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Bullock Creek School District

Financial Statements

June 30, 2017



Table of Contents

| Section | | Page |
|---------|--|--------|
| 1 | Members of the Board of Education and Administration | 1 - 1 |
| 2 | Independent Auditors' Report | 2 - 1 |
| 3 | Management's Discussion and Analysis | 3 - 1 |
| 4 | Basic Financial Statements | |
| | District-wide Financial Statements | |
| | Statement of Net Position | 4 - 1 |
| | Statement of Activities | 4 - 3 |
| | Fund Financial Statements | |
| | Governmental Funds | |
| | Balance Sheet | 4 - 4 |
| | Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | 4 - 5 |
| | Statement of Revenues, Expenditures and Changes in Fund Balances | 4 - 6 |
| | Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 4 - 8 |
| | Fiduciary Funds | |
| | Statement of Assets and Liabilities | 4 - 9 |
| | Notes to the Financial Statements | 4 - 10 |
| 5 | Required Supplementary Information | |
| | Budgetary Comparison Schedule – General Fund | 5 - 1 |
| | Schedule of the School District's Proportionate Share of the Net Pension Liability | 5 - 3 |
| | Schedule of the School District's Contributions | 5 - 4 |

Section**Page**

6

Other Supplementary Information

Nonmajor Governmental Funds

Combining Balance Sheet

6 - 1

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

6 - 2

General Fund

Comparative Balance Sheet

6 - 3

Schedule of Revenues

6 - 4

Schedule of Expenditures

6 - 5

Schedule of Outstanding Bonded Indebtedness

6 - 14

Bullock Creek School District
Members of the Board of Education and Administration
June 30, 2017

Members of the Board of Education

| | |
|-----------------|----------------|
| Joel Beeck | President |
| Nelson Terburgh | Vice President |
| Jill Derry | Treasurer |
| Sandy Vauhkonen | Secretary |
| Darin Dana | Trustee |
| Scott Cain | Trustee |
| Renee Waldie | Trustee |

Administration

| | |
|--------------|-------------------------------|
| Shawn Hale | Superintendent |
| Julie Pierce | Director of Business Services |



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Independent Auditors' Report

Management and the Board of Education
Bullock Creek School District
Midland, Michigan

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, 2017, 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, 2017, 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.

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, 2016, which are not presented with the accompanying basic financial statements. In our report dated October 28, 2016, 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 2016 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 2016 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 2016 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 September 18, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bullock Creek School District's 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.

September 18, 2017
Midland, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

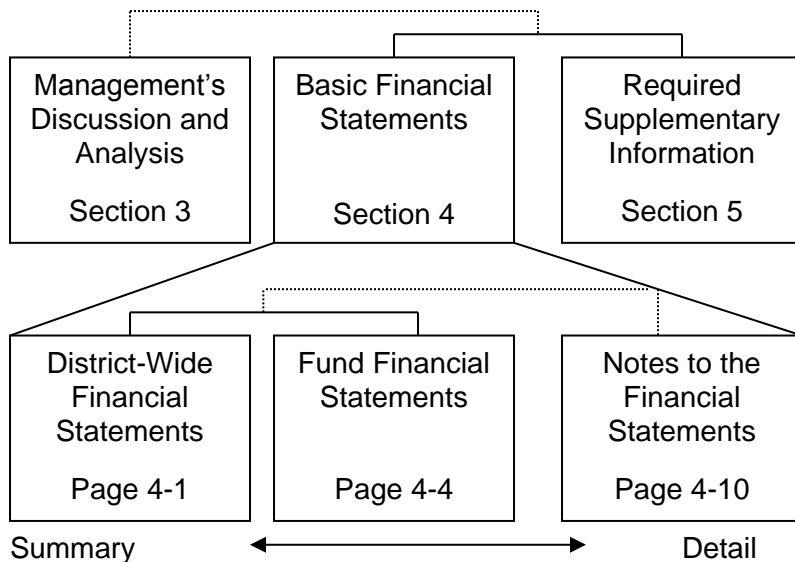
**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

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, 2017. 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, 2017**

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, 2017 | June 30, 2016 | Change |
| Assets | | | |
| Current assets | \$ 13,206,206 | \$ 10,693,428 | \$ 2,512,778 |
| Capital assets | 35,950,842 | 33,316,538 | 2,634,304 |
| Less accumulated depreciation | <u>(15,316,308)</u> | <u>(14,932,592)</u> | <u>(383,716)</u> |
| Capital assets | | | |
| net book value | <u>20,634,534</u> | <u>18,383,946</u> | <u>2,250,588</u> |
| Deferred outflows of resources | <u>4,853,895</u> | <u>4,156,177</u> | <u>697,718</u> |
| Total assets | <u>38,694,635</u> | <u>33,233,551</u> | <u>5,461,084</u> |
| Liabilities | | | |
| Current liabilities | 7,072,397 | 6,042,976 | 1,029,421 |
| Noncurrent liabilities | <u>44,037,319</u> | <u>39,650,771</u> | <u>4,386,548</u> |
| Total liabilities | <u>51,109,716</u> | <u>45,693,747</u> | <u>5,415,969</u> |
| Deferred inflows of resources | <u>973,105</u> | <u>792,652</u> | <u>180,453</u> |
| Net Position | | | |
| Net investment in | | | |
| capital assets | 9,531,134 | 8,965,989 | 565,145 |
| Restricted | 547,428 | 664,243 | (116,815) |
| Unrestricted | <u>(23,466,748)</u> | <u>(22,883,080)</u> | <u>(583,668)</u> |
| Total net position | <u>\$ (13,388,186)</u> | <u>\$ (13,252,848)</u> | <u>\$ (135,338)</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 the change net position and change in fund balance is on page 4-8.

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

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 \$135,338 during the 2016-17 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 2016-2017.

Summary of the Statement of Activities

| | Governmental Activities | | |
|--------------------------------|-------------------------|-------------------|---------------------|
| | Year ended 2017 | Year ended 2016 | Difference |
| Revenues | | | |
| Program Revenues | | | |
| Charges for Services | \$ 373,646 | \$ 370,229 | \$ 3,417 |
| Operating Grants/Contributions | 4,717,597 | 4,371,622 | 345,975 |
| Capital Grants/Contributions | 16,507 | 14,528 | 1,979 |
| General Revenues | | | |
| Property Taxes | 3,599,051 | 3,758,401 | (159,350) |
| State Foundation Allowance | 12,469,665 | 12,390,872 | 78,793 |
| Other | 253,916 | 208,719 | 45,197 |
| Total Revenues | <u>21,430,382</u> | <u>21,114,371</u> | <u>316,011</u> |
| Expenses | | | |
| Instruction | 12,938,046 | 12,448,091 | 489,955 |
| Support Services | 7,380,753 | 6,933,575 | 447,178 |
| Food Services | 867,491 | 863,936 | 3,555 |
| Other Transactions | 379,430 | 365,436 | 13,994 |
| Total Expenses | <u>21,565,720</u> | <u>20,611,038</u> | <u>954,682</u> |
| Change in Net Position | <u>\$ (135,338)</u> | <u>\$ 503,333</u> | <u>\$ (638,671)</u> |

Approximately 75% 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, 2017**

The School District's Funds

At June 30, 2017, the District's governmental funds reported a combined fund balance of \$6,152,129 which is an increase of \$1,480,844 from last year. The primary reasons for the increase are:

- In the General Fund, our principal operating fund, the fund balance decreased by \$20,430. Although this is a decrease in fund balance, the district recovered from a loss of 32 students over the course of the 2016-17 year. This is the result of conservative spending in the areas of supplies, textbooks 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 2015 & 2016 Capital Projects Fund was created through the issuance of bonds which are used for capital related projects. The 2015 project continued this fiscal year while the 2016 project commenced with the issuance of \$4.970 million in bonds. At the end of 2016-17, a total of \$3,613,245 of the bond proceeds remain in the fund balance to be spent in 2017-18 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 \$59,714. This was partly due to an increase in expenditures, mainly in food costs as continued adjustments were made to find economical solutions to the increased regulations from the USDA. The Food Service Program continued to see a decrease in the number of meals served causing a reduction in overall revenues. It is believed this is a result of students adjusting to the new menus and meal content.

Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. In 2016-17 the State was able to fully fund the Bullock Creek School District foundation allowance of \$7,511 per pupil.

Student Enrollment

The District's student enrollment for the fall count of 2016-2017 was 1,818 students. This is a decrease of 32 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 |
|-----------|-------------|-------------------------------|
| 2016-2017 | 1,818 | (32) |
| 2015-2016 | 1,850 | (14) |
| 2014-2015 | 1,864 | (16) |
| 2013-2014 | 1,880 | (53) |
| 2012-2013 | 1,933 | (91) |

Preliminary student enrollment projections for 2017-2018 indicate that enrollments are likely to decrease slightly compared to 2016-2017. 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

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

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 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 |
|-----------|-------------------------------|------------------------------------|
| 2016-2017 | \$ 846,428 | 4.5% |
| 2015-2016 | 868,740 | 4.8% |
| 2014-2015 | 861,934 | 4.9% |
| 2013-2014 | 853,744 | 4.9% |
| 2012-2013 | 853,070 | 5.0% |

Capital Assets

At June 30, 2017, the District had \$20,634,534 invested in capital assets including land, construction in progress, buildings, furniture, and equipment.

| | Governmental Activities | |
|-----------------------------------|--------------------------------|----------------------|
| | 2017 | 2016 |
| Assets | | |
| Land and construction in progress | \$ 3,186,064 | \$ 558,292 |
| Buildings and additions | 29,395,381 | 29,382,956 |
| Equipment and furniture | 910,642 | 1,035,879 |
| Buses and other vehicles | 2,458,755 | 2,339,411 |
| Subtotal | 35,950,842 | 33,316,538 |
| Less accumulated depreciation | (15,316,308) | (14,932,592) |
| Total | \$ 20,634,534 | \$ 18,383,946 |

Debt Administration

At June 30, 2017, the District had \$14,860,000 in general obligation bonds outstanding for capital projects. During the 2016-2017 fiscal year, the District levied a debt millage of 7.0 mills that generated revenue of \$1,912,569 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 2016-2017 was approved on June 27, 2016 and amended in February and June of 2017.

General Fund Revenues

| | |
|--------------------------------|-------------------|
| Total Revenues Revised Budget | \$ 18,659,901 |
| Total Revenues Original Budget | <u>18,508,160</u> |
| Change | <u>\$ 151,741</u> |

The District's actual general fund revenues were slightly less than the revised budget by \$32,257, a variance of less than one percent or .1729%.

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

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

- An increase in revenues was primary due to an increase in funds received from the Midland County ESA for the County Wide Enhancement Millage.
- There were other small increases in At Risk funding and other small, one time restrictive grants.

General Fund Expenditures

| | |
|------------------------------------|---------------|
| Total Expenditures Revised Budget | \$ 18,777,096 |
| Total Expenditures Original Budget | 18,840,064 |
| Change | \$ (62,968) |

The District's actual general fund expenditures were greater than the revised budget by \$84,078, a variance of .4478%.

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.
- After extensive research and review, the District's auditors determined a copier lease entered into by the District in August 2016 was a capital lease. The recording of the revenue and expense of this lease made no impact the District's financial position. However, it did impact the budgeted expenditures, causing the district to be over budget on expenditures.

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 2017-2018 budget by July 1, 2017. The District's initial budget was based on a per pupil foundation allowance of \$7,591 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, 2017

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Cash | \$ 9,709,332 |
| Due from other governmental units | 3,268,813 |
| Due from agency fund activities | 101 |
| Asset held for sale | 209,916 |
| Prepaid items | 18,044 |
| Capital assets not being depreciated | 3,186,064 |
| Capital assets - net of accumulated depreciation | <u>17,448,470</u> |
| Total assets | <u>33,840,740</u> |
| Deferred Outflows of Resources | |
| Deferred amount on debt refunding | 382,194 |
| Deferred amount relating to net pension liability | <u>4,471,701</u> |
| Total deferred outflows of resources | <u>4,853,895</u> |
| Total assets and deferred outflows of resources | <u>38,694,635</u> |

See Accompanying Notes to the Financial Statements

Bullock Creek School District
Statement of Net Position
June 30, 2017

| | Governmental Activities |
|---|----------------------------|
| Liabilities | |
| Accounts payable | \$ 996,183 |
| State aid anticipation note payable | 3,900,000 |
| Payroll deductions and withholdings | 2,073 |
| Accrued expenditures | 749,329 |
| Accrued salaries payable | 1,160,641 |
| Unearned revenue | 264,171 |
| Noncurrent liabilities | |
| Net pension liability | 28,548,019 |
| Debt due within one year | 1,858,212 |
| Debt due in more than one year | 13,631,088 |
| Total liabilities | 51,109,716 |
| Deferred Inflows of Resources | |
| Deferred amount relating to net pension liability | 973,105 |
| Total liabilities and deferred inflows of resources | 52,082,821 |
| Net Position | |
| Net investment in capital assets | 9,531,134 |
| Restricted for | |
| Debt service | 547,428 |
| Unrestricted (deficit) | (23,466,748) |
| Total net position | \$ (13,388,186) |

See Accompanying Notes to the Financial Statements

Bullock Creek School District
Statement of Activities
For the Year Ended June 30, 2017

| | Program Revenues | | | | |
|---|-------------------------|--|--|--|-----------------|
| Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position | |
| Functions/Programs | | | | | |
| Governmental activities | | | | | |
| Instruction | \$ 12,938,046 | \$ - | \$ 3,205,017 | \$ 16,507 | \$ (9,716,522) |
| Supporting services | 7,380,753 | 176,330 | 907,918 | - | (6,296,505) |
| Food services | 867,491 | 197,316 | 604,662 | - | (65,513) |
| Interest and fiscal charges on long-term debt | 379,430 | - | - | - | (379,430) |
| Total governmental activities | \$ 21,565,720 | \$ 373,646 | \$ 4,717,597 | \$ 16,507 | (16,457,970) |
| General revenues | | | | | |
| Property taxes, levied for general purposes | | | | | 1,686,419 |
| Property taxes, levied for debt service | | | | | 1,912,632 |
| State aid - unrestricted | | | | | 12,469,665 |
| Interest and investment earnings | | | | | 7,999 |
| Gain on sale of capital assets | | | | | 42,392 |
| Other | | | | | 203,525 |
| Total general revenues | | | | | 16,322,632 |
| Change in net position | | | | | (135,338) |
| Net position - beginning | | | | | (13,252,848) |
| Net position - ending | | | | | \$ (13,388,186) |

See Accompanying Notes to the Financial Statements

Bullock Creek School District
Governmental Funds
Balance Sheet
June 30, 2017

| | General Fund | 2015 & 2016 Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|-------------------------|---|-----------------------------------|--------------------------------|
| Assets | | | | |
| Cash | \$ 4,375,085 | \$ 4,508,187 | \$ 826,060 | \$ 9,709,332 |
| Due from other funds | 17,860 | - | - | 17,860 |
| Due from agency fund activities | 101 | - | - | 101 |
| Due from other governmental units | 3,234,368 | - | 34,445 | 3,268,813 |
| Asset held for sale | 209,916 | - | - | 209,916 |
| Prepaid items | 18,044 | - | - | 18,044 |
| Total assets | <u>\$ 7,855,374</u> | <u>\$ 4,508,187</u> | <u>\$ 860,505</u> | <u>\$ 13,224,066</u> |
| Liabilities | | | | |
| Accounts payable | \$ 101,241 | \$ 894,942 | \$ - | \$ 996,183 |
| State aid anticipation note payable | 3,900,000 | - | - | 3,900,000 |
| Due to other funds | - | - | 17,860 | 17,860 |
| Payroll deductions and withholdings | 2,073 | - | - | 2,073 |
| Accrued expenditures | 728,927 | - | 2,082 | 731,009 |
| Accrued salaries payable | 1,155,571 | - | 5,070 | 1,160,641 |
| Unearned revenue | 263,943 | - | 228 | 264,171 |
| Total liabilities | <u>6,151,755</u> | <u>894,942</u> | <u>25,240</u> | <u>7,071,937</u> |
| Fund Balance | | | | |
| Non-spendable | | | | |
| Asset held for sale | 209,916 | - | - | 209,916 |
| Prepaid items | 18,044 | - | - | 18,044 |
| Restricted for | | | | |
| Debt service | - | - | 565,748 | 565,748 |
| Capital projects | - | 3,613,245 | - | 3,613,245 |
| Food service | - | - | 119,391 | 119,391 |
| Committed for | | | | |
| Purchase of textbooks | 85,000 | - | - | 85,000 |
| Assigned for | | | | |
| Capital projects | - | - | 150,126 | 150,126 |
| Unassigned | 1,390,659 | - | - | 1,390,659 |
| Total fund balance | <u>1,703,619</u> | <u>3,613,245</u> | <u>835,265</u> | <u>6,152,129</u> |
| Total liabilities and fund balance | <u>\$ 7,855,374</u> | <u>\$ 4,508,187</u> | <u>\$ 860,505</u> | <u>\$ 13,224,066</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, 2017

| | |
|---|------------------------------|
| Total fund balances for governmental funds | \$ 6,152,129 |
| 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 | 3,186,064 |
| Capital assets - net of accumulated depreciation | 17,448,470 |
| Deferred outflows (inflows) of resources | |
| Deferred outflows of resources resulting from debt refunding | 382,194 |
| Deferred inflows of resources resulting from net pension liability | (973,105) |
| Deferred outflows of resources resulting from net pension liability | 4,471,701 |
| Certain liabilities are not due and payable in the current period and are not reported in the funds. | |
| Accrued interest | (18,320) |
| 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 | (28,548,019) |
| Compensated absences | (390,461) |
| Bonds payable | (14,903,429) |
| Capital lease payable | <u>(195,410)</u> |
| Net position of governmental activities | <u>\$(13,388,186)</u> |

Bullock Creek School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

| | General Fund | 2015 & 2016 Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|-------------------|---|-----------------------------------|--------------------------------|
| Revenues | | | | |
| Local sources | \$ 1,302,942 | \$ 4,672 | \$ 2,110,951 | \$ 3,418,565 |
| State sources | 15,565,020 | - | 91,234 | 15,656,254 |
| Federal sources | 657,014 | - | 575,234 | 1,232,248 |
| Interdistrict sources | 1,102,668 | - | - | 1,102,668 |
| | <u>18,627,644</u> | <u>4,672</u> | <u>2,777,419</u> | <u>21,409,735</u> |
| Expenditures | | | | |
| Current | | | | |
| Education | | | | |
| Instruction | 12,008,427 | - | - | 12,008,427 |
| Supporting services | 6,519,948 | - | - | 6,519,948 |
| Food services | - | - | 847,315 | 847,315 |
| Capital outlay | 271,464 | 3,268,833 | - | 3,540,297 |
| Debt service | | | | |
| Principal | 61,335 | - | 1,795,000 | 1,856,335 |
| Interest and other expenditures | - | - | 299,236 | 299,236 |
| Bond issuance costs | - | 42,890 | 500 | 43,390 |
| | <u>18,861,174</u> | <u>3,311,723</u> | <u>2,942,051</u> | <u>25,114,948</u> |
| Deficiency of revenues over expenditures | <u>(233,530)</u> | <u>(3,307,051)</u> | <u>(164,632)</u> | <u>(3,705,213)</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, 2017

| | <u>General Fund</u> | <u>2015 & 2016 Capital Projects Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------------------|-------------------------|--|--|---|
| Other Financing Sources (Uses) | | | | |
| Proceeds from issuance of bonds | \$ - | \$ 4,970,000 | \$ - | \$ 4,970,000 |
| Capital leases | 216,057 | - | - | 216,057 |
| Transfers in | 20,000 | - | 186,522 | 206,522 |
| Transfers out | <u>(22,957)</u> | <u>-</u> | <u>(183,565)</u> | <u>(206,522)</u> |
| Total other financing sources (uses) | <u>213,100</u> | <u>4,970,000</u> | <u>2,957</u> | <u>5,186,057</u> |
| Net change in fund balance | (20,430) | 1,662,949 | (161,675) | 1,480,844 |
| Fund balance - beginning | <u>1,724,049</u> | <u>1,950,296</u> | <u>996,940</u> | <u>4,671,285</u> |
| Fund balance - ending | <u>\$ 1,703,619</u> | <u>\$ 3,613,245</u> | <u>\$ 835,265</u> | <u>\$ 6,152,129</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, 2017

| | |
|---|---------------------|
| Net change in fund balances - Total governmental funds | \$ 1,480,844 |
| 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 | (986,342) |
| Capital outlay | 3,236,930 |
| Expenses are recorded when incurred in the statement of activities. | |
| Interest | 2,513 |
| Compensated absences | (21,961) |
| 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 | (1,079,490) |
| Net change in the deferral of resources related to the net pension liability | 678,766 |
| Net change between actual pension contributions and the cost of benefits earned net of employee contributions | (98,206) |
| 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 | (5,165,410) |
| Repayments of long-term debt | 1,856,335 |
| Amortization of deferred amount on refunding | (63,295) |
| Amortization of bond premium | 23,978 |
| Change in net position of governmental activities | \$ (135,338) |

See Accompanying Notes to the Financial Statements

Bullock Creek School District
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2017

| | <u>Agency Funds</u> |
|-------------------------------|-------------------------|
| Assets | |
| Cash | \$ 214,146 |
| Liabilities | |
| Accounts payable | \$ 1,244 |
| Due to other funds | 101 |
| Due to agency fund activities | <u>212,801</u> |
| Total liabilities | <u>\$ 214,146</u> |

Bullock Creek School District
Notes to the Financial Statements
June 30, 2017

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, 2017

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.

2015 & 2016 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, 2017, 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, 2017

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.

The School District has considered GASB Statement No. 77, *Tax Abatement Disclosures* and determined that there are no reduced property tax revenues.

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 acquisition 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, 2017

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.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2017

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

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.

Upcoming Accounting and Reporting Changes

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. 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.

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2017

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending June 30, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. The effective date is 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.

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

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

| Function | Final Budget | Amount of Expenditures | Budget Variances |
|----------------|-----------------|---------------------------|---------------------|
| General Fund | | | |
| Capital outlay | \$ 76,063 | \$ 271,464 | \$ 195,401 |
| Principal | 49,477 | 61,335 | 11,858 |

District-Wide Deficits

The School District has an unrestricted net position deficit for District-Wide activities in the amount of \$23,466,748 as of June 30, 2017. There are no governmental funds with a deficit.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2017

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 2015 & 2016 Capital Projects Fund from the inception of the funds through the current fiscal year:

| | 2015 & 2016 Capital Projects Fund | | |
|-------------------------|-----------------------------------|---------------------|---------------------|
| | Series III | Series I | Total |
| Beginning fund balance | \$ 1,950,296 | \$ - | \$ 1,950,296 |
| Revenues | 1,317 | 3,355 | 4,672 |
| Expenditures | (1,426,052) | (1,885,671) | (3,311,723) |
| Other Financing Sources | - | 4,970,000 | 4,970,000 |
| Ending fund balance | <u>\$ 525,561</u> | <u>\$ 3,087,684</u> | <u>\$ 3,613,245</u> |

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 | <u>\$ 9,709,332</u> | <u>\$ 214,146</u> | <u>\$ 9,923,478</u> |

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

| | |
|--|---------------------|
| Deposits (checking, savings accounts, money markets, certificates of deposit) | \$ 9,922,578 |
| Petty cash and cash on hand | <u>900</u> |
| Total | <u>\$ 9,923,478</u> |

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, \$9,837,178 of the School District's bank balance of \$10,087,178 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2017

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 | 2,627,772 | - | 2,973,453 |
| Total capital assets not being depreciated | 558,292 | 2,627,772 | - | 3,186,064 |
| Capital assets being depreciated | | | | |
| Buildings and additions | 29,382,956 | 12,425 | - | 29,395,381 |
| Equipment and furniture | 1,035,879 | 233,622 | (358,859) | 910,642 |
| Buses and other vehicles | 2,339,411 | 363,111 | (243,767) | 2,458,755 |
| Total capital assets being depreciated | 32,758,246 | 609,158 | (602,626) | 32,764,778 |
| Less accumulated depreciation for | | | | |
| Buildings and additions | (12,666,383) | (631,576) | - | (13,297,959) |
| Equipment and furniture | (621,530) | (133,828) | 358,859 | (396,499) |
| Buses and other vehicles | (1,644,679) | (220,938) | 243,767 | (1,621,850) |
| Total accumulated depreciation | (14,932,592) | (986,342) | 602,626 | (15,316,308) |
| Net capital assets being depreciated | 17,825,654 | (377,184) | - | 17,448,470 |
| Net capital assets | \$ 18,383,946 | \$ 2,250,588 | \$ - | \$ 20,634,534 |

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

| | |
|--------------------------------|-------------------|
| Governmental activities | |
| Instruction | \$ 552,146 |
| Support services | 426,792 |
| Food services | 7,404 |
| Total governmental activities | <u>\$ 986,342</u> |

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 | <u>\$ 4,283,040</u> | <u>\$ 2,426,506</u> | <u>\$ 894,942</u> |

Note 5 – Interfund Receivables, Payables and Transfers

Individual interfund receivable and payable balances at year end were:

| Due From Fund | Due to Fund | Amount |
|---------------|-----------------------------|------------------|
| General Fund | Nonmajor Governmental Funds | \$ 17,860 |
| General Fund | Agency Fund | 101 |
| | | <u>\$ 17,961</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.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2017

Interfund transfers consist of the following:

| | <u>Transfers Out</u> | | |
|-----------------------------|-------------------------|--|-------------------|
| | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
| Transfers in | | | |
| General Fund | \$ - | \$ 20,000 | \$ 20,000 |
| Nonmajor governmental funds | 22,957 | 163,565 | 186,522 |
| | <u>\$ 22,957</u> | <u>\$ 183,565</u> | <u>\$ 206,522</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>\$ 264,171</u> |
|--|-------------------|

Note 7 – Leases

Capital Leases

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

| <u>Year ending June 30,</u> | | |
|---|----|-----------------|
| 2018 | \$ | 39,248 |
| 2019 | | 42,816 |
| 2020 | | 42,816 |
| 2021 | | 42,816 |
| 2022 | | 42,816 |
| 2023 | | <u>3,568</u> |
| Total minimum lease payments | | 214,080 |
| Less amount representing interest | | <u>(18,670)</u> |
| Present value of minimum lease payments | \$ | <u>195,410</u> |

The assets acquired through capital leases are as follows:

| | | |
|-------------------------------|----|-----------------|
| Asset | | |
| Equipment and furniture | \$ | 195,410 |
| Less accumulated depreciation | | <u>(39,082)</u> |
| Total | \$ | <u>156,328</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.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2017

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

| | Beginning Balance | Proceeds | Repayments | Ending Balance |
|-----------------------------|----------------------|--------------|--------------|-------------------|
| State aid anticipation note | \$ 3,900,000 | \$ 3,900,000 | \$ 3,900,000 | \$ 3,900,000 |

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 Balance | Additions | Reductions | Ending Balance | Amount Due Within One Year |
|-----------------------------|----------------------|---------------------|-----------------------|----------------------|----------------------------------|
| Government obligation bonds | \$ 11,685,000 | \$ 4,970,000 | \$ (1,795,000) | \$ 14,860,000 | \$ 1,825,000 |
| Capital lease | 61,335 | 195,410 | (61,335) | 195,410 | 33,212 |
| Compensated absences | 368,500 | 21,961 | - | 390,461 | - |
| Premium on bonds | 67,407 | - | (23,978) | 43,429 | - |
| Total | <u>\$ 12,182,242</u> | <u>\$ 5,187,371</u> | <u>\$ (1,880,313)</u> | <u>\$ 15,489,300</u> | <u>\$ 1,858,212</u> |

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

General obligation bonds payable at year end, consist of the following:

| | |
|--|----------------------|
| \$4,590,000 refunding bond due in annual installments of \$490,000 to \$560,000 through May 1, 2022, interest at 1.80% to 2.80%. | \$ 2,625,000 |
| \$2,360,000 serial bond due in annual installments of \$280,000 to \$490,000 through May 1, 2022, interest at 1.60% to 2.55%. | 2,110,000 |
| \$2,545,000 refunding bond due in annual installments of \$50,000 to \$460,000 through May 1, 2026, interest at 1.15% to 3.05%. | 2,135,000 |
| \$1,775,000 refunding bond due in annual installments of \$230,000 through May 1, 2019, interest at 5.00%. | 460,000 |
| \$3,485,000 serial bond due in annual installments of \$600,000 to \$660,000 through May 1, 2021, interest at 1.05% to 1.75%. | 2,560,000 |
| \$4,970,000 serial bond due in annual installments of \$140,000 to \$905,000 through May 1, 2027, interest at 1.25% to 2.15%. | <u>4,970,000</u> |
| Total general obligation bonded debt | <u>\$ 14,860,000</u> |

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

| | Principal | Interest | Total |
|-----------------------------|----------------------|---------------------|----------------------|
| Year Ending June 30, | | | |
| 2018 | \$ 1,825,000 | \$ 311,186 | \$ 2,136,186 |
| 2019 | 1,855,000 | 277,044 | 2,132,044 |
| 2020 | 1,845,000 | 238,488 | 2,083,488 |
| 2021 | 1,885,000 | 203,932 | 2,088,932 |
| 2022 | 1,565,000 | 164,516 | 1,729,516 |
| 2023-2027 | <u>5,885,000</u> | <u>375,370</u> | <u>6,260,370</u> |
| Total | <u>\$ 14,860,000</u> | <u>\$ 1,570,536</u> | <u>\$ 16,430,536</u> |

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of \$565,748 to pay this debt. Future debt and interest will be payable from future tax levies.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2017

Compensated Absences

Accrued compensated absences at year end, consist of 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, 2017 is \$234,337.

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, 2017 is \$147,857.

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

| | Beginning Balance | Additions | Reductions | Ending Balance |
|----------------------|----------------------|-------------|------------------|-------------------|
| 2014 Refunding Bonds | \$ 281,204 | \$ - | \$ 46,867 | \$ 234,337 |
| 2015 Refunding Bonds | 164,285 | - | 16,428 | 147,857 |
| Total | <u>\$ 445,489</u> | <u>\$ -</u> | <u>\$ 63,295</u> | <u>\$ 382,194</u> |

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 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 \$1,333 of unemployment compensation expense for the year ended June 30, 2017. No provision has been made for possible future claims.

Note 11 – Pension Plans and Post Employment Benefits

Plan Description

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.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2017

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/mpsers-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.

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, 2016 valuation will be amortized over a 20 year period for the plan's 2016 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2016.

| Pension Contribution Rates | | |
|----------------------------|---------------|-----------------|
| <u>Benefit Structure</u> | <u>Member</u> | <u>Employer</u> |
| Basic | 0.0 - 4.0% | 18.95% |
| Member Investment Plan | 3.0 - 7.0 | 18.95% |
| Pension Plus | 3.0 - 6.4 | 17.73% |
| Defined Contribution | 0.0 | 14.56% |

Required contributions to the pension plan from the School District were \$2,569,465 for the year ending September 30, 2016.

Net Pension Liability

At June 30, 2017, the School District reported a liability of \$28,548,019 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2015. 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, 2016, the School District's proportionate share percent was 0.1144 percent, which was an increase of 0.002 percent since the prior measurement date.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2017

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

For the year ended June 30, 2017, the School District recognized total pension expense of \$2,969,544. The School District's actual contributions for the years ended June 30, 2017, 2016, and 2015 and were approximately \$1,721,300, \$1,773,500, and \$1,718,600, respectively.

At June 30, 2017, 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 | Amount to Amortize |
|---|--------------------------------------|----------------------------------|-----------------------|
| Difference between expected and actual experience | \$ 355,784 | \$ (67,660) | \$ 288,124 |
| Changes in assumptions | 446,326 | - | 446,326 |
| Net difference between projected and actual earnings on pension plan investments | 474,468 | - | 474,468 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 780,527 | (18,127) | 762,400 |
| Employer contributions subsequent to the measurement date | <u>2,414,596</u> | <u>(887,318)</u> | - |
| | <u>\$ 4,471,701</u> | <u>\$ (973,105)</u> | <u>\$ 1,971,318</u> |

\$2,414,596 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, 2018. \$887,318 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, 2018 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 |
|-------------------------------|---------------------|
| 2017 | \$ 473,375 |
| 2018 | 436,063 |
| 2019 | 891,838 |
| 2020 | <u>170,042</u> |
| Total | <u>\$ 1,971,318</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, 2015
- 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
Notes to the Financial Statements
June 30, 2017

- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA (for men, 140% of the table rates for ages 0-79, 133% of the table rates for ages 80-84, and 121.8% of the table rates for ages over 84 were used and for women, 96% of the table rates were used).

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, 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: (4.6273 for non-university employers). The recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2016 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, 2016, 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.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2017

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 Hybrid 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% |
|--|---|--|
| \$ 36,762,663 | \$ 28,548,019 | \$ 21,622,284 |

*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 MPSERS CAFR. See the 2016 MPSERS 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 (MPSERS).

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, 2016 through September 30, 2016, and October 1, 2016 through June 30, 2017, the employer contribution rate ranged from 6.40% to 6.83% and 5.69% to 5.91%, respectively.

The School District's actual contributions match the required contributions for the years ended June 30, 2017, 2016, and 2015 and were approximately \$569,600, \$605,600, and \$693,000, respectively.

Unfunded Accrued Liability

During the year ending June 30, 2017, the School District had contributions in the amount of \$1,217,505 to the MPSERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 11.70% for the year ending June 30, 2017.

Bullock Creek School District
Notes to the Financial Statements
June 30, 2017

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, 2017.

Note 13 – Subsequent Event

Subsequent to June 30, 2017, 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 22, 2016 and has subsequently borrowed \$3,600,000 in short-term state aid anticipation notes at 1.34%. Proceeds from the borrowing were distributed to the School District on August 21, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

Bullock Creek School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Over (Under) Budget</u> |
|--|-------------------------|-------------------|-------------------|------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Local sources | \$ 1,314,525 | \$ 1,278,089 | \$ 1,302,942 | \$ 24,853 |
| State sources | 15,453,605 | 15,611,141 | 15,565,020 | (46,121) |
| Federal sources | 790,030 | 684,671 | 657,014 | (27,657) |
| Interdistrict sources | 950,000 | 1,086,000 | 1,102,668 | 16,668 |
| Total revenues | <u>18,508,160</u> | <u>18,659,901</u> | <u>18,627,644</u> | <u>(32,257)</u> |
| Expenditures | | | | |
| Instruction | | | | |
| Basic programs | 8,894,991 | 8,938,605 | 8,918,197 | (20,408) |
| Added needs | 2,683,226 | 2,815,833 | 2,790,221 | (25,612) |
| Adult and continuing education | 420,000 | 322,287 | 300,009 | (22,278) |
| Supporting services | | | | |
| Pupil | 1,007,018 | 1,037,996 | 1,034,586 | (3,410) |
| Instructional staff | 898,000 | 796,744 | 777,017 | (19,727) |
| General administration | 348,000 | 288,005 | 287,407 | (598) |
| School administration | 1,237,495 | 1,160,270 | 1,158,821 | (1,449) |
| Business | 405,701 | 373,622 | 370,975 | (2,647) |
| Operations and maintenance | 1,401,434 | 1,391,720 | 1,384,879 | (6,841) |
| Pupil transportation services | 984,162 | 1,043,338 | 1,042,195 | (1,143) |
| Central | 147,713 | 177,296 | 159,242 | (18,054) |
| Athletics | 245,713 | 258,430 | 257,422 | (1,008) |
| Other | 39,913 | 47,410 | 47,404 | (6) |
| Capital outlay | 35,408 | 76,063 | 271,464 | 195,401 |
| Debt service | | | | |
| Principal | 65,000 | 49,477 | 61,335 | 11,858 |
| Interest and fiscal charges | 26,290 | - | - | - |
| Total expenditures | <u>18,840,064</u> | <u>18,777,096</u> | <u>18,861,174</u> | <u>84,078</u> |
| Deficiency of revenues over expenditures | <u>(331,904)</u> | <u>(117,195)</u> | <u>(233,530)</u> | <u>(116,335)</u> |

Bullock Creek School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Over (Under) Budget</u> |
|---------------------------------------|-------------------------|---------------------|---------------------|------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Other Financing Sources (Uses) | | | | |
| Capital leases | \$ - | \$ - | \$ 216,057 | \$ 216,057 |
| Transfers in | 26,489 | 20,000 | 20,000 | - |
| Transfers out | <u>(6,710)</u> | <u>(23,090)</u> | <u>(22,957)</u> | <u>(133)</u> |
| Total other financing sources (uses) | <u>19,779</u> | <u>(3,090)</u> | <u>213,100</u> | <u>215,924</u> |
| Net change in fund balance | (312,125) | (120,285) | (20,430) | 99,855 |
| Fund balance - beginning | <u>1,724,049</u> | <u>1,724,049</u> | <u>1,724,049</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 1,411,924</u> | <u>\$ 1,603,764</u> | <u>\$ 1,703,619</u> | <u>\$ 99,855</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, | | | | | | | | | |
|---|---------------|---------------|---------------|------|------|------|------|------|------|------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| A. Reporting unit's proportion of net pension liability (%) | 0.11% | 0.11% | 0.11% | | | | | | | |
| B. Reporting unit's proportionate share of net pension liability | \$ 28,548,019 | \$ 27,468,529 | \$ 25,641,434 | | | | | | | |
| C. Reporting unit's covered-employee payroll | \$ 9,780,231 | \$ 9,448,595 | \$ 9,297,179 | | | | | | | |
| D. Reporting unit's proportionate share of net pension liability as a percentage of its covered- employee payroll | 291.90% | 290.72% | 275.80% | | | | | | | |
| E. Plan fiduciary net position as a percentage of total pension liability | 63.27% | 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, | | | | | | | | | |
|---|------------------------------|------------------|------------------|------|------|------|------|------|------|------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| A. Statutorily required contributions | \$ 1,721,327 | \$ 1,773,517 | \$ 1,718,602 | | | | | | | |
| B. Contributions in relation to statutorily required contributions | <u>1,721,327</u> | <u>1,773,517</u> | <u>1,718,602</u> | | | | | | | |
| C. Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | | | | | | | |
| D. Reporting unit's covered- employee payroll | 9,336,285 | 9,414,968 | 9,362,550 | | | | | | | |
| E. Contributions as a percentage of covered-employee payroll | 18.4% | 18.8% | 18.4% | | | | | | | |

Notes:

Benefit changes - There were no changes of benefit terms in 2017.

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

OTHER SUPPLEMENTARY INFORMATION

Bullock Creek School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

| | Special Revenue Fund | Debt Service Funds | | | | | | Capital Projects Fund | Total Nonmajor Governmental Funds | |
|-------------------------------------|----------------------------|--------------------|-------------------|--------------|-------------------|------------------|------------------|-----------------------------|--|-------------------|
| | | 2014 Refunding | 2015 Refunding | 2009 Debt | 2010 Refunding | 2012 Debt | 2015 Debt | | | 2016 Debt |
| | Food Service | | | | | | | | | |
| Assets | | | | | | | | | | |
| Cash | \$ 110,186 | \$ 105,331 | \$ 90,328 | \$ - | \$ 105,796 | \$ 86,452 | \$ 89,193 | \$ 88,648 | \$ 150,126 | \$ 826,060 |
| Due from other governmental units | 34,445 | - | - | - | - | - | - | - | - | 34,445 |
| Total assets | <u>\$ 144,631</u> | <u>\$ 105,331</u> | <u>\$ 90,328</u> | <u>\$ -</u> | <u>\$ 105,796</u> | <u>\$ 86,452</u> | <u>\$ 89,193</u> | <u>\$ 88,648</u> | <u>\$ 150,126</u> | <u>\$ 860,505</u> |
| Liabilities and Fund Balance | | | | | | | | | | |
| Liabilities | | | | | | | | | | |
| Due to other funds | \$ 17,860 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 17,860 |
| Accrued expenditures | 2,082 | - | - | - | - | - | - | - | - | 2,082 |
| Accrued salaries payable | 5,070 | - | - | - | - | - | - | - | - | 5,070 |
| Unearned revenue | 228 | - | - | - | - | - | - | - | - | 228 |
| Total liabilities | <u>25,240</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>25,240</u> |
| Fund Balance | | | | | | | | | | |
| Restricted for | | | | | | | | | | |
| Debt service | - | 105,331 | 90,328 | - | 105,796 | 86,452 | 89,193 | 88,648 | - | 565,748 |
| Food service | 119,391 | - | - | - | - | - | - | - | - | 119,391 |
| Assigned | - | - | - | - | - | - | - | - | 150,126 | 150,126 |
| Total fund balance | <u>119,391</u> | <u>105,331</u> | <u>90,328</u> | <u>-</u> | <u>105,796</u> | <u>86,452</u> | <u>89,193</u> | <u>88,648</u> | <u>150,126</u> | <u>835,265</u> |
| Total liabilities and fund balance | <u>\$ 144,631</u> | <u>\$ 105,331</u> | <u>\$ 90,328</u> | <u>\$ -</u> | <u>\$ 105,796</u> | <u>\$ 86,452</u> | <u>\$ 89,193</u> | <u>\$ 88,648</u> | <u>\$ 150,126</u> | <u>\$ 860,505</u> |

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, 2017

| | Special | Debt Service Funds | | | | | | | Capital | Total |
|--|------------|--------------------|------------|-----------|------------|------------|------------|------------|------------|--------------|
| | Revenue | | | | | | | | Projects | Nonmajor |
| | Fund | 2014 | 2015 | 2009 | 2010 | 2012 | 2015 | 2016 | Fund | Governmental |
| | Food | Refunding | Refunding | Debt | Refunding | Debt | Debt | Debt | | Funds |
| | Service | | | | | | | | | |
| Revenues | | | | | | | | | | |
| Local sources | \$ 197,349 | \$ 410,174 | \$ 259,770 | \$ 41 | \$ 136,797 | \$ 628,578 | \$ 341,615 | \$ 136,627 | \$ - | \$ 2,110,951 |
| State sources | 29,428 | 14,263 | 9,033 | - | 4,754 | 21,870 | 11,886 | - | - | 91,234 |
| Federal sources | 575,234 | - | - | - | - | - | - | - | - | 575,234 |
| Total revenues | 802,011 | 424,437 | 268,803 | 41 | 141,551 | 650,448 | 353,501 | 136,627 | - | 2,777,419 |
| Expenditures | | | | | | | | | | |
| Current | | | | | | | | | | |
| Education | | | | | | | | | | |
| Food services | 847,315 | - | - | - | - | - | - | - | - | 847,315 |
| Debt service | | | | | | | | | | |
| Principal | - | 585,000 | 160,000 | - | 225,000 | 575,000 | 250,000 | - | - | 1,795,000 |
| Interest and other expenditures | - | 69,243 | 57,248 | - | 34,250 | 40,900 | 48,616 | 48,979 | - | 299,236 |
| Bond issuance costs | - | - | 500 | - | - | - | - | - | - | 500 |
| Total expenditures | 847,315 | 654,243 | 217,748 | - | 259,250 | 615,900 | 298,616 | 48,979 | - | 2,942,051 |
| Excess(deficiency) of revenues over expenditures | (45,304) | (229,806) | 51,055 | 41 | (117,699) | 34,548 | 54,885 | 87,648 | - | (164,632) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Transfers in | 5,590 | - | 10,000 | - | 118,257 | - | 34,308 | 1,000 | 17,367 | 186,522 |
| Transfers out | (20,000) | - | - | (163,565) | - | - | - | - | - | (183,565) |
| Total other financing sources (uses) | (14,410) | - | 10,000 | (163,565) | 118,257 | - | 34,308 | 1,000 | 17,367 | 2,957 |
| Net change in fund balance | (59,714) | (229,806) | 61,055 | (163,524) | 558 | 34,548 | 89,193 | 88,648 | 17,367 | (161,675) |
| Fund balance - beginning | 179,105 | 335,137 | 29,273 | 163,524 | 105,238 | 51,904 | - | - | 132,759 | 996,940 |
| Fund balance - ending | \$ 119,391 | \$ 105,331 | \$ 90,328 | \$ - | \$ 105,796 | \$ 86,452 | \$ 89,193 | \$ 88,648 | \$ 150,126 | \$ 835,265 |

Bullock Creek School District
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2017 and 2016

| | 2017 | 2016 |
|-------------------------------------|--------------|--------------|
| Assets | | |
| Cash | \$ 4,375,085 | \$ 4,435,026 |
| Due from other funds | 17,860 | 16,043 |
| Due from agency fund activities | 101 | 2,459 |
| Due from other governmental units | 3,234,368 | 2,919,176 |
| Asset held for sale | 209,916 | 172,832 |
| Prepaid items | 18,044 | 18,044 |
| Total assets | \$ 7,855,374 | \$ 7,563,580 |
| Liabilities and Fund Balance | | |
| Liabilities | | |
| Accounts payable | \$ 101,241 | \$ 110,138 |
| State aid anticipation note payable | 3,900,000 | 3,900,000 |
| Payroll deductions and withholdings | 2,073 | 27,117 |
| Accrued expenditures | 728,927 | 620,760 |
| Accrued salaries payable | 1,155,571 | 901,415 |
| Unearned revenue | 263,943 | 280,101 |
| Total liabilities | 6,151,755 | 5,839,531 |
| Fund Balance | | |
| Non-spendable | | |
| Asset held for sale | 209,916 | 172,832 |
| Prepaid items | 18,044 | 18,044 |
| Committed | | |
| Purchase of textbooks | 85,000 | 85,000 |
| Assigned | | |
| Future year budget | - | 312,125 |
| Unassigned | | |
| Total fund balance | 1,390,659 | 1,136,048 |
| Total liabilities and fund balance | \$ 7,855,374 | \$ 7,563,580 |

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Revenues
For the Years Ended June 30, 2017 and 2016

| | 2017 | 2016 |
|---|----------------------|----------------------|
| Revenue from local sources | | |
| Property tax levy | \$ 846,428 | \$ 868,740 |
| Student activities | 106,242 | 107,118 |
| Other local revenues | <u>350,272</u> | <u>345,559</u> |
| Total revenues from local sources | <u>1,302,942</u> | <u>1,321,417</u> |
| Revenues from state sources | | |
| Grants - unrestricted | 12,858,661 | 12,841,261 |
| Grants - restricted | <u>2,706,359</u> | <u>2,441,453</u> |
| Total revenues from state sources | <u>15,565,020</u> | <u>15,282,714</u> |
| Revenues from federal sources | | |
| Grants | <u>657,014</u> | <u>579,531</u> |
| Interdistrict sources | | |
| Community service activity | 262,677 | 203,466 |
| ISD collected millage | <u>839,991</u> | <u>823,743</u> |
| Total interdistrict sources | <u>1,102,668</u> | <u>1,027,209</u> |
| Other financing sources | | |
| Capital leases | 216,057 | - |
| Transfers in | <u>20,000</u> | <u>20,000</u> |
| Total other financing sources | <u>236,057</u> | <u>20,000</u> |
| Total revenue and other financing sources | <u>\$ 18,863,701</u> | <u>\$ 18,230,871</u> |

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--------------------------------------|------------------|------------------|
| Basic program - elementary | | |
| Salaries | \$ 2,405,208 | \$ 2,281,167 |
| Employee benefits | 1,665,012 | 1,499,289 |
| Purchased services | 90,071 | 110,212 |
| Supplies and materials | 46,473 | 78,616 |
| Other | - | 608 |
| | <u>4,206,764</u> | <u>3,969,892</u> |
| Total elementary | | |
| Basic program - middle school | | |
| Salaries | 1,175,241 | 1,165,938 |
| Employee benefits | 828,751 | 806,802 |
| Purchased services | 18,212 | 20,624 |
| Supplies and materials | 16,959 | 16,143 |
| Other | - | 515 |
| | <u>2,039,163</u> | <u>2,010,022</u> |
| Total middle school | | |
| Basic program - high school | | |
| Salaries | 1,409,694 | 1,402,886 |
| Employee benefits | 985,940 | 970,818 |
| Purchased services | 196,658 | 185,983 |
| Supplies and materials | 47,881 | 64,660 |
| Other | 4,834 | 7,095 |
| | <u>2,645,007</u> | <u>2,631,442</u> |
| Total high school | | |
| Basic program - summer school | | |
| Salaries | 16,752 | 24,760 |
| Employee benefits | 7,817 | 11,250 |
| Purchased services | 2,694 | - |
| Supplies and materials | - | 2,474 |
| | <u>27,263</u> | <u>38,484</u> |
| Total summer school | | |
| Total basic programs | <u>8,918,197</u> | <u>8,649,840</u> |

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2017 and 2016

| | 2017 | 2016 |
|---|--------------|--------------|
| Added needs - special education | | |
| Salaries | \$ 1,057,607 | \$ 1,015,998 |
| Employee benefits | 644,503 | 600,498 |
| Purchased services | 395,720 | 348,913 |
| Supplies and materials | 4,234 | 5,339 |
| Total special education | 2,102,064 | 1,970,748 |
| Added needs - compensatory education | | |
| Salaries | 318,605 | 297,929 |
| Employee benefits | 184,315 | 190,597 |
| Purchased services | 770 | - |
| Supplies and materials | 697 | 10,623 |
| Total compensatory education | 504,387 | 499,149 |
| Added needs - career and technical education | | |
| Salaries | 95,202 | 93,793 |
| Employee benefits | 48,462 | 47,748 |
| Purchased services | 34,055 | 9,447 |
| Supplies and materials | 6,051 | 16,966 |
| Total career and technical education | 183,770 | 167,954 |
| Total added needs | 2,790,221 | 2,637,851 |
| Adult and continuing education - secondary | | |
| Purchased services | 300,009 | 319,592 |
| Pupil - truancy/absenteeism services | | |
| Salaries | 17,810 | 15,381 |
| Employee benefits | 8,022 | 6,537 |
| Total truancy/absenteeism services | 25,832 | 21,918 |

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2017 and 2016

| | 2017 | 2016 |
|--|----------------|----------------|
| Pupil - guidance services | | |
| Salaries | \$ 272,727 | \$ 282,663 |
| Employee benefits | 190,670 | 192,158 |
| Purchased services | 28,619 | 246 |
| Supplies and materials | <u>3,053</u> | <u>3,298</u> |
| Total guidance services | <u>495,069</u> | <u>478,365</u> |
| Pupil - health services | | |
| Purchased services | <u>26,604</u> | <u>23,942</u> |
| Pupil - psychological services | | |
| Salaries | 57,000 | 57,000 |
| Employee benefits | 38,348 | 36,258 |
| Purchased services | 687 | 1,463 |
| Supplies and materials | <u>1,548</u> | <u>1,431</u> |
| Total psychological services | <u>97,583</u> | <u>96,152</u> |
| Pupil - speech and hearing services | | |
| Salaries | 137,197 | 133,133 |
| Employee benefits | 80,751 | 77,365 |
| Supplies and materials | <u>624</u> | <u>1,271</u> |
| Total speech and hearing services | <u>218,572</u> | <u>211,769</u> |
| Pupil - social work services | | |
| Salaries | 55,761 | 55,761 |
| Employee benefits | 41,442 | 39,056 |
| Purchased services | 670 | 670 |
| Supplies and materials | <u>17</u> | <u>13</u> |
| Total social work services | <u>97,890</u> | <u>95,500</u> |

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|---|------------------|----------------|
| Pupil - other support services | | |
| Salaries | \$ 46,583 | \$ 44,073 |
| Employee benefits | 20,653 | 19,474 |
| Purchased services | 5,800 | 5,000 |
| Supplies and materials | - | 1,100 |
| Other | | |
| Total other pupil support services | <u>73,036</u> | <u>69,647</u> |
| Total pupil | <u>1,034,586</u> | <u>997,293</u> |
| Instructional staff - improvement of education | | |
| Salaries | 47,033 | 63,830 |
| Employee benefits | 29,264 | 45,508 |
| Purchased services | 75,181 | 56,937 |
| Supplies and materials | - | 128 |
| Total improvement of education | <u>151,478</u> | <u>166,403</u> |
| Instructional staff - educational media services | | |
| Salaries | 117,573 | 120,146 |
| Employee benefits | 64,614 | 70,131 |
| Purchased services | 438 | 507 |
| Supplies and materials | 1,264 | 2,653 |
| Other | 4,090 | 4,205 |
| Total educational media services | <u>187,979</u> | <u>197,642</u> |

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2017 and 2016

| | 2017 | 2016 |
|---|----------------|----------------|
| Instructional staff - technology assisted instruction | | |
| Salaries | \$ 93,033 | \$ 89,303 |
| Employee benefits | 64,745 | 58,091 |
| Purchased services | 65,796 | 58,298 |
| Supplies and materials | 61,562 | 53,424 |
| Other | <u>2,569</u> | <u>4,878</u> |
| Total technology assisted instruction | <u>287,705</u> | <u>263,994</u> |
| Instructional staff - supervision and direction of instructional staff | | |
| Salaries | 67,988 | 68,258 |
| Employee benefits | 34,996 | 35,389 |
| Purchased services | 39,583 | 56,554 |
| Supplies and materials | <u>469</u> | <u>125</u> |
| Total supervision and direction of instructional staff | <u>143,036</u> | <u>160,326</u> |
| Instructional staff - academic student assessment | | |
| Purchased services | <u>6,819</u> | <u>42,289</u> |
| Total instructional staff | <u>777,017</u> | <u>830,654</u> |
| General administration - board of education | | |
| Purchased services | 57,592 | 43,740 |
| Supplies and materials | 270 | 202 |
| Other | <u>4,411</u> | <u>4,651</u> |
| Total board of education | <u>62,273</u> | <u>48,593</u> |

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|------------------|------------------|
| General administration - executive administration | | |
| Salaries | \$ 125,126 | \$ 172,745 |
| Employee benefits | 94,920 | 98,076 |
| Purchased services | 2,520 | 5,618 |
| Supplies and materials | 1,016 | 4,708 |
| Other | <u>1,552</u> | <u>1,108</u> |
| Total executive administration | <u>225,134</u> | <u>282,255</u> |
| Total general administration | <u>287,407</u> | <u>330,848</u> |
| School administration - office of the principal | | |
| Salaries | 643,876 | 646,705 |
| Employee benefits | 469,129 | 472,867 |
| Purchased services | 9,859 | 38,169 |
| Supplies and materials | 34,932 | 33,051 |
| Other | <u>1,025</u> | <u>-</u> |
| Total office of the principal | <u>1,158,821</u> | <u>1,190,792</u> |
| School administration - other | | |
| Purchased services | <u>-</u> | <u>3,251</u> |
| Total school administration | <u>1,158,821</u> | <u>1,194,043</u> |
| Business - fiscal services | | |
| Salaries | 125,209 | 126,827 |
| Employee benefits | 117,576 | 111,397 |
| Purchased services | 45,057 | 44,286 |
| Supplies and materials | 736 | - |
| Other | <u>3,057</u> | <u>1,111</u> |
| Total fiscal services | <u>291,635</u> | <u>283,621</u> |

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2017 and 2016

| | 2017 | 2016 |
|---|------------------|------------------|
| Business - other | | |
| Purchased services | \$ 13,703 | \$ 27,472 |
| Other | <u>65,637</u> | <u>71,876</u> |
| Total other business | <u>79,340</u> | <u>99,348</u> |
| Total business | <u>370,975</u> | <u>382,969</u> |
| Operations and maintenance - operating building services | | |
| Salaries | 464,079 | 432,278 |
| Employee benefits | 292,185 | 250,362 |
| Purchased services | 81,905 | 94,555 |
| Supplies and materials | 529,866 | 491,237 |
| Other | <u>4,467</u> | <u>3,974</u> |
| Total operating building services | <u>1,372,502</u> | <u>1,272,406</u> |
| Operations and maintenance - security services | | |
| Purchased services | <u>12,377</u> | <u>5,166</u> |
| Total operations and maintenance | <u>1,384,879</u> | <u>1,277,572</u> |
| Pupil transportation services | | |
| Salaries | 513,505 | 489,534 |
| Employee benefits | 270,489 | 253,427 |
| Purchased services | 60,584 | 39,498 |
| Supplies and materials | 192,692 | 188,283 |
| Other | <u>4,925</u> | <u>4,681</u> |
| Total transportation services | <u>1,042,195</u> | <u>975,423</u> |
| Central - communication services | | |
| Purchased services | <u>20,635</u> | <u>16,771</u> |

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|----------------|----------------|
| Central - staff/personnel services | | |
| Salaries | \$ 27,347 | \$ 27,135 |
| Employee benefits | 22,760 | 22,404 |
| Purchased services | <u>10,557</u> | <u>21,989</u> |
| Total staff/personnel services | <u>60,664</u> | <u>71,528</u> |
| Central - support services technology | | |
| Purchased services | <u>21,723</u> | <u>39,263</u> |
| Central - pupil accounting | | |
| Purchased services | <u>56,220</u> | <u>-</u> |
| Total central | <u>159,242</u> | <u>127,562</u> |
| Athletics | | |
| Salaries | 67,102 | 75,189 |
| Employee benefits | 27,724 | 23,795 |
| Purchased services | 117,853 | 124,793 |
| Supplies and materials | 11,723 | 11,594 |
| Other | <u>33,020</u> | <u>11,836</u> |
| Total athletics | <u>257,422</u> | <u>247,207</u> |
| Other supporting services | | |
| Purchased services | 46,198 | 40,156 |
| Supplies and materials | <u>1,206</u> | <u>794</u> |
| Total other supporting services | <u>47,404</u> | <u>40,950</u> |
| Capital outlay | | |
| Added needs - career and technical education | 14,942 | - |
| Operations and maintenance - operating building services | <u>256,522</u> | <u>1,674</u> |
| Total capital outlay | <u>271,464</u> | <u>1,674</u> |

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2017 and 2016

| | 2017 | 2016 |
|---|----------------------|---------------|
| Debt service | | |
| Principal | \$ 61,335 | \$ 77,357 |
| Interest and other expenditures | - | 6,559 |
| Total debt service | 61,335 | 83,916 |
| Other financing uses | | |
| Transfers out | 22,957 | 47,500 |
| Total expenditures and other financing uses | \$ 18,884,131 | \$ 18,144,894 |

Bullock Creek School District
Schedule of Outstanding Bonded Indebtedness - 2010 Issue
June 30, 2017

Date of issue: 2010

Original amount of issue: \$1,775,000

Purpose of this issue: Refund 1998 bonds maturing 5/1/2011 through 5/1/2019

| Interest Rate | Fiscal Year | Semi-Annual Interest Payments | | Annual Maturity May 1st | Total Fiscal Year Requirements |
|------------------|----------------|----------------------------------|------------------|-------------------------------|--------------------------------------|
| | | November 1st | May 1st | | |
| 5.000 | 2017-18 | \$ 11,500 | \$ 11,500 | \$ 230,000 | \$ 253,000 |
| 5.000 | 2018-19 | <u>5,750</u> | <u>5,750</u> | <u>230,000</u> | <u>241,500</u> |
| | | <u>\$ 17,250</u> | <u>\$ 17,250</u> | <u>\$ 460,000</u> | <u>\$ 494,500</u> |

Bullock Creek School District
Schedule of Outstanding Bonded Indebtedness - 2012 Debt
June 30, 2017

Date of issue: 2012

Original amount of issue: \$3,485,000

Purpose of this issue: Construction of school educational facilities

| Interest Rate | Fiscal Year | Semi-Annual Interest Payments | | Annual Maturity May 1st | Total Fiscal Year Requirements |
|------------------|----------------|----------------------------------|------------------|-------------------------------|--------------------------------------|
| | | November 1st | May 1st | | |
| 1.050 | 2017-18 | \$ 17,863 | \$ 17,863 | \$ 600,000 | \$ 635,726 |
| 1.250 | 2018-19 | 14,714 | 14,714 | 650,000 | 679,428 |
| 1.500 | 2019-20 | 10,649 | 10,649 | 650,000 | 671,298 |
| 1.750 | 2020-21 | 5,775 | 5,775 | 660,000 | 671,550 |
| | | <u>\$ 49,001</u> | <u>\$ 49,001</u> | <u>\$ 2,560,000</u> | <u>\$ 2,658,002</u> |

Bullock Creek School District
Schedule of Outstanding Bonded Indebtedness - 2014 Issue
June 30, 2017

Date of issue: 2014

Original amount of issue: \$4,590,000

Purpose of this issue: Refund 2004 refunding bonds maturing 5/1/2022

| Interest Rate | Fiscal Year | Semi-Annual Interest Payments | | Annual Maturity May 1st | Total Fiscal Year Requirements |
|------------------|----------------|----------------------------------|------------------|-------------------------------|--------------------------------------|
| | | November 1st | May 1st | | |
| 1.800 | 2017-18 | \$ 29,963 | \$ 29,963 | \$ 560,000 | \$ 619,926 |
| 2.050 | 2018-19 | 24,923 | 24,923 | 545,000 | 594,846 |
| 2.300 | 2019-20 | 19,336 | 19,336 | 525,000 | 563,672 |
| 2.550 | 2020-21 | 13,298 | 13,298 | 505,000 | 531,596 |
| 2.800 | 2021-22 | 6,860 | 6,860 | 490,000 | 503,720 |
| | | <u>\$ 94,380</u> | <u>\$ 94,380</u> | <u>\$ 2,625,000</u> | <u>\$ 2,813,760</u> |

Bullock Creek School District
Schedule of Outstanding Bonded Indebtedness - 2015 Issue
June 30, 2017

Date of issue: 2015

Original amount of issue: \$2,545,000

Purpose of this issue: Refund 2005 refunding bonds maturing 5/1/2026

| Interest Rate | Fiscal Year | Semi-Annual Interest Payments | | Annual Maturity May 1st | Total Fiscal Year Requirements |
|---------------|-------------|-------------------------------|-------------------|-------------------------|--------------------------------|
| | | November 1st | May 1st | | |
| 1.150 | 2017-18 | \$ 27,904 | \$ 27,904 | \$ 155,000 | \$ 210,808 |
| 1.450 | 2018-19 | 27,013 | 27,013 | 50,000 | 104,026 |
| 1.800 | 2019-20 | 26,650 | 26,650 | 50,000 | 103,300 |
| 2.100 | 2020-21 | 26,200 | 26,200 | 50,000 | 102,400 |
| 2.400 | 2021-22 | 25,675 | 25,675 | 50,000 | 101,350 |
| 2.600 | 2022-23 | 25,075 | 25,075 | 460,000 | 510,150 |
| 2.750 | 2023-24 | 19,095 | 19,095 | 460,000 | 498,190 |
| 2.900 | 2024-25 | 12,770 | 12,770 | 460,000 | 485,540 |
| 3.050 | 2025-26 | 6,100 | 6,100 | 400,000 | 412,200 |
| | | <u>\$ 196,482</u> | <u>\$ 196,482</u> | <u>\$ 2,135,000</u> | <u>\$ 2,527,964</u> |

Bullock Creek School District
Schedule of Outstanding Bonded Indebtedness - 2015 Debt
June 30, 2017

Date of issue: 2015

Original amount of issue: \$2,360,000

Purpose of this issue: Construction of school educational facilities

| Interest Rate | Fiscal Year | Semi-Annual Interest Payments | | Annual Maturity May 1st | Total Fiscal Year Requirements |
|------------------|----------------|----------------------------------|------------------|-------------------------------|--------------------------------------|
| | | November 1st | May 1st | | |
| 1.600 | 2017-18 | \$ 22,683 | \$ 22,683 | \$ 280,000 | \$ 325,366 |
| 1.850 | 2018-19 | 20,443 | 20,443 | 380,000 | 420,886 |
| 2.100 | 2019-20 | 16,928 | 16,928 | 480,000 | 513,856 |
| 2.350 | 2020-21 | 11,888 | 11,888 | 480,000 | 503,776 |
| 2.550 | 2021-22 | 6,248 | 6,248 | 490,000 | 502,496 |
| | | <u>\$ 78,190</u> | <u>\$ 78,190</u> | <u>\$ 2,110,000</u> | <u>\$ 2,266,380</u> |

Bullock Creek School District
Schedule of Outstanding Bonded Indebtedness - 2016 Debt
June 30, 2017

Date of issue: 2016

Original amount of issue: \$4,970,000

Purpose of this issue: Construction of school educational facilities

| Interest Rate | Fiscal Year | Semi-Annual Interest Payments | | Annual Maturity May 1st | Total Fiscal Year Requirements |
|---------------|-------------|-------------------------------|-------------------|-------------------------|--------------------------------|
| | | November 1st | May 1st | | |
| 1.250 | 2017-18 | \$ 45,680 | \$ 45,680 | \$ - | \$ 91,360 |
| 1.250 | 2018-19 | 45,680 | 45,680 | - | 91,360 |
| 1.250 | 2019-20 | 45,680 | 45,680 | 140,000 | 231,360 |
| 1.400 | 2020-21 | 44,805 | 44,805 | 190,000 | 279,610 |
| 1.550 | 2021-22 | 43,475 | 43,475 | 535,000 | 621,950 |
| 1.700 | 2022-23 | 39,329 | 39,329 | 800,000 | 878,658 |
| 1.880 | 2023-24 | 32,529 | 32,529 | 800,000 | 865,058 |
| 1.900 | 2024-25 | 25,329 | 25,329 | 800,000 | 850,658 |
| 2.000 | 2025-26 | 17,729 | 17,729 | 800,000 | 835,458 |
| 2.150 | 2026-27 | 9,729 | 9,729 | 905,000 | 924,458 |
| | | <u>\$ 349,965</u> | <u>\$ 349,965</u> | <u>\$ 4,970,000</u> | <u>\$ 5,669,930</u> |

RECEIVED

By Gloria Suggitt at 8:52 am, Oct 03, 2017

Bullock Creek School District

Single Audit Report

June 30, 2017



Table of Contents

| | <u>Page</u> |
|--|-------------|
| Single Audit Report | |
| 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 | 1 |
| 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 | 3 |
| Schedule of Expenditures of Federal Awards | 6 |
| Notes to the Schedule of Expenditures of Federal Awards | 7 |
| Schedule of Findings and Questioned Costs | 9 |



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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
Midland, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bullock Creek School District as of and for the year ended June 30, 2017, 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 September 18, 2017.

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.

Midland, Michigan
September 18, 2017



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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
Midland, Michigan

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, 2017. 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, 2017.

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, 2017, 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 September 18, 2017, 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.

Midland, Michigan
September 18, 2017

Bullock Creek School District
Schedule of Expenditures of Federal Awards
June 30, 2017

| Federal Grantor Pass-Through Grantor Program Title Grant Number | Federal CFDA Number | Pass-Through Grantor's Number | Award Amount | Accrued (Unearned) Revenue July 1, 2016 | (Memo Only) Prior Year Expenditures | Current Year Expenditures | Current Year Receipts | Accrued (Unearned) Revenue June 30, 2017 | Current Year Cash Transferred to Subrecipient |
|---|---------------------------|-------------------------------------|---------------------|--|---|---------------------------------|-----------------------------|---|--|
| U.S. Department of Agriculture | | | | | | | | | |
| Passed through Michigan Department of Education | | | | | | | | | |
| Child Nutrition Cluster | | | | | | | | | |
| School Breakfast Program | 10.553 | 161970 | \$ 128,431 | \$ 5,566 | \$ 114,652 | \$ 13,779 | \$ 19,345 | \$ - | \$ - |
| School Breakfast Program | 10.553 | 171970 | 124,269 | - | - | 124,269 | 115,901 | 8,368 | - |
| | | | <u>252,700</u> | <u>5,566</u> | <u>114,652</u> | <u>138,048</u> | <u>135,246</u> | <u>8,368</u> | <u>-</u> |
| National School Lunch Program | 10.555 | 161960 | 322,235 | 13,379 | 322,235 | - | 13,379 | - | - |
| National School Lunch Program - Snacks | 10.555 | 161980 | 41,876 | 587 | 41,876 | - | 587 | - | - |
| National School Lunch Program | 10.555 | 171960 | 355,424 | - | - | 355,424 | 335,093 | 20,331 | - |
| National School Lunch Program - Snacks | 10.555 | 171980 | 14,950 | - | - | 14,950 | 14,889 | 61 | - |
| | | | <u>734,485</u> | <u>13,966</u> | <u>364,111</u> | <u>370,374</u> | <u>363,948</u> | <u>20,392</u> | <u>-</u> |
| Non-cash assistance (commodities) | | | | | | | | | |
| National School Lunch Program - Entitlement | 10.555 | N/A | 56,626 | - | - | 56,626 | 56,626 | - | - |
| Summer Food Service Program for Children | 10.559 | 161900 | 4,717 | 4,068 | 4,717 | - | 4,068 | - | - |
| Summer Food Service Program for Children | 10.559 | 171900 | 10,186 | - | - | 10,186 | 10,186 | - | - |
| | | | <u>14,903</u> | <u>4,068</u> | <u>4,717</u> | <u>10,186</u> | <u>14,254</u> | <u>-</u> | <u>-</u> |
| Total Child Nutrition Cluster | | | <u>1,058,714</u> | <u>23,600</u> | <u>483,480</u> | <u>575,234</u> | <u>570,074</u> | <u>28,760</u> | <u>-</u> |
| Total U.S. Department of Agriculture | | | <u>1,058,714</u> | <u>23,600</u> | <u>483,480</u> | <u>575,234</u> | <u>570,074</u> | <u>28,760</u> | <u>-</u> |
| U.S. Department of Education | | | | | | | | | |
| Passed through Michigan Department of Career Development | | | | | | | | | |
| Adult Education - Basic Grants to States | 84.002 | 161120-165997 | 14,500 | 3,608 | 14,500 | - | 3,608 | - | - |
| Adult Education - Basic Grants to States | 84.002 | 161130-161997 | 200,000 | - | 200,000 | - | - | - | - |
| Adult Education - Basic Grants to States | 84.002 | 161190-161997 | 40,000 | 11,002 | 40,000 | - | 11,002 | - | - |
| Adult Education - Basic Grants to States | 84.002 | 171120-175997 | 14,500 | - | - | 14,500 | 10,391 | 4,109 | 14,500 |
| Adult Education - Basic Grants to States | 84.002 | 171130-171997 | 225,000 | - | - | 225,000 | 159,367 | 65,633 | 225,000 |
| Adult Education - Basic Grants to States | 84.002 | 171190-171997 | 40,000 | - | - | 40,000 | 29,381 | 10,619 | 40,000 |
| | | | <u>534,000</u> | <u>14,610</u> | <u>254,500</u> | <u>279,500</u> | <u>213,749</u> | <u>80,361</u> | <u>279,500</u> |
| Passed through Michigan Department of Education | | | | | | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 161530 | 243,022 | 13,939 | 243,022 | - | 13,939 | - | - |
| Title I Grants to Local Educational Agencies | 84.010 | 171530 | 278,928 | - | - | 278,928 | 228,349 | 50,579 | - |
| | | | <u>521,950</u> | <u>13,939</u> | <u>243,022</u> | <u>278,928</u> | <u>242,288</u> | <u>50,579</u> | <u>-</u> |
| Passed through Midland County | | | | | | | | | |
| Career and Technical Education - Basic Grants to States | 84.048 | N/A | 482 | - | 482 | - | - | - | - |
| Passed through Clare-Gladwin RESD | | | | | | | | | |
| Education for Homeless Children and Youth | 84.196 | N/A | 68 | - | - | 68 | 68 | - | - |
| Passed through Michigan Department of Education | | | | | | | | | |
| Improving Teacher Quality State Grants | 84.367 | 160520 | 99,303 | 4,677 | 81,527 | - | 4,677 | - | - |
| Improving Teacher Quality State Grants | 84.367 | 170520 | 118,739 | - | - | 98,518 | 91,216 | 7,302 | - |
| | | | <u>218,042</u> | <u>4,677</u> | <u>81,527</u> | <u>98,518</u> | <u>95,893</u> | <u>7,302</u> | <u>-</u> |
| Total U.S. Department of Education | | | <u>1,274,542</u> | <u>33,226</u> | <u>579,531</u> | <u>657,014</u> | <u>551,998</u> | <u>138,242</u> | <u>279,500</u> |
| Total federal awards | | | <u>\$ 2,333,256</u> | <u>\$ 56,826</u> | <u>\$ 1,063,011</u> | <u>\$ 1,232,248</u> | <u>\$ 1,122,072</u> | <u>\$ 167,002</u> | <u>\$ 279,500</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, 2017

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, 2017. 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 and changes in financial position 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 and the below subrecipient schedule.

| Subrecipient Program Title Subrecipient | Federal CFDA Number | Pass-Through Grantor's Number | Award Amount | Subrecipient Current Year Expenditures | Current Year Cash Transferred To Subrecipient |
|--|---------------------------|-------------------------------------|-------------------|--|---|
| Adult Education - Basic Grants to States | 84.002 | | | | |
| Education and Training Connection | | 171120-175997 | \$ 14,500 | \$ 14,500 | \$ 14,500 |
| Education and Training Connection | | 171130-171997 | 225,000 | 225,000 | 225,000 |
| Education and Training Connection | | 171190-171997 | 40,000 | 40,000 | 40,000 |
| | | | <u>\$ 279,500</u> | <u>\$ 279,500</u> | <u>\$ 279,500</u> |

Bullock Creek School District
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2017

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, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:
Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no

- Significant deficiency(ies) identified that are not
 considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no

- Significant deficiency(ies) identified that are not considered
 to be material weakness(es)? yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with §200.516(a)? yes no

**Bullock Creek School District
Schedule of Findings and Questioned Costs
June 30, 2017**

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------------|---|
| 10.553, 10.555 and 10.559 | 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, 2017.

Section III - Federal Awards Findings and Questioned Costs

There were no federal award findings for the year ended June 30, 2017.

Section IV - Prior Audit Findings

There were no government auditing standards or federal award findings for the year ended June 30, 2016.



September 18, 2017

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

We have completed our audit of the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Bullock Creek School District as of and for the year ended June 30, 2017, and have issued our report dated September 18, 2017. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The first appendix to this letter sets forth those communications as follows:

I. Auditors' Communication of Significant Matters with Those Charged with Governance

In addition, we have identified additional matters that are not required to be communicated but we believe are valuable for management:

II. Matters for Management's Consideration

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

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.

Midland, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

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 June 1, 2017. 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 Board Statement (GASB) No. 77, *Tax Abatement Disclosures*, effective July 1, 2016. The Statement requires disclosures of tax abatement information. 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 statements in the proper period.

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

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.

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The criteria generally is on (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending June 30, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. The effective date is 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 Posture

Cybersecurity posture, an overall measure of cybersecurity strength, is more prevalent than ever as organizations continue to face cybersecurity risks. Billions of emails are sent every day, some of which contain attachments with malicious files or malicious embedded links aimed at negatively impacting unsuspecting organizations. A recent study showed as many as four out of five U.S. companies have suffered from an attack. Not only can a successful attack cost thousands of dollars and put a strain on IT resources while remediation efforts are underway, but sensitive information may be breached.

Risk assessment is a first step in mitigating cybersecurity risks and improving your School District's overall cybersecurity posture. The National Institute of Standards and Technology published *Framework for Improving Critical Infrastructure Cybersecurity*, which "enables organizations, regardless of size, degree of cybersecurity risk, or cybersecurity sophistication, to apply the principles and best practices of risk management to improving the security and resilience of critical infrastructure." The framework is designed to cover five areas including identification, protection, detection, responsiveness and recovery. The publication can be found at www.nist.gov.

Placing significant emphasis on evaluating your School District's cybersecurity posture, and channeling sufficient resources towards proper risk assessment, implementation, and education will reduce the likelihood of a cybersecurity threat, and help lessen the impact of a breach.

Audit and FID Submission Deadline

The deadline to submit the Financial Information Database (FID) and school district financial audits will be November 1st. This will continue to be the deadline for future fiscal years as it is now State Law.

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. School 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

Implementation of Federal Grant Procurement Standards is Delayed

In May 2017, the federal government granted an additional one-year delay for implementation of the procurement standards under the Uniform Guidance. The grace period now extends through December 25, 2017. Therefore entities with fiscal years beginning on or after December 26, 2017 must have procurement standards, for federal expenditures, that meet the more stringent requirements of 2 CFR 200.317 to 326. For school districts, it will apply to fiscal year 2019 and therefore, must be in place starting July 1, 2018. If your School District did not previously adopt and implement procurement policies and procedures in accordance with 2 CFR 200 you should go through the appropriate channels to elect and document usage of the additional grace period year. The grace period decision and documentation should go through the same process as the adoptions of procurement policies. It is imperative that your procurement policies – whatever they are documented as – be followed. The Uniform Guidance and the old guidance in the OMB Circulars provide minimum requirements that must be covered by an entity's procurement policies. If an entity's policies are stricter than the federal rules, the entity policies still must be followed. As you adopt new procurement policies, we also recommend that you consider separate policies for federal and non-federal expenditures to ease the administrative burden of certain federal requirements.

Fiscal Year (FY) 2018 School Aid

The School Aid budget for FY 2018 was not signed until late July. Following are some significant highlights of the bill:

- The per pupil Foundation Grants for FY 2018 will increase by a range of \$60 to \$120 using the "2X formula." The increase will be added to the FY 2017 foundation grant resulting in the lowest foundation for FY 2018 being \$7,631 and the maximum state guaranteed foundation being \$8,289.
- 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 increased by \$120,011,800 to \$499,000,000. Eligibility is expanded from free lunch eligible pupils to include pupils eligible for reduced price lunch, TANF, SNAP, or migrant,

homeless, or pupils in foster care. Hold Harmless and Out of Formula districts are now eligible, but will be capped at 30% of the per pupil allowance. Districts that are currently eligible would receive approximately \$777 per pupil and newly eligible districts would receive approximately \$233 per pupil.

- The per pupil funding under Sections 20f(2) and 20f(4) will be equal to the per pupil funding under those Sections in 2016-17.
- Section 147c is reduced by approximately \$22.0 million to reflect higher rates of return on investments.
- ISD General Operation funding under Section 81 will remain at \$67.1 million.
- Shared Time Instruction for Nonpublic and Homeschool Pupils Section 23f caps the maximum FTE for which a nonpublic school pupil may be counted in a shared-time program at 0.75 FTE per pupil.

Boilerplate changes include:

- A New Section 160 has been added which requires districts seeking a waiver to begin the school year before Labor Day to hold a public hearing with the MDE in the district before the waiver can be granted.
- A New Section 164g has been added which imposes a penalty on any district using State Aid funds to pay expenses related to legal action against the state.
- A New Section 164h has been added to state that there will be a state school aid penalty for a district or ISD that enters into a collective bargaining agreement that fails to comply with requirements including prohibitions on the automatic deduction of union dues from payroll and racial or religious preferences in hiring.

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 2014-2015 or 2015-2016 school fiscal years is required to submit budget assumptions to the Center for Educational Performance and Information (CEPI). The budget assumption data collection period begins June 1, 2017 and is open through July 7, 2017. The Department of Treasury will not declare potential fiscal stress based solely on a school district's or public school academy's budget assumption data.

Uniform Budgeting and Accounting Act (UBAA)

The UBAA 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 UBAA, including but not limited to General Fund deficits, should be reported as financial statement findings in the audit report. UBAA 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 School 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.

Sinking Fund

Effective March 29, 2017, Public Act 319 amended Section 1212 of the School Code (MCL § 380.1212) to allow additional uses for sinking fund proceeds. This amendment applies only to sinking fund millage authorized after this effective date. The new amendment expanded the definition of permissible expenditures that previously did not allow for the purchase of equipment and furnishings. Under the new authorization, such items may be purchased with sinking fund resources, if they are for the following purposes: 1. School security improvements (including any capital improvement or purchase that is designed to act as a deterrent to unauthorized entry of persons or items onto school premises or to otherwise promote security, including, but not limited to, metal detectors, locks, doors, lighting, cameras, and enhancements to entryways) 2. Acquisition and upgrading of technology (including hardware and communication devices that transmit, receive, or compute information for pupil instructional purposes;

the initial purchase of operating system software or customized application software, or both, accompanying the purchase of hardware and communication devices under subdivision; and the costs of design and installation of the hardware, communication devices, and initial operating system software or customized application software).

Unclaimed Property

Beginning in 2018, the State of Michigan will require the filing of zero balance reports for businesses and governmental agencies who hold property on behalf of others, such as uncashed payroll or vendor checks and other items comprising unclaimed property. This is a revision from the most recent change in 2012, which only encouraged, but did not require, reporting of zero unclaimed property situations. Under the negative attestation requirement, businesses and governmental agencies must ensure they are filing even in situations where entities have no unclaimed property.

Current rules require unclaimed property to be identified as of March 31st of each year and reported to the State on or before July 1. Property that has reached its applicable dormancy period (generally one year or three years) as of March 31 must be remitted with and reported on Michigan State Form 2011, *Michigan Holder Transmittal for Annual Report of Unclaimed Property* and the appropriate annual reporting form (there are separate forms for cash & safe deposit boxes and for securities). If the holder (business or government entity) has more than ten items to report, they must use electronic media for the annual report. The due date for this filing is July 1 (or the next work day if the 1st is on a weekend).

These rules remain unchanged, except that beginning in 2018, the negative attestation requirement will go into effect. Free software is available on the State of Michigan web site at <http://www.michigan.gov/treasury/>. The web site is a valuable resource for information regarding the law, filing requirements and related penalties, including the 33 page *Manual for Reporting Unclaimed Property*.

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.

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.

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' 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 on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Grant Guidance; and the Schedule of Findings and Questioned Costs. 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.

Appendix II
Matters for Management's Consideration

In planning and performing our audit of the financial statements of Bullock Creek School District as of and for the year ended June 30, 2017, we considered Bullock Creek School District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

However, during our audit we became aware of a matter for management's consideration that is an opportunity for strengthening internal controls. This letter does not affect our report dated September 18, 2017, on the financial statements of Bullock Creek School District. Our comment and recommendation regarding this matter is:

Electronic Time Keeping

During our walkthrough of the payroll process we noted manual, paper time sheets are being used throughout the district. Although during our walkthrough we discovered no errors within the payroll process, we recommend integrating an electronic time keeping system for all employees. This will ensure proper recording of actual hours worked and result in more accurate documentation, as well as reduce the possibility of timesheet misplacement. We believe a uniform timekeeping system would be beneficial to the district as a whole, and would reduce the amount of administrative time required for processing payroll.