of resources relating to pensions resulting from employer contributions subsequent to the measurement date are 147c revenues received that will be recognized in the year ended June 30, 2017 when the related payments reduce the net pension liability.

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

Plan Year Ending September 30	Amount
2016	\$ 229,672
2017	229,672
2018	193,000
2019	<u>640,208</u>
Total	<u>\$ 1,292,552</u>

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2014
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of returns:
 - MIP and Basic Plans (Non-Hybrid): 8.0%
 - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5-12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members

Bullock Creek School District
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- Healthcare Cost Trend Rate: 8.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

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, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.7158 for non-university employers). The recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report (CAFR) (www.michigan.gov/mpsers-cafr).

Long-Term Expected Return on Plan Assets

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.9%
Alternative Investment Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	0.9%
Real Estate and Infrastructure Pools	10.0%	4.3%
Absolute Return Pools	15.5%	6.0%
Short Term Investment Pools	2.0%	0.0%
	100.0%	

*Long term rate of return does not include 2.1% inflation

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially-determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Notes to the Financial Statements
June 30, 2016

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

The following presents the School District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%
\$ 35,413,976	\$ 27,468,529	\$ 20,770,193

**Non-university employers, the Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.*

Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR. See the 2015 MPERS CAFR (www.michigan.gov/mpsers-cafr).

Payables to the Pension Plan

There were no significant payables to the pension plan that are not ordinary accruals to the district.

Post-Employment Benefits

In addition to the pension benefits described above, state law requires the School District to provide post-employment healthcare benefits for eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPERS).

The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the participant contributes up to 2% of their salary, and receives up to a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

For the periods July 1, 2015 through September 30, 2015, and October 1, 2015 through June 30, 2016, the employer contribution rate ranged from 2.20% to 2.71% and 6.40% to 6.83%, respectively.

The School District's actual contributions match the required contributions for the years ended June 30, 2016, 2015, and 2014 and were approximately \$605,600, \$693,000, and \$714,000, respectively.

Unfunded Accrued Liability

During the year ending June 30, 2016, the School District had contributions in the amount of \$1,080,321 to the MPERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 10.53% for the year ending June 30, 2016

Bullock Creek School District
Notes to the Financial Statements
June 30, 2016

Note 12 – Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2016.

Note 13 – Subsequent Event

Subsequent to June 30, 2016, the School District has paid the balance of the \$3,900,000 and accrued interest on the short-term state aid anticipation note borrowed on August 20, 2015 and has subsequently borrowed \$3,900,000 in short-term state aid anticipation notes at 0.89%. Proceeds from the borrowing were distributed to the School District on August 22, 2016.

Subsequent to June 30, 2016, the School District issued the 2016 School Building and Site Bonds, Series I for a total of \$4,970,000. The interest rate ranges from 1.25% to 2.15% with final maturity on May 1, 2027.

REQUIRED SUPPLEMENTARY INFORMATION

Bullock Creek School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenues				
Local sources	\$ 1,446,954	\$ 1,314,525	\$ 1,321,417	\$ 6,892
State sources	14,768,896	15,350,124	15,282,714	(67,410)
Federal sources	730,087	590,995	579,531	(11,464)
Interdistrict sources	991,730	1,023,466	1,027,209	3,743
Total revenues	<u>17,937,667</u>	<u>18,279,110</u>	<u>18,210,871</u>	<u>(68,239)</u>
Expenditures				
Instruction				
Basic programs	8,816,162	8,685,310	8,649,840	(35,470)
Added needs	2,730,731	2,681,237	2,637,851	(43,386)
Adult and continuing education	342,620	322,707	319,592	(3,115)
Supporting services				
Pupil	1,029,490	1,042,933	997,293	(45,640)
Instructional staff	822,789	874,114	830,654	(43,460)
General administration	287,234	345,682	330,848	(14,834)
School administration	1,196,818	1,212,190	1,194,043	(18,147)
Business	361,400	417,658	382,969	(34,689)
Operations and maintenance	1,332,040	1,322,874	1,277,572	(45,302)
Pupil transportation services	972,037	993,499	975,423	(18,076)
Central	129,761	129,277	127,562	(1,715)
Athletics	258,711	256,911	247,207	(9,704)
Other	39,913	40,991	40,950	(41)
Capital outlay	35,410	8,000	1,674	(6,326)
Debt service				
Principal	65,000	77,500	77,357	(143)
Interest and fiscal charges	22,897	7,500	6,559	(941)
Total expenditures	<u>18,443,013</u>	<u>18,418,383</u>	<u>18,097,394</u>	<u>(320,989)</u>
Excess (deficiency) of revenues over expenditures	<u>(505,346)</u>	<u>(139,273)</u>	<u>113,477</u>	<u>252,750</u>

Bullock Creek School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Transfers in	\$ 45,000	\$ 26,489	\$ 20,000	\$ (6,489)
Transfers out	<u>(49,518)</u>	<u>(49,518)</u>	<u>(47,500)</u>	<u>(2,018)</u>
Total other financing sources (uses)	<u>(4,518)</u>	<u>(23,029)</u>	<u>(27,500)</u>	<u>(8,507)</u>
Net change in fund balance	(509,864)	(162,302)	85,977	248,279
Fund balance - beginning	<u>1,638,072</u>	<u>1,638,072</u>	<u>1,638,072</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,128,208</u>	<u>\$ 1,475,770</u>	<u>\$ 1,724,049</u>	<u>\$ 248,279</u>

Bullock Creek School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th)

		June 30,									
		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
A.	Reporting unit's proportion of net pension liability (%)	0.11%	0.11%								
B.	Reporting unit's proportionate share of net pension liability	\$ 27,468,529	\$ 25,641,434								
C.	Reporting unit's covered-employee payroll	\$ 9,448,595	\$ 9,297,179								
D.	Reporting unit's proportionate share of net pension liability as a percentage of its covered- employee payroll	290.72%	275.80%								
E.	Plan fiduciary net position as a percentage of total pension liability	63.17%	66.20%								

Bullock Creek School District
Required Supplementary Information
Schedule of the School District's Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

		For the Years Ended June 30,									
		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
A.	Statutorily required contributions	\$ 1,773,517	\$ 1,718,602								
B.	Contributions in relation to statutorily required contributions	<u>1,773,517</u>	<u>1,718,602</u>								
C.	Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
D.	Reporting unit's covered- employee payroll	9,414,968	9,362,550								
E.	Contributions as a percentage of covered-employee payroll	18.8%	18.4%								

Notes:

Benefit changes - There were no changes of benefit terms in 2016.

Changes in assumptions - There were no changes of benefit assumptions in 2016.

OTHER SUPPLEMENTARY INFORMATION

Bullock Creek School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

	Special	Debt Service Funds					Capital	Total
	Revenue Fund	2014	2015	2009	2010	2012	Projects	Nonmajor
	Food Service	Refunding	Refunding	Debt	Refunding	Debt	Fund	Governmental Funds
Assets								
Cash	\$ 169,158	\$ 335,137	\$ 29,273	\$ 163,524	\$ 105,238	\$ 51,904	\$ 132,759	\$ 986,993
Due from agency fund activities	159	-	-	-	-	-	-	159
Due from other governmental units	29,617	-	-	-	-	-	-	29,617
Total assets	\$ 198,934	\$ 335,137	\$ 29,273	\$ 163,524	\$ 105,238	\$ 51,904	\$ 132,759	\$ 1,016,769
Liabilities and Fund Balance								
Liabilities								
Accounts payable	\$ 789	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 789
Due to other funds	16,043	-	-	-	-	-	-	16,043
Accrued expenditures	806	-	-	-	-	-	-	806
Accrued salaries payable	1,963	-	-	-	-	-	-	1,963
Unearned revenue	228	-	-	-	-	-	-	228
Total liabilities	19,829	-	-	-	-	-	-	19,829
Fund Balance								
Restricted for								
Debt service	-	335,137	29,273	163,524	105,238	51,904	-	685,076
Food service	179,105	-	-	-	-	-	-	179,105
Assigned	-	-	-	-	-	-	132,759	132,759
Total fund balance	179,105	335,137	29,273	163,524	105,238	51,904	132,759	996,940
Total liabilities and fund balance	\$ 198,934	\$ 335,137	\$ 29,273	\$ 163,524	\$ 105,238	\$ 51,904	\$ 132,759	\$ 1,016,769

Bullock Creek School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016

	Special	Debt Service Funds						Capital	Total
	Revenue							Projects	Nonmajor
	Fund	2014	2015	2009	2010	2012	Energy	Fund	Governmental
Food	Refunding	Refunding	Debt	Refunding	Debt	Conservation		Funds	
Service									
Revenues									
Local sources	\$ 201,640	\$ 707,037	\$ 356,852	\$ 525,405	\$ 259,935	\$ 217,137	\$ -	\$ -	\$ 2,268,006
State sources	34,388	-	-	-	-	-	-	-	34,388
Federal sources	599,826	-	-	-	-	-	-	-	599,826
Total revenues	<u>835,854</u>	<u>707,037</u>	<u>356,852</u>	<u>525,405</u>	<u>259,935</u>	<u>217,137</u>	<u>-</u>	<u>-</u>	<u>2,902,220</u>
Expenditures									
Current									
Education									
Food services	836,518	-	-	-	-	-	-	-	836,518
Debt service									
Principal	-	630,000	250,000	510,000	215,000	175,000	40,000	-	1,820,000
Interest and other expenditures	-	77,433	107,495	15,555	45,000	42,213	1,760	-	289,456
Total expenditures	<u>836,518</u>	<u>707,433</u>	<u>357,495</u>	<u>525,555</u>	<u>260,000</u>	<u>217,213</u>	<u>41,760</u>	<u>-</u>	<u>2,945,974</u>
Deficiency of revenues over expenditures	<u>(664)</u>	<u>(396)</u>	<u>(643)</u>	<u>(150)</u>	<u>(65)</u>	<u>(76)</u>	<u>(41,760)</u>	<u>-</u>	<u>(43,754)</u>
Other Financing Sources (Uses)									
Transfers in	5,740	-	-	-	-	-	41,760	-	47,500
Transfers out	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>
Total other financing sources (uses)	<u>(14,260)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,760</u>	<u>-</u>	<u>27,500</u>
Net change in fund balance	(14,924)	(396)	(643)	(150)	(65)	(76)	-	-	(16,254)
Fund balance - beginning	<u>194,029</u>	<u>335,533</u>	<u>29,916</u>	<u>163,674</u>	<u>105,303</u>	<u>51,980</u>	<u>-</u>	<u>132,759</u>	<u>1,013,194</u>
Fund balance - ending	<u>\$ 179,105</u>	<u>\$ 335,137</u>	<u>\$ 29,273</u>	<u>\$ 163,524</u>	<u>\$ 105,238</u>	<u>\$ 51,904</u>	<u>\$ -</u>	<u>\$ 132,759</u>	<u>\$ 996,940</u>

Bullock Creek School District
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2016 and 2015

	2016	2015
Assets		
Cash	\$ 4,435,026	\$ 4,231,883
Due from other funds	16,043	94,338
Due from agency fund activities	2,459	-
Due from other governmental units	2,919,176	3,048,035
Asset held for sale	172,832	201,367
Prepaid items	18,044	18,044
Total assets	\$ 7,563,580	\$ 7,593,667
 Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 110,138	\$ 284,816
State aid anticipation note payable	3,900,000	3,900,000
Payroll deductions and withholdings	27,117	507
Accrued expenditures	620,760	495,504
Accrued salaries payable	901,415	926,028
Unearned revenue	280,101	348,740
Total liabilities	5,839,531	5,955,595
 Fund Balance		
Non-spendable		
Asset held for sale	172,832	201,367
Prepaid items	18,044	18,044
Committed		
Purchase of textbooks	85,000	100,000
PPACA implementation	-	200,000
Assigned		
Future year budget	312,125	509,864
Unassigned	1,136,048	608,797
Total fund balance	1,724,049	1,638,072
Total liabilities and fund balance	\$ 7,563,580	\$ 7,593,667

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Revenues
For the Years Ended June 30, 2016 and 2015

	2016	2015
Revenue from local sources		
Property tax levy	\$ 868,740	\$ 861,934
Student activities	107,118	109,325
Other local revenues	<u>345,559</u>	<u>304,822</u>
Total revenues from local sources	<u>1,321,417</u>	<u>1,276,081</u>
Revenues from state sources		
Grants - unrestricted	12,841,261	12,241,478
Grants - restricted	<u>2,441,453</u>	<u>2,495,968</u>
Total revenues from state sources	<u>15,282,714</u>	<u>14,737,446</u>
Revenues from federal sources		
Grants	<u>579,531</u>	<u>659,734</u>
Interdistrict sources		
Community service activity	203,466	223,848
ISD collected millage	<u>823,743</u>	<u>824,596</u>
Total interdistrict sources	<u>1,027,209</u>	<u>1,048,444</u>
Other financing sources		
Transfers in	<u>20,000</u>	<u>19,971</u>
Total revenue and other financing sources	<u>\$ 18,230,871</u>	<u>\$ 17,741,676</u>

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Basic program - elementary		
Salaries	\$ 2,281,167	\$ 2,398,911
Employee benefits	1,499,289	1,496,676
Purchased services	110,212	108,813
Supplies and materials	78,616	45,569
Other	<u>608</u>	<u>55</u>
Total elementary	<u>3,969,892</u>	<u>4,050,024</u>
Basic program - middle school		
Salaries	1,165,938	1,141,613
Employee benefits	806,802	752,142
Purchased services	20,624	17,122
Supplies and materials	16,143	63,735
Other	<u>515</u>	<u>515</u>
Total middle school	<u>2,010,022</u>	<u>1,975,127</u>
Basic program - high school		
Salaries	1,402,886	1,452,230
Employee benefits	970,818	949,334
Purchased services	185,983	202,123
Supplies and materials	64,660	42,883
Other	<u>7,095</u>	<u>4,360</u>
Total high school	<u>2,631,442</u>	<u>2,650,930</u>
Basic program - summer school		
Salaries	24,760	5,592
Employee benefits	11,250	2,315
Supplies and materials	<u>2,474</u>	<u>-</u>
Total summer school	<u>38,484</u>	<u>7,907</u>
Total basic programs	<u>8,649,840</u>	<u>8,683,988</u>

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2016 and 2015

	2016	2015
Added needs - special education		
Salaries	\$ 1,015,998	\$ 1,023,325
Employee benefits	600,498	566,800
Purchased services	348,913	429,058
Supplies and materials	5,339	7,118
Total special education	1,970,748	2,026,301
Added needs - compensatory education		
Salaries	297,929	241,079
Employee benefits	190,597	142,656
Purchased services	-	6,972
Supplies and materials	10,623	1,966
Total compensatory education	499,149	392,673
Added needs - career and technical education		
Salaries	93,793	92,252
Employee benefits	47,748	44,239
Purchased services	9,447	5,338
Supplies and materials	16,966	3,054
Total career and technical education	167,954	144,883
Total added needs	2,637,851	2,563,857
Adult and continuing education - secondary		
Purchased services	319,592	370,122
Pupil - truancy/absenteeism services		
Salaries	15,381	16,728
Employee benefits	6,537	7,029
Total truancy/absenteeism services	21,918	23,757

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Pupil - guidance services		
Salaries	\$ 282,663	\$ 282,688
Employee benefits	192,158	183,249
Purchased services	246	99
Supplies and materials	<u>3,298</u>	<u>5,139</u>
Total guidance services	<u>478,365</u>	<u>471,175</u>
Pupil - health services		
Purchased services	<u>23,942</u>	42,289
Total health services	<u>23,942</u>	<u>42,289</u>
Pupil - psychological services		
Salaries	57,000	-
Employee benefits	36,258	-
Purchased services	1,463	77,177
Supplies and materials	<u>1,431</u>	<u>779</u>
Total psychological services	<u>96,152</u>	<u>77,956</u>
Pupil - speech and hearing services		
Salaries	133,133	135,812
Employee benefits	77,365	75,261
Supplies and materials	<u>1,271</u>	<u>1,167</u>
Total speech and hearing services	<u>211,769</u>	<u>212,240</u>
Pupil - social work services		
Salaries	55,761	52,931
Employee benefits	39,056	39,129
Purchased services	670	705
Supplies and materials	<u>13</u>	<u>156</u>
Total social work services	<u>95,500</u>	<u>92,921</u>

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2016 and 2015

	2016	2015
Pupil - other support services		
Salaries	\$ 44,073	\$ 39,938
Employee benefits	19,474	16,782
Purchased services	5,000	9,000
Supplies and materials	1,100	-
Total other pupil support services	69,647	65,720
Total pupil	997,293	986,058
Instructional staff - improvement of education		
Salaries	63,830	128,241
Employee benefits	45,508	84,122
Purchased services	56,937	13,863
Supplies and materials	128	1,813
Total improvement of education	166,403	228,039
Instructional staff - educational media services		
Salaries	120,146	113,250
Employee benefits	70,131	61,664
Purchased services	507	373
Supplies and materials	2,653	3,887
Other	4,205	4,195
Total educational media services	197,642	183,369
Instructional staff - technology assisted instruction		
Salaries	89,303	83,059
Employee benefits	58,091	52,386
Purchased services	58,298	32,646
Supplies and materials	53,424	26,920
Other	4,878	8,734
Total technology assisted instruction	263,994	203,745

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2016 and 2015

	2016		2015
Instructional staff - supervision and direction of instructional staff			
Salaries	\$ 68,258	\$	66,863
Employee benefits	35,389		33,745
Purchased services	56,554		48,960
Supplies and materials	125		226
Total supervision and direction of instructional staff	160,326		149,794
Instructional staff - academic student assessment			
Purchased services	42,289		13,060
Total instructional staff	830,654		778,007
General administration - board of education			
Purchased services	43,740		36,848
Supplies and materials	202		510
Other	4,651		2,147
Total board of education	48,593		39,505
General administration - executive administration			
Salaries	172,745		123,091
Employee benefits	98,076		101,676
Purchased services	5,618		4,550
Supplies and materials	4,708		4,592
Other	1,108		8,473
Total executive administration	282,255		242,382
Total general administration	330,848		281,887

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2016 and 2015

	2016	2015
School administration - office of the principal		
Salaries	\$ 646,705	\$ 642,029
Employee benefits	472,867	446,582
Purchased services	38,169	76,528
Supplies and materials	33,051	41,679
Other	-	1,010
	1,190,792	1,207,828
 School administration - other		
Purchased services	3,251	-
	1,194,043	1,207,828
 Business - fiscal services		
Salaries	126,827	122,454
Employee benefits	111,397	102,848
Purchased services	44,286	29,875
Supplies and materials	-	2,864
Other	1,111	2,685
	283,621	260,726
 Business - other		
Purchased services	27,472	25,527
Other	71,876	52,335
	99,348	77,862
 Total business	382,969	338,588

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2016 and 2015

	2016	2015
Operations and maintenance - operating building services		
Salaries	\$ 432,278	\$ 412,309
Employee benefits	250,362	249,884
Purchased services	94,555	87,773
Supplies and materials	491,237	452,450
Other	3,974	4,940
Total operating building services	1,272,406	1,207,356
Operations and maintenance - security services		
Purchased services	5,166	3,856
Total operations and maintenance	1,277,572	1,211,212
Pupil transportation services		
Salaries	489,534	482,855
Employee benefits	253,427	230,195
Purchased services	39,498	23,603
Supplies and materials	188,283	247,714
Other	4,681	2,374
Total transportation services	975,423	986,741
Central - communication services		
Purchased services	16,771	2,298
Central - staff/personnel services		
Salaries	27,135	26,862
Employee benefits	22,404	20,259
Purchased services	21,989	12,772
Total staff/personnel services	71,528	59,893
Central - support services technology		
Purchased services	39,263	58,534

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2016 and 2015

	2016	2015
Central - pupil accounting		
Purchased services	\$ -	\$ 11,739
Total central	127,562	132,464
Athletics		
Salaries	75,189	80,589
Employee benefits	23,795	25,550
Purchased services	124,793	116,907
Supplies and materials	11,594	14,810
Other	11,836	22,531
Total athletics	247,207	260,387
Other supporting services		
Purchased services	40,156	35,987
Supplies and materials	794	1,172
Total other supporting services	40,950	37,159
Capital outlay		
Operations and maintenance - operating building services	1,674	35,906
Debt service		
Principal	77,357	72,655
Interest and other expenditures	6,559	11,260
Total debt service	83,916	83,915
Other financing uses		
Transfers out	47,500	50,650
Total expenditures and other financing uses	\$ 18,144,894	\$ 18,008,769

Bullock Creek School District

Single Audit Report

June 30, 2016

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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

Independent Auditors' Report

Management and the Board of Education
Bullock Creek School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bullock Creek School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Bullock Creek School District's basic financial statements, and have issued our report thereon dated October 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bullock Creek School District's 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 Bullock Creek School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Bullock Creek School District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Yeo & Yeo, P.C.

Saginaw, Michigan
October 28, 2016

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Management and the Board of Education
Bullock Creek School District

Report on Compliance for Each Major Federal Program

We have audited Bullock Creek School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Bullock Creek School District's major federal programs for the year ended June 30, 2016. Bullock Creek School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Bullock Creek School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bullock Creek School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bullock Creek School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Bullock Creek School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Bullock Creek School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bullock Creek School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bullock Creek School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bullock Creek School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Bullock Creek School District's basic financial statements. We issued our report thereon dated October 28, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such 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 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Saginaw, Michigan
October 28, 2016

Bullock Creek School District
Schedule of Expenditures of Federal Awards
June 30, 2016

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Pass-Through Grantor's Number	Award Amount	Accrued (Unearned) Revenue July 1, 2015	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue June 30, 2016	Amounts Provided to Subrecipients
U.S. Department of Agriculture									
Passed through Michigan Department of Education									
Child Nutrition Cluster									
School Breakfast Program	10.553	151970	\$ 129,187	\$ -	\$ 116,948	\$ 12,239	\$ 12,239	\$ -	\$ -
School Breakfast Program	10.553	161970	128,431	-	-	128,431	122,865	5,566	-
			<u>257,618</u>	<u>-</u>	<u>116,948</u>	<u>140,670</u>	<u>135,104</u>	<u>5,566</u>	<u>-</u>
National School Lunch Program	10.555	151960	351,227	-	316,602	34,625	34,625	-	-
National School Lunch Program - Snacks	10.555	151980	31,050	-	27,272	3,778	3,778	-	-
National School Lunch Program	10.555	161960	322,235	-	-	322,235	308,856	13,379	-
National School Lunch Program - Snacks	10.555	161980	41,876	-	-	41,876	41,289	587	-
			<u>746,388</u>	<u>-</u>	<u>343,874</u>	<u>402,514</u>	<u>388,548</u>	<u>13,966</u>	<u>-</u>
Non-cash assistance (commodities)									
National School Lunch Program - Entitlement	10.555	N/A	47,775	-	-	47,775	47,775	-	-
Summer Food Service Program	10.559	150900	6,330	2,180	2,180	4,150	6,330	-	-
Summer Food Service Program	10.559	151900	4,717	-	-	4,717	649	4,068	-
			<u>11,047</u>	<u>2,180</u>	<u>2,180</u>	<u>8,867</u>	<u>6,979</u>	<u>4,068</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>1,062,828</u>	<u>2,180</u>	<u>463,002</u>	<u>599,826</u>	<u>578,406</u>	<u>23,600</u>	<u>-</u>
U.S. Department of Education									
Passed through Michigan Department of Career Development									
Adult Education	84.002	151120-155997	14,500	6,995	14,500	-	6,995	-	-
Adult Education	84.002	151130-151997	287,360	83,649	287,360	-	83,649	-	-
Adult Education	84.002	151190-151997	40,000	17,117	40,000	-	17,117	-	-
Adult Education	84.002	161120-165997	14,500	-	-	14,500	10,892	3,608	14,500
Adult Education	84.002	161130-161997	200,000	-	-	200,000	200,000	-	200,000
Adult Education	84.002	161190-161997	40,000	-	-	40,000	28,998	11,002	40,000
			<u>596,360</u>	<u>107,761</u>	<u>341,860</u>	<u>254,500</u>	<u>347,651</u>	<u>14,610</u>	<u>254,500</u>
Passed through Michigan Department of Education									
Title I, Part A	84.010	151530	267,574	33,972	227,089	-	33,972	-	-
Title I, Part A	84.010	161530	298,413	-	-	243,022	229,083	13,939	-
			<u>565,987</u>	<u>33,972</u>	<u>227,089</u>	<u>243,022</u>	<u>263,055</u>	<u>13,939</u>	<u>-</u>
Passed through Midland County									
Carl D. Perkins Technology Grant	84.048	N/A	6,962	6,480	6,480	482	6,962	-	-
Passed through Michigan Department of Education									
Title II, Part A	84.367	150520	99,303	16,637	71,359	-	16,637	-	-
Title II, Part A	84.367	160520	118,739	-	-	81,527	76,850	4,677	-
			<u>218,042</u>	<u>16,637</u>	<u>71,359</u>	<u>81,527</u>	<u>93,487</u>	<u>4,677</u>	<u>-</u>
Total U.S. Department of Education			<u>1,387,351</u>	<u>164,850</u>	<u>646,788</u>	<u>579,531</u>	<u>711,155</u>	<u>33,226</u>	<u>254,500</u>
Total federal awards			<u>\$ 2,450,179</u>	<u>\$ 167,030</u>	<u>\$ 1,109,790</u>	<u>\$ 1,179,357</u>	<u>\$ 1,289,561</u>	<u>\$ 56,826</u>	<u>\$ 254,500</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Bullock Creek School District
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Bullock Creek School District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Bullock Creek School District, it is not intended to and does not present the financial position, changes in financial positions, and where applicable, cash flows of Bullock Creek School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance and OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments* where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

Bullock Creek School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation to the Financial Statements

The federal revenues per the financial statements are in agreement with the schedule of expenditures of federal awards.

Note 4 - Subrecipients

Amounts were provided to subrecipients as identified in the schedule of expenditures of federal awards.

Note 5 - Michigan Department of Education Disclosures

The federal amounts reported on the grant auditor report are in agreement with the schedule of expenditures of federal awards.

The amounts reported on the recipient entitlement balance report agree with the schedule of expenditures of federal awards for U.S.D.A. donated food commodities.

Bullock Creek School District
Schedule of Findings and Questioned Costs
June 30, 2016

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553 and 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between
type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II - Governmental Auditing Standards Findings

There were no findings or questioned costs for the year ended June 30, 2016.

Section III - Federal Awards Findings and Questioned Costs

There were no federal award findings for the year ended June 30, 2016.

Section IV - Prior Audit Findings

There were no government auditing standards or federal award findings for the year ended June 30, 2015.