

BARK RIVER HARRIS PUBLIC SCHOOLS

Audited Financial Statements and
Additional Supplemental Information

For the Year Ended
June 30, 2017

Bark River Harris Public Schools

Contents

| | Page |
|---|-------------|
| Report Letter | 1 - 2 |
| Management's Discussion and Analysis | 3 - 8 |
| Basic Financial Statements | |
| District-Wide Financial Statements: | |
| Statement of Net Position | 9 |
| Statement of Activities..... | 10 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Fund Types..... | 11 |
| Reconciliation of Governmental Funds Balance Sheet With the Statement of Net Position..... | 12 |
| Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds | 13 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 14 |
| Fiduciary Fund: | |
| Statement of Fiduciary Net Position | 15 |
| Statement of Changes in Fiduciary Net Position - Private Purpose Trust Fund | 15 |
| Notes to Financial Statements | 16 - 32 |
| Required Supplemental Information | |
| Budgetary Comparison Schedule - General Fund..... | 33 |
| Schedule of Bark River Harris Public Schools Contributions..... | 34 |
| Schedule of Bark River Harris Public Schools Proportionate Share of the Net Pension Liability..... | 35 |

Bark River Harris Public Schools

Contents (continued)

Other Supplemental Information

| | |
|---|---------|
| Balance Sheet Non-Major Governmental Funds..... | 36 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds..... | 37 |
| General Fund: | |
| Schedule of General Fund Revenue | 38 |
| Schedule of General Fund Expenditures..... | 39 - 44 |

Supplemental Report

| | |
|---|---------|
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards"..... | 45 - 46 |
| Schedule of Findings and Responses..... | 47 |
| Schedule of Prior Year Findings and Responses..... | 48 |

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To the Board of Education
Bark River Harris Schools
Harris, Michigan

INDEPENDENT AUDITOR'S REPORT

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Bark River Harris Public Schools, Harris, Michigan as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the School'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.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements which, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the School'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 School'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 evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINION

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 Bark River Harris Public Schools as of June 30, 2017, and the respective changes in financial position where applicable, thereof for the year then ended, accordance with accounting principles generally accepted in the United States of America.

OTHER – MATTERS

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 3 through 8, the Budgetary Comparison Schedule on page 33, the Schedule of Bark River Harris Public Schools Contributions on page 34 and the Schedule of Bark River Harris Public Schools Proportionate Share of the Net Pension Liability on page 35, 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 response to my 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 Bark River Harris Public School's, Harris, Michigan, basic financial statements. The non-major fund financial statements and other supplemental schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENTAL AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report letter dated September 1, 2017, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bark River Harris Public School's internal control over financial reporting and compliance.



Johnson & Rennie, LLC
Menominee, Michigan
September 1, 2017

Bark River Harris Public Schools
Management's Discussion and Analysis
Year Ended June 30, 2017

Management's Discussion and Analysis

This section of the Bark River Harris Public School's Districts annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2017. It is to be read in conjunction with the School District's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending June 30, 2017.

District-wide Financial Statements

The District-wide financial statements appear first in the financial report. These financial statements include the statement of net position and the statement of activities. They report information about the School District as a whole. The statements prepared using the accrual basis of accounting which is the accounting method used by most private sector businesses. The statement of net position includes all of the School District's assets and liabilities. All current year revenues and expenses are reported for in the statement of activities. The two statements report the Governmental activities of the School District that include all services performed by the School District including but not limited to instruction, support services, food services, athletics and debt service. These activities are funded mostly by State aid as determined by pupil counts, Federal and State grants and local property taxes.

The statement of net position as stated previously, shows the School District's assets and liabilities. The corresponding balance between the amounts calculates the net position or deficits of the School District. A deficit occurs when there are more liabilities than there are assets to pay those liabilities. This statement measures the financial strength of the School District; the greater the net asset figure, the healthier the School District generally is. This shows if the School District will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net position on a revenue less expenditure basis. It generally shows the operating results for a given year of the School District. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net position (or reduces a deficit) available to fund future needs of the School District.

Fund Financial Statements

The School District's fund financial statements show detail of funds that are determined to be significant, called major funds. The fund that is separately stated as a major fund is the General Fund which is the operating fund of the School District. All other funds of the School District are considered non-major and are reported as one column. Separate funds are often required to be set up and separately recorded due to State or Federal statutes or by bond covenants or other contractual agreements. The School District may also choose to set up separate funds to better control and track certain monies. All of the School District's services are reported in Governmental types. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Management's Discussion and Analysis (continued)

The School District has the following non-major Governmental Funds. The School District operates the Food Service Fund which accounts for the breakfast and hot lunch programs and Debt Service Fund accounting for Bond Activities.

Fiduciary Funds are funds that account for certain activities in which the School District acts as a trustee or in an agent capacity. The agency fund accounts for various student and other activity groups who raise funds for specific purposes to be spent on whatever purpose the group wants. The school also maintains a student loan fund used to account for scholarship loans to eligible students and their subsequent repayments. These activities are not included in the District-wide financial statements as they represent resources that are not available for the School District's operations.

Governmental Funds are accounted for by using an accounting method called modified accrual accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The Governmental Fund financial statements show detail of operations for a given year according to this method of accounting. This is similar to how the School District reported their finances in the past. The individual fund statement helps determine what financial resources are available on a short-term basis to fund operations.

Since the District-wide financial statements and the fund financial statements use different methods of accounting to report the School District's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

Management's Discussion and Analysis (continued)

District-wide Financial Statements - Condensed Financial Information

Statement of Net Position

The following table shows the Governmental Activities condensed statement of net position with a detailed analysis of the statement below.

| | Governmental Activities | |
|--|----------------------------|---------------------|
| | June 30, 2017 | June 30, 2016 |
| Assets | | |
| Current Assets: | | |
| Cash and investments | \$ 1,552,935 | \$ 1,627,828 |
| Accounts receivable | 1,113,275 | 1,115,299 |
| Other current assets | 81,866 | 123,463 |
| Total Current Assets | <u>2,748,076</u> | <u>2,866,590</u> |
| Noncurrent Assets: | | |
| Capital assets, net of accumulated depreciation and amortization of \$4,969,257 | 3,910,979 | 3,882,078 |
| Total Noncurrent Assets | <u>3,910,979</u> | <u>3,882,078</u> |
| Total Assets | <u>6,659,055</u> | <u>6,748,668</u> |
| Deferred Outflow of Resources - Employee Retirement System | 1,717,800 | 1,084,275 |
| Total Assets and Deferred Outflow | <u>\$ 8,376,855</u> | <u>\$ 7,832,943</u> |
| Liabilities | | |
| Accrued salaries and benefits | \$ 610,211 | \$ 656,961 |
| Other current liabilities | 333,635 | 338,491 |
| Total Current Liabilities | <u>943,846</u> | <u>995,452</u> |
| Long-Term Liabilities , net of current portion of \$247,417 | | |
| Bonds payable | 535,000 | 705,000 |
| Capital lease | 79,646 | - |
| Compensated absences | 440,297 | 465,571 |
| Net pension liability | 9,556,213 | 9,230,963 |
| Total Noncurrent Liabilities | <u>10,611,156</u> | <u>10,401,534</u> |
| Total Liabilities | <u>11,555,002</u> | <u>11,396,986</u> |
| Deferred Inflow of Resources | | |
| Unavailable revenue | 10,844 | 29,962 |
| Employee retirement system | 28,903 | 31,178 |
| State aide funding for pensions | 296,415 | - |
| Total Deferred Inflow of Resources | <u>336,162</u> | <u>61,140</u> |
| Net Position | | |
| Investment (deficit) in capital assets, net of related debt | 3,047,460 | 3,004,526 |
| Restricted | 24,497 | 36,510 |
| Unrestricted | (6,586,266) | (6,666,219) |
| Total Net Position | <u>(3,514,309)</u> | <u>(3,625,183)</u> |
| Total Liabilities, Deferred Inflow & Net Position | <u>\$ 8,376,855</u> | <u>\$ 7,832,943</u> |

Management's Discussion and Analysis (continued)

District-wide Financial Statements - Condensed Financial Information (continued)

Statement of Net Position (continued)

The previous table shows the School District's net position in a deficit of \$3,514,309 at June 30, 2017. Capital assets net of related debt is reported as an investment of \$3,074,460. This figure is derived by taking the original costs of the School District's assets accumulated depreciation to date and comparing this figure to the amount of long-term debt used to finance the acquisition of those assets. Most of the debt related to the capital assets will be repaid from voter-approved property taxes collected as the debt service comes due.

Restricted net position of \$24,497 is restricted for Debt Retirement and Food Service. As previously mentioned, the Debt Retirement monies come from voter approved property taxes. The net position is restricted as they are not allowed to be used for daily School District operations.

The unrestricted net position is reported as a deficit of \$6,586,266 as of June 30, 2017. This is the net accumulated results of past years' operations. The deficit in the unrestricted net position shows that the School District does not have an ample amount of assets to fund liabilities at June 30, 2017. The general fund operating results impact the unrestricted net position on a yearly basis.

Statement of Activities

The results of operations for the School District as a whole are reported in the statement of activities (see condensed table below). This statement shows the changes in net position for the fiscal year ended June 30, 2017 and 2016 for the Governmental Activities.

| | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
|--|----------------------|----------------------|
| Revenue | | |
| Program Revenue: | | |
| Charges for services | \$ 320,206 | \$ 243,475 |
| Operating grants and entitlements | 610,557 | 761,523 |
| State categoricals | 857,408 | 625,924 |
| General Revenue: | | |
| Property taxes | 571,692 | 530,566 |
| State aid | 5,035,246 | 5,014,086 |
| Other | 8,154 | 11,458 |
| Total Revenue | <u>7,403,263</u> | <u>7,187,032</u> |
| Functions/Program Expenses | | |
| Instruction | 4,643,119 | 4,682,833 |
| Supporting services | 1,727,286 | 1,663,329 |
| Food services | 398,054 | 398,379 |
| Athletics | 97,677 | 94,269 |
| Interest on long-term debt | 15,921 | 20,643 |
| Depreciation (unallocated) | 350,035 | 330,556 |
| Special items - loss or asset disposals | 60,297 | 5,656 |
| Total Expenses | <u>7,292,389</u> | <u>7,195,665</u> |
| Increase (Decrease) in Net Position | <u>\$ 110,874</u> | <u>\$ (8,633)</u> |

Management's Discussion and Analysis (continued)

Statement of Activities (continued)

As reported in the Statement of Activities, the School District had an overall increase in net position of \$110,874. The School District reports a total net position deficit of \$3,514,309. The unrestricted net position shows a deficit of \$6,586,266.

The School District's revenues totaled \$7,403,263. Of this amount, the State aid accounts for 68% of total revenues or \$5,035,246. Property taxes assessed to the residents of the School District not restricted for other purposes totaled \$393,848. This accounts for 5% of total revenue to be spent on general education and operating needs.

The School District's total cost to fund all Governmental activities was \$7,292,389. Approximately 25% or \$1,788,171 of these costs were financed by those who benefitted from the service or funded by grants from other Governmental agencies. This shows the importance of budgeting and determining what programs the School District will fund with unrestricted revenues on a yearly basis.

Fund Financial Statements

The Governmental Fund financial statements report the School District's finances under the modified account basis of accounting. Under this method revenues are recognized when available and expenditures when incurred. The fund balance reported a surplus of \$2,042,859 at June 30, 2017. It increased for all Governmental Funds by \$29,131 for the year.

The General Fund balance included Capital Outlay of \$457,343. The School was able to increase its fund balance by \$36,562 by monitoring expenses.

The debt retirement fund balance decreased by \$7,562. This decrease was a result of a lower tax assessment by the School due to prior years Bond refinancing.

The food service fund had a \$1,906 increase. This increase resulted from keeping costs in line.

Major Governmental Funds Budgeting and Operating Highlights

The School Districts budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, usually before the State of Michigan enacts its budget or most grants are awarded. Therefore, it is expected that there will be significant changes between the initial budget and subsequent budgets, as actual grant awards are known. The most significant fund budgeting is the General Fund. The budget is amended at least two times during the year. The budget includes estimated State revenues until the actual amount is determined. Since a major portion of the District is funded by these revenues, budget amendments are necessary to include these funds.

Management's Discussion and Analysis (continued)

General Fund

General Fund Revenue Budget vs. Actual History

| <u>Fiscal Year</u> | <u>Revenues Original Budget</u> | <u>Revenues Final Budget</u> | <u>Revenues Final Actual</u> | <u>Rev. Var. Actual vs. Final Budget</u> |
|--------------------|-------------------------------------|----------------------------------|----------------------------------|--|
| 2013-2014 | 5,792,984 | 6,146,925 | 6,107,341 | (39,584) |
| 2014-2015 | 6,012,143 | 6,446,385 | 6,432,109 | (14,276) |
| 2015-2016 | 6,379,637 | 6,659,651 | 6,630,484 | (29,167) |
| 2016-2017 | 6,793,663 | 6,836,667 | 6,826,447 | (10,220) |

General Fund Expenditures Budget vs. Actual History

| <u>Fiscal Year</u> | <u>Expenditures Original Budget</u> | <u>Expenditures Final Budget</u> | <u>Expenditures Final Actual</u> | <u>Exp. Var. Actual vs. Final Budget</u> |
|--------------------|---|--------------------------------------|--------------------------------------|--|
| 2013-2014 | 5,765,511 | 6,665,825 | 6,688,393 | (22,568) |
| 2014-2015 | 6,193,400 | 6,252,442 | 6,141,972 | 110,470 |
| 2015-2016 | 6,438,552 | 7,310,072 | 7,087,534 | 222,538 |
| 2016-2017 | 6,997,136 | 6,875,259 | 6,964,834 | (89,575) |

Capital Assets

At June 30, 2017, the School District had \$3,908,039 invested in Capital Assets. This included a net increase during the past fiscal year of \$29,882, consisting of additions of \$463,741 and depreciation charges of \$350,075. The major investment came from the purchase of student laptops, building improvements and equipment. This was paid by the General Fund which was set aside in prior years. The laptops were financed under a Capital Lease.

Debt

The School District has \$1,302,360 of long-term debt, including \$247,417 due in the next fiscal year. This includes bonds issued for construction, capital leases on equipment purchases and employee related benefits such as early retirement incentives, health insurance and sick pay future expenses for accruals. The long-term debt decreased by \$38,211 during the year. The State allows districts to issue general obligation debt up to 15% of the assessed value of all taxable property within the School District's boundaries. The School District is under this limit by a considerable amount. The notes to the financial statements provide detail of each long-term debt issue.

Future Considerations

With the outlook calling for no increase in State school aid funding, cuts in other categorical aid and the inability for the School District to obtain additional property tax revenues for operations due to State Statute, the School District is under increased pressure to adopt a budget that will include cost reducing measures. A modest increase in student enrollment and the stagnant local economy will also weigh heavily on the amount of expenditure cuts that need to be made. A thorough analysis of all areas of the School District will need to be made.

Contacting the School District

If you have any questions about this report or need additional information, contact the Superintendent's office at Bark River Harris Public Schools; Harris, Michigan.

Bark River Harris Public Schools
Statement of Net Position June 30, 2017

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Current Assets: | |
| Cash and cash equivalents | \$ 1,552,935 |
| Due from other Governmental units | 1,113,275 |
| Accounts receivable | 1,081 |
| Inventories | 1,568 |
| Prepaid expense | 79,217 |
| Total Current Assets | 2,748,076 |
| Noncurrent Assets: | |
| Capital assets | 8,872,391 |
| Less: accumulated depreciation | (4,964,352) |
| Bond Discounts | 7,845 |
| Less: accumulated amortization | (4,905) |
| Total Noncurrent Assets | 3,910,979 |
| Deferred Outflow of Resources - Pension | 1,717,800 |
| Total Assets and Deferred Outflow | \$ 8,376,855 |
| LIABILITIES | |
| Current Liabilities | |
| Accounts payable | \$ 84,162 |
| Accrued salaries and withholding | 568,485 |
| Accrued interest | 2,056 |
| Bonds payable, due within 1 year | 170,000 |
| Capital lease | 77,417 |
| Compensated absences and severance pay | 41,726 |
| Total Current Liabilities | 943,846 |
| Non-Current Liabilities | |
| Bonds payable | 535,000 |
| Capital lease | 79,646 |
| Compensated absences | 440,297 |
| Net pension liability | 9,556,213 |
| Total Non-Current Liabilities | 10,611,156 |
| Total Liabilities | 11,555,002 |
| Deferred Inflow of Resources | |
| Unavailable revenue | 10,844 |
| Pension | 28,903 |
| State aide funding for pension | 296,415 |
| Total Deferred Inflow of Resources | 336,162 |
| Net Position | |
| Invested in capital assets, net of related debt | 3,047,460 |
| Restricted for debt service | 27,193 |
| Restricted for hot lunch | (2,696) |
| Unrestricted | (6,586,266) |
| Total Net Position | (3,514,309) |
| Total Liabilities, Deferred Inflow of Resources & Net Position | \$ 8,376,855 |

Bark River Harris Public Schools

Statement of Activities

June 30, 2017

| | | Program Revenues | | Governmental Activities |
|---|--------------------|-------------------------|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
| GOVERNMENTAL FUNCTIONS | | | | |
| Current: | | | | |
| Instruction | (4,643,119) | 136,337 | 1,218,894 | (3,287,888) |
| Supporting services | (1,727,286) | - | - | (1,727,286) |
| Food services | (398,054) | 141,307 | 249,071 | (7,676) |
| Athletics | (97,677) | 42,562 | - | (55,115) |
| Interest on long-term debt | (15,921) | - | - | (15,921) |
| Depreciation (unallocated) | (350,035) | - | - | (350,035) |
| Total Governmental Functions | (7,232,092) | 320,206 | 1,467,965 | (5,443,921) |
| GENERAL REVENUES | | | | |
| Property taxes | | | | |
| General purposes | | | | 393,848 |
| Debt services | | | | 177,844 |
| State aid not restricted for specific purpose | | | | 5,035,246 |
| Interest and investment earnings | | | | 4,271 |
| Other | | | | 3,883 |
| Total General Revenues | | | | 5,615,092 |
| Special Item - Loss on disposal of assets | | | | (60,297) |
| Change in Net Position for the Year | | | | 110,874 |
| Net Position at July 1, 2016 | | | | (3,625,183) |
| Net Position June 30, 2017 | | | | \$ (3,514,309) |

Bark River Harris Public Schools
 Balance Sheet
 Governmental Fund Types
 June 30, 2017

| | General | Other Non-Major Governmental Funds | Total Governmental Funds |
|--|---------------------|---|--------------------------------|
| Assets | | | |
| Cash | \$ 1,522,132 | \$ 30,803 | \$ 1,552,935 |
| Due from other Governmental units | 1,110,605 | 2,670 | 1,113,275 |
| Accounts receivable | - | 1,081 | 1,081 |
| Inventory | - | 1,568 | 1,568 |
| Due from other funds | - | - | - |
| Prepaid expenses | 76,183 | 3,034 | 79,217 |
| Total Assets | \$ 2,708,920 | \$ 39,156 | \$ 2,748,076 |
| | | | |
| Liabilities, and Fund Balances | | | |
| Liabilities | | | |
| Accounts payable | \$ 76,952 | \$ 7,210 | \$ 84,162 |
| Accrued payroll and benefits | 610,211 | - | 610,211 |
| Total Liabilities | 687,163 | 7,210 | 694,373 |
| | | | |
| Deferred Inflow of Resources | | | |
| Unavailable Revenue | 7,997 | 2,847 | 10,844 |
| | | | |
| Fund Balances | | | |
| Non-spendable | | | |
| Inventory | - | 1,568 | 1,568 |
| Prepays | 76,183 | 3,034 | 79,217 |
| Restricted for: | | | |
| Debt retirement | - | 27,193 | 27,193 |
| Hot lunch | - | (2,696) | (2,696) |
| Committed to: | | | |
| Capital projects | 100,000 | - | 100,000 |
| Early retirement incentive | 500,000 | - | 500,000 |
| Unassigned | 1,337,577 | - | 1,337,577 |
| Total Fund Equity | 2,013,760 | 29,099 | 2,042,859 |
| | | | |
| Total Liabilities, Deferred Inflow of Resources and Fund Balances | \$ 2,708,920 | \$ 39,156 | \$ 2,748,076 |

Bark River Harris Public Schools
 Reconciliation of Governmental Funds
 Balance Sheet with the Statement of Net Position
 June 30, 2017

Amounts Reported for Governmental Activities are in the Statement of Net Position Because:

Capital Assets used in Governmental Activities are not financial resources and are not reported in the funds

| | | |
|--|--------------------|----------------------------------|
| The Cost of Capital Assets are: | 8,872,391 | |
| Accumulated Depreciation is: | <u>(4,964,352)</u> | 3,908,039 |
| Long-term debt refinancing is not included as an asset in the Debt Retirement Fund | | |
| Amortization | <u>2,940</u> | 2,940 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds | | |
| Bonds Payable | | (705,000) |
| Compensated Absences | | (440,297) |
| Lease | | (157,063) |
| Accrued interest is not included as a liability in Governmental Fund Types | | (2,056) |
| Net Pension obligations are not due and payable in the current period and therefore, are not reported in the funds | | |
| Net Pension Liability | | (9,556,213) |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds | | |
| Deferred outflows of resources related to pensions | | 1,717,800 |
| Deferred inflows of resources related to pensions | | (28,903) |
| Deferred inflows from state aide funding | | <u>(296,415)</u> |
| Net Position of Governmental Activities | | <u><u>\$ (3,514,309)</u></u> |

Bark River Harris Public Schools
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended
June 30, 2017

| | General | Other Non-Major Governmental Funds | Total Governmental Funds |
|--|---------------------|---|--------------------------------|
| REVENUE | | | |
| Local sources | \$ 548,780 | \$ 319,181 | \$ 867,961 |
| State sources | 5,892,654 | 45,869 | 5,938,523 |
| Federal sources | 361,486 | 203,202 | 564,688 |
| Inter-district & other sources | 32,091 | - | 32,091 |
| Total Revenue | <u>6,835,011</u> | <u>568,252</u> | <u>7,403,263</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Instruction | 4,682,528 | - | 4,682,528 |
| Supporting service | 1,824,963 | 398,054 | 2,223,017 |
| Debt Service: | | | |
| Principal retirement | - | 170,000 | 170,000 |
| Interest | - | 15,436 | 15,436 |
| Capital outlay | 457,343 | 6,398 | 463,741 |
| Total Expenditures | <u>6,964,834</u> | <u>589,888</u> | <u>7,554,722</u> |
| Excess of Revenues - (Expenditures) | (129,823) | (21,636) | (151,459) |
| OTHER FINANCING SOURCES (USES) | | | |
| Sale of School property | 23,527 | - | 23,527 |
| Transfers in/out | (14,205) | 14,205 | - |
| Proceeds from Capital lease | 239,003 | - | 239,003 |
| Payment on Capital lease | (81,940) | - | (81,940) |
| Total Other Financing Sources | <u>166,385</u> | <u>14,205</u> | <u>180,590</u> |
| Net Change in Fund Balance | 36,562 | (7,431) | 29,131 |
| Fund balance July 1 | <u>1,977,198</u> | <u>36,530</u> | <u>2,013,728</u> |
| Fund Balance June 30 | <u>\$ 2,013,760</u> | <u>\$ 29,099</u> | <u>\$ 2,042,859</u> |

Bark River Harris Public Schools
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 Year Ended June 30, 2017

Net Changes in Fund Balances - Total Governmental Funds **\$ 29,131**

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Governmental Funds report Capital Outlays as expenditures in the Statement of Activities. These costs are allocated over their estimated useful lives as depreciation

| | | |
|----------------------|----------------|---------|
| Depreciation Expense | (350,035) | |
| Capital Outlay | <u>463,741</u> | 113,706 |

Governmental Funds report a bond discount as an expenditure in the Statement of Activities. These costs are amortized over the life of the bonded debt

| | | |
|--------------|--|-------|
| Amortization | | (981) |
|--------------|--|-------|

| | | |
|--|--|----------|
| In the statement of activities the net book value of assets disposed of during the year are reported as a loss | | (83,824) |
|--|--|----------|

| | | |
|--|--|-----|
| Accrued interest is recorded in the Statement of Activities when incurred and is not reported in Governmental Funds until paid | | 496 |
|--|--|-----|

| | | |
|--|--|---------|
| Repayment of bond principal is an expenditure in the Governmental Funds but not in the Statement of Activities (where it reduces long-term debt) | | 170,000 |
|--|--|---------|

| | | |
|---|--|--------|
| Repayment of Capital Lease is an expenditure in the Governmental Funds but not in the Statement of Activities (where it increases long-term debt) | | 81,940 |
|---|--|--------|

| | | |
|--|--|-----------|
| Proceeds of a Capital Lease is a revenue in the Governmental Funds but not in the Statement of Activities. (where it increases long-term debt) | | (239,003) |
|--|--|-----------|

| | | |
|--|--|--------|
| In the statement of activities, operating expenses for pension related items are measured by amounts earned during the year while the governmental funds report expenditures as amounts paid. This year the amount paid for pension related items was less than the amount earned. | | 14,135 |
|--|--|--------|

| | | |
|--|--|---------------|
| Decreases in compensated absences are reported as expenditures when financial resources are used in the Governmental Funds | | <u>25,274</u> |
|--|--|---------------|

| | | |
|--|--|--------------------------|
| Change in Net Position as Governmental Activities | | <u>\$ 110,874</u> |
|--|--|--------------------------|

Bark River Harris Public Schools

**Statement of Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2017**

| | Private Purpose Trust | Agency Fund Student Activities | Total |
|---|--------------------------|-----------------------------------|------------------|
| ASSETS | | | |
| Cash | \$ 8,752 | \$ 65,322 | \$ 74,074 |
| Accounts receivable | - | - | - |
| Total Assets | <u>\$ 8,752</u> | <u>\$ 65,322</u> | <u>\$ 74,074</u> |
| LIABILITIES | | | |
| Due to student groups | \$ - | \$ 65,322 | \$ 65,322 |
| NET POSITION | | | |
| Reserve for student loans | 8,752 | - | 8,752 |
| Total Liabilities and Net Position | <u>\$ 8,752</u> | <u>\$ 65,322</u> | <u>\$ 74,074</u> |

**Statement of Changes in
Fiduciary Net Position - Private
Purpose Trust Fund**

| | |
|---|-----------------|
| REVENUES | |
| Interest | \$ 4 |
| Total Revenues | <u>4</u> |
| EXPENDITURES | |
| Student loans | - |
| Total Expenditures | <u>-</u> |
| Excess Revenues Over (Under) Expenditures | 4 |
| Net Position | |
| Beginning Balance July 1 | 8,748 |
| Ending Balance June 30 | <u>\$ 8,752</u> |

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2017

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Bark River Harris Public Schools have been prepared as prescribed by the Michigan Department of Education. These policies are in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the School District's entity financial reporting purposes nor is the School District a component unit of another entity. The criteria established for determining the various governmental organizations to be included in the School District's financial statements include oversight responsibility, scope of public service and special financing relationships. Based upon the application of these criteria the financial statements of the School District contain all the funds controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the District.

Basis of Presentation

District-Wide Financial Statements

The School District-wide financial statements (Statement of Net Position and statement of Activities) report information on all of the activities of the School District except for the fiduciary activities. All of the School District's activities are considered to be governmental activities. Interfund activity including operating transfers between activities and amounts due to and from governmental activities has been eliminated in the School District-wide statements.

Fund-Based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental as well as fiduciary funds are provided. The various fund types are grouped in the financial statements as major funds or non-major funds. The School District reports the following major governmental fund:

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

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2017

NOTE A **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**
Basis of Presentation (continued)

All other governmental funds are considered to be non-major. They include:

Debt Service Fund - is used to account for the payment of principal and interest on the school building and site bonds payable.

Special Revenue Fund - is used by the School District to account for food services.

Fiduciary Funds

Private-Purpose Trust Fund - is used to account for assets held by the School District in a trustee capacity as administrator of scholarship and other funds under direct control of the School District.

Agency Fund - is used to account for assets held by the School District in its capacity as a receiving and paying agent for the several student body activity groups.

Basis of Accounting

District-Wide Financial Statements

The District-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The statement of Activities reports net cost information based on the School District's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the School District provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state aid and other revenues that are not program revenues are reported as general revenues.

Fund-Based Financial Statements

The governmental funds and fiduciary funds are accounted for by using the modified accrual basis of accounting as required by the Michigan Department of Education. Under the modified accrual basis of accounting, revenue is recognized when the revenue is subject to accrual, eligibility requirements are met and the revenues are available to finance expenditures of the fiscal period. Revenue is considered available when the revenue has been collected in the current period or soon enough after the end of the period to use to pay current period liabilities.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2017

NOTE A **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**
Basis of Accounting (continued)

Fund-Based Financial Statements (continued)

The School District considers revenues to be available if collected within 60 days of the end of the period. Expenditures are recorded when the related liability is incurred. Exceptions to this general rule include certain compensated absences and principal and interest on long-term debt, both of which are recognized when due. Property taxes are recognized in the fiscal year for which the taxes have been levied.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Current property taxes are collected for the School District by the Townships of Bark River and Harris. School taxes are levied on July 1.

Delinquent real property taxes of the School District are purchased annually by the County of Delta.

State Foundation Revenue

The State of Michigan follows a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state wide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information regarding average pupil membership supplied by the districts. The funds received in July and August of 2017 are state appropriations for the year ended June 30, 2017, and, as such, are recorded as accounts receivable.

State Categorical Revenue

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

Federal Revenue

Expenditure-driven grants are recognized as revenue when revenue is available, the qualifying expenditures have been incurred and all other grant requirements have been met.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposit accounts at local financial institutions.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2017

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

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

Short-Term Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund-based financial statements.

Restricted Assets

Restricted assets consist of cash and cash equivalents of the Debt Services Funds required to be set aside for future bond principal and interest payments.

Inventories and Prepaid Items

Inventories are stated at cost and consist principally of supplies, heating fuel and bus fuel. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets and Depreciation

Capital assets include land and improvements, buildings, furniture and fixtures, equipment, school buses and vehicles and are reported in the School District-wide financial statements. Capital assets are defined by the School District as assets with an acquisition cost of more than \$1,000 with an estimated useful life in excess of one year. Assets meeting these criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the District-Wide Statement of Activities and included as a direct expense of an identifiable function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

The capital assets are depreciated using the straight-line method with a half month depreciation taken for assets purchased during the year over the following useful lives (land excluded as not depreciable):

| | |
|---|---------------|
| Building and additions | 20 - 40 years |
| Furniture, fixtures and other equipment | 05 - 15 years |
| School buses and vehicles | 05 - 10 years |

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2017

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

The liability for accumulated vacation and sick pay amounts is recorded in the District-wide statement of net position.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Defined Benefit Plan

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.

Unemployment Insurance

The School District reimburses the Michigan Employment Security Commission for the actual amount disbursed on behalf of the School District.

Long-Term Obligations

The School District reports long-term debt and other long-term obligations in the District-wide statement of net position. Amounts are recorded at face value along with any accrued interest to June 30, 2017.

Investment in Capital Assets Net of Related Debt

This is a portion of the net position of the School District that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for notes, bonds and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position

Net position is restricted when there are constraints placed on their use by external parties or by statute.

Unrestricted Net Position

Net position not meeting either criteria above or considered unrestricted.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2017

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance

In the fund-based financial statements the restricted fund balances represent the amount set aside for constraints placed on them by external creditors or laws of other Governments. The committed fund balances represent the internal reservations by the School District's Board.

The non-spendable balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date of the audit report.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The School District follows these procedures in establishing the budgetary data reflected in the financial statements for the General and Special Revenue Funds. The School District is not legally required to adopt budgets for the Debt Service Funds.

1. Prior to July 1, the School District Superintendent submits to the Board of Education, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted at a regular meeting by Board of Education approval.
4. Any revisions to the budgeted amounts must be approved by the Board of Education.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. These budgets lapse at the end of each year.
6. Budgeted amounts presented in the financial statements are as originally adopted or as amended by the Board of Education prior to June 30, 2017.

Public Act 621 of 1978 Disclosures

Public Act 621 of 1978 requires local units of government (including School Districts) to prepare and to monitor their fiscal year budgets in accordance therewith. The Act provides that a school district must amend its budget if it becomes apparent that the School Districts actual revenues will deviate from those budgeted or if the School District's expenditures will exceed the amount appropriated. During the year ended June 30, 2017, the School District monitored and amended its budget and was in substantial compliance with the Act except for General Fund Capital Outlay which did not budget for capital outlay on equipment bought on a capital lease.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2017

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

Public Act 275 of 1980 Disclosure

There were no deficits in any of the School District's fund-based financial statements as of June 30, 2017.

NOTE C CASH AND INVESTMENTS

The carrying amount of various deposits presented on the statement of net position as "Cash and Investments" were made in financial institutions whose deposits are covered by federal depository insurance or in a municipal investment fund. All deposits were made in accordance with State of Michigan statutes and under authorization of the Board of Education.

At June 30, 2017, cash and investments on deposit in financial institutions totaled \$1,789,154, of which \$527,193 was covered by depository insurance and \$1,261,961 exceeded insurance limits. The School District places its deposits and investments with, what it believes to be, high quality financial institutions. Although such deposits and investments were in uninsured funds, they are, in the opinion of the School District, subject to minimal risk.

NOTE D CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

| | Balance 7/1/16 | Additions | Disposals and Adjustments | Balance 6/30/17 |
|-----------------------------------|---------------------|-------------------|---------------------------------|---------------------|
| Assets not being Depr: | | | | |
| Land | \$ 11,361 | \$ - | \$ - | 11,361 |
| Capital Assets being Depr: | | | | |
| Bldg & bldg improvement | 6,829,165 | 71,223 | - | 6,900,388 |
| Buses & other vehicles | 767,070 | 72,105 | 64,935 | 774,240 |
| Furniture & equipment | 1,072,789 | 320,413 | 206,800 | 1,186,402 |
| Total | 8,680,385 | 463,741 | 271,735 | 8,872,391 |
| Accumulated Depreciation: | | | | |
| Bldg & bldg improvement | 3,388,993 | 194,380 | - | 3,583,373 |
| Buses & other vehicles | 632,370 | 23,201 | 64,935 | 590,636 |
| Furniture & equipment | 780,865 | 132,454 | 122,976 | 790,343 |
| Total | 4,802,228 | 350,035 | 187,911 | 4,964,352 |
| Net Capital Assets | \$ 3,878,157 | \$ 113,706 | \$ 83,824 | \$ 3,908,039 |

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2017

NOTE E LONG-TERM DEBT

Changes in Long-Term Debt are summarized as follows:

| | Balance 6/30/16 | Additions | Deductions | Balance 6/30/17 |
|---------------------------|---------------------|-------------------|-------------------|---------------------|
| Notes payable for: | | | | |
| Compensated absences | \$ 465,571 | \$ - | \$ 25,274 | \$ 440,297 |
| School bldg & site bonds | 875,000 | - | 170,000 | 705,000 |
| Apple, Inc. capital lease | - | 239,003 | 81,940 | 157,063 |
| | <u>\$ 1,340,571</u> | <u>\$ 239,003</u> | <u>\$ 277,214</u> | <u>\$ 1,302,360</u> |

1992 School Building and Site Bonds

On June 1, 1992, the School District issued \$1,800,000 of 1992 School Building and Site Bonds for renovation of the School. On September 25, 2003 and January 19, 2015 the School District refinanced these funds. The bonds are unlimited tax general obligations of the School District and bear interest rates of 1.75%. A summary of annual principal and interest requirements to maturity with interest paid November 1 and interest and principal paid May 1 follows:

| Maturity | Interest Rate | Principal | Interest Amount | | Total |
|----------|------------------|-------------------|------------------|------------------|-------------------|
| | | | 1-Nov | 1-May | |
| 2018 | 1.750% | \$ 170,000 | \$ 6,169 | \$ 6,169 | \$ 182,338 |
| 2019 | 1.750% | 175,000 | 4,681 | 4,681 | 184,362 |
| 2020 | 1.750% | 180,000 | 3,150 | 3,150 | 186,300 |
| 2021 | 1.750% | 180,000 | 1,575 | 1,575 | 183,150 |
| | | <u>\$ 705,000</u> | <u>\$ 15,575</u> | <u>\$ 15,575</u> | <u>\$ 736,150</u> |

Apple, Inc. Capital Lease

On August 1, 2016 the School District entered into a Master Purchase Lease Agreement of \$239,003 for the acquisition of computer hardware. This lease bears an interest rate of 2.88%.

| Maturity | Principal | Interest | Total |
|----------|-------------------|-----------------|-------------------|
| 2018 | \$ 77,417 | \$ 4,523 | \$ 81,940 |
| 2019 | 79,646 | 2,294 | 81,940 |
| | <u>\$ 157,063</u> | <u>\$ 6,817</u> | <u>\$ 163,880</u> |

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2017

NOTE E LONG-TERM DEBT (continued)

Compensated Absences

Compensated absences consist of amounts due employees for unused accumulated sick leave upon termination of their employment. Support Service Employees can accumulate up to 120 days of sick leave and will be paid at their daily wage per day for unused sick leave upon termination. Teachers can accumulate up to 300 days and will be paid upon termination. The School administrators will be paid accumulated sick days up to a maximum of 160 days upon termination of employment.

Following is a summary of compensated absences due at June 30, 2017:

| | | |
|----------------|----|---------|
| Teachers | \$ | 281,282 |
| Administrators | | 133,344 |
| Support staff | | 25,671 |
| | | 440,297 |
| | \$ | 440,297 |

The aggregate amounts due on long-term debt excluding employee benefits for following years as follows:

| <u>Year Ending June 30</u> | | |
|----------------------------|----|---------|
| 2018 | \$ | 247,417 |
| 2019 | \$ | 254,646 |
| 2020 | \$ | 180,000 |
| 2021 | \$ | 180,000 |

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2017

NOTE F – GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN

PLAN DESCRIPTION

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

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

Contributions and Funded 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 2016 fiscal year.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2017

NOTE F – GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN (continued)

Contributions and Funded Status (continued)

| <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 Bark River Harris Public Schools were \$860,107 for the year ended September 30, 2016.

PENSION, LIABILITIES, PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2017, Bark River Harris Public Schools reported a liability of \$9,556,213 for its proportionate share of the MPSERS net pension liability. The next pension liability was measured as of September 30, 2016 and the total pension liability used to calculate the net position was determined by an actuarial valuation rolled forward from September 2015. Bark River Harris Public School's proportion of the net pension liability was determined by dividing each employers statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2016, Bark River Harris Public Schools proportion was .03830 percent, which was an increase of .050 percent from its proportionate measured as of September 30, 2015.

For the year ended June 30, 2017, Bark River Harris Public School's recognized pension expense of \$952,535. At June 30, 2017, Bark River Harris Public School's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Outflows of Resources</u> | <u>Inflows of Resources</u> |
|---|------------------------------|-----------------------------|
| Differences between actual and expected experience | \$ 119,096 | \$ 22,648 |
| Changes of assumptions | 149,404 | - |
| Net difference between projected and actual earnings on pension plan investments | 158,824 | 6,255 |
| Changes in proportion and differences between Bark River Harris Public Schools contributions and proportionate share of contributions | 141,903 | - |
| Bark River Harris Public Schools contributions subsequent to the measurement date | 1,148,573 | - |
| | <u>\$ 1,717,800</u> | <u>\$ 28,903</u> |

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2017

NOTE F – GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN (continued)

Contributions subsequent to the measurement date 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. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

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

| Plan Year Ended September 30 | Amount |
|---------------------------------|------------|
| 2017 | \$ 116,963 |
| 2018 | \$ 104,472 |
| 2019 | \$ 266,691 |
| 2020 | \$ 52,198 |

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 actual valuation as follows:

Summary of Actuarial Assumptions

| | |
|------------------------------------|---|
| Valuation Date | September 30, 2015 |
| Actuarial Cost Method | Entry Age, Normal |
| Wage Inflation Rate | 3.5% |
| Investment Rate of Return | |
| -MIP and Basic Plans (Non-Hybrid) | 8.0% |
| -Pension Plan Plus (Hybrid) | 7.0% |
| Projected Salary Increases | 3.5-12.3%, including wage inflation at 3.5% |
| Cost of Living Pension Adjustments | 3% Annual Non-Compounded for MIP Members |
| Mortality: | RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females. |

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2017

NOTE F – GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN (continued)

Summary of Actuarial Assumptions (continued)

Notes:

- 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.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.6273 for non-university employers 1.2456 for university employers
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report. 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 weighing 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:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------------------|--------------------------|---|
| 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% |
| TOTAL | <u>100.0%</u> | |

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

**Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2017**

NOTE F – GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN (continued)

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 provided through non-university employers only). 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.

Sensitivity of Bark River Harris Public Schools Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents Bark River Harris Public Schools 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 Bark River Harris Public Schools 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)* | Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* | 1% Increase (Non-Hybrid/Hybrid)* |
|---|---|---|
| <u>7.0% / 6.0%</u> | <u>8.0% / 7.0%</u> | <u>9.0% / 8.0%</u> |
| \$12,305,997 | \$9,556,213 | \$7,237,881 |

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR. Available at www.michigan.gov/mpsers-cafr

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

At June 30, 2017, the District reported a payable of \$92,966 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

Postemployment Benefits

Under the MPSERS act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare, of the monthly premium amount for the health, dental and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. Members can choose to contribute 3 percent of their covered payroll to the Retiree.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2017

NOTE F – GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN (continued)

Postemployment Benefits (continued)

Healthcare Fund and keep this premium subsidy benefit or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 401(k) account.

NOTE G DEFERRED INFLOW (OUTFLOW) OF RESOURCES

The School District's deferred inflow of resources at June 30, 2017, consisted of:

| | Governmental Funds | District-wide Funds |
|---------------------------------|-----------------------|------------------------|
| General | \$ 7,997 | \$ 7,997 |
| Hot Lunch | 2,847 | 2,847 |
| Employee Retirement System | - | 28,903 |
| State aide funding for pensions | - | 296,415 |
| | \$ 10,844 | \$ 336,162 |

The School District's deferred outflow of resources at June 30, 2017 consisted of:

| | Governmental Funds | District-wide Funds |
|--|-----------------------|------------------------|
| | \$ - | \$ 1,717,800 |
| | \$ - | \$ 1,717,800 |

NOTE H INTERFUND RECEIVABLES AND PAYABLES - FUND BASED FINANCIAL STATEMENTS

There were no Interfund receivables or payables during the year ending June 30, 2017.

NOTE I INTERFUND TRANSFERS - FUND BASED FINANCIAL STATEMENTS

The Interfund transfers during the year ending June 30, 2017 were as follows:

| | Transfers Out | Transfers In |
|-----------|---------------|--------------|
| General | \$ 14,205 | \$ - |
| Hot Lunch | - | 14,205 |
| | \$ 14,205 | \$ 14,205 |

NOTE J RISK MANAGEMENT

The School District is exposed to various risks of losses to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District has obtained coverage from commercial insurance companies. The School District has comprehensive general liability coverage of \$25,000 per occurrence and a \$1,000,000 aggregate limit with no deductible amount.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2017

NOTE J RISK MANAGEMENT (continued)

All risk management activities are accounted for in the General Fund and Special Revenue Funds of the School District. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create but for which none have been reported are considered.

Management estimates that the amount or potential claims against the School District as of June 30, 2017 will not materially affect the financial condition of the School District. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE K OPERATING LEASES

Operating leases consist of rental copy machines and a postal machine. The current year expenditure amounted to \$8,509. The following are the requirements for charges due with the remaining term of the contract:

| | |
|------|----------|
| 2018 | \$ 9,060 |
| 2019 | \$ 5,643 |
| 2020 | \$ 5,643 |
| 2021 | \$ 3,801 |

NOTE L FUND BALANCES

Portions of the fund balances have been classified to include the District's current plans for accumulating funds for use in subsequent periods as follows:

| | |
|----------------------------|-------------------|
| <u>Non-Spendable</u> | |
| Inventory | \$ 1,568 |
| Prepays | 79,217 |
| | <u>\$ 80,785</u> |
| <u>Committed</u> | |
| <i>General:</i> | |
| Early retirement incentive | \$ 500,000 |
| Capital outlay reserve | 100,000 |
| | <u>\$ 600,000</u> |
| <u>Restricted</u> | |
| Debt service | \$ 27,193 |
| Hot lunch | (2,696) |
| | <u>\$ 24,497</u> |

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2017

NOTE M SHORT-TERM STATE AID ANTICIPATION NOTE PAYABLE

No short -term State Aid Anticipation note payable was taken out during the year.

NOTE N RESTRICTED NET POSITION

At June 30, 2017, the School District's restricted net position consisted of \$24,497 which \$27,193 is to be used to pay off bond obligations and a negative \$(2,696) for Food Service.

NOTE O UPCOMING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued by the GASB in June 2016 and will be effective for the School District's 2018 fiscal year. The Statement requires governments that participate in defined benefit other than postemployment (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past services and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees and their beneficiaries. Statement No. 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost -sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

Required Supplemental Information

Bark River Harris Public Schools
 Budgetary Comparison Schedule – General Fund
 For the Year Ended
 June 30, 2017

| | Original Budget | Final Amended | Actual | Variance |
|---|---------------------|---------------------|---------------------|------------------|
| REVENUE | | | | |
| Local sources | \$ 429,110 | \$ 544,652 | \$ 548,780 | \$ 4,128 |
| State sources | 5,980,553 | 5,892,570 | 5,892,654 | 84 |
| Federal sources | 331,000 | 369,424 | 361,486 | (7,938) |
| Inter-district & other sources | 53,000 | 30,021 | 32,091 | 2,070 |
| Total Revenue | <u>6,793,663</u> | <u>6,836,667</u> | <u>6,835,011</u> | <u>(1,656)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 4,971,397 | 4,733,088 | 4,682,528 | 50,560 |
| Supporting services | 1,868,348 | 1,912,880 | 1,824,963 | 87,917 |
| Capital outlay | - | 229,291 | 457,343 | (228,052) |
| Total Expenditures | <u>6,839,745</u> | <u>6,875,259</u> | <u>6,964,834</u> | <u>(89,575)</u> |
| Excess of Revenues - (Expenditures) | <u>(46,082)</u> | <u>(38,592)</u> | <u>(129,823)</u> | <u>(91,231)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of School property | - | 23,527 | 23,527 | - |
| Transfers out | - | (39,937) | (14,205) | 25,732 |
| Payment of Capital Lease | (80,000) | - | (81,940) | (81,940) |
| Proceeds from Capital Lease | - | - | 239,003 | 239,003 |
| Total Other Financing Sources | <u>(80,000)</u> | <u>(16,410)</u> | <u>166,385</u> | <u>182,795</u> |
| Excess of Revenues and Other Resources Over (Under) Expenditures & Other Uses | (126,082) | (55,002) | 36,562 | 91,564 |
| Fund Balance Beginning of Year | <u>1,977,198</u> | <u>1,977,198</u> | <u>1,977,198</u> | <u>-</u> |
| Fund Balance End of Year | <u>\$ 1,851,116</u> | <u>\$ 1,922,196</u> | <u>\$ 2,013,760</u> | <u>\$ 91,564</u> |

Bark River Harris Public Schools
Schedule of Bark River Harris Public School's Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Fiscal Years *(Amounts determined as of 6/30 of each year)*

| | 2018 | 2017 | 2016 | 2015 |
|---|-------|--------------|--------------|--------------|
| Statutory required contributions | | \$ 852,158 | \$ 745,702 | \$ 810,262 |
| Contributions in relation to statutory required contributions | | 852,158 | 745,702 | 810,262 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| School's covered employee payroll | | \$ 3,477,301 | \$ 3,262,404 | \$ 4,235,265 |
| Contributions as a percentage of covered employee payroll | 0.00% | 24.51% | 22.86% | 19.13% |

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|------|------|------|------|------|
| Statutory required contributions | | | | | |
| Contributions in relation to statutory required contributions | | | | | |
| Contribution deficiency (excess) | | | | | |
| School's covered employee payroll | | | | | |
| Contributions as a percentage of covered employee payroll | | | | | |

Note Disclosures:

Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to MPERS which may differ from the statutorily required contributions

Change of Benefit Terms - there were no changes in 2016

Change of Assumptions - there were no changes in 2016

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available beginning with FYE June 30, 2014.

Bark River Harris Public Schools
Schedule of Bark River Harris Public School's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Reporting Fiscal Years *(Amounts determined as of 9/30 of each year)*

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|------|------|--------------|--------------|--------------|
| Proportion of net pension liability % | | | .03830% | .03780% | .03745% |
| Proportionate share of net pension liability | | | \$ 9,556,213 | \$ 9,320,963 | \$ 8,248,654 |
| Covered employee payroll | | | \$ 3,250,257 | \$ 3,163,196 | \$ 3,190,771 |
| Proportionate share of net pension liability as a percentage of its covered employee payroll % | | | 294.01% | 294.67% | 258.52% |
| Plan fiduciary net position as a percentage of total pension liability | | | 63.27% | 63.17% | 66.20% |

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|--|------|------|------|------|------|
| Proportion of net pension liability % | | | | | |
| Proportionate share of net pension liability | | | | | |
| Covered employee payroll | | | | | |
| Proportionate share of net pension liability as a percentage of its covered employee payroll % | | | | | |
| Plan fiduciary net position as a percentage of total pension liability | | | | | |

Note Disclosures:

Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to MPSERS which may differ from the statutorily required contributions

Change of Benefit Terms - there were no changes in 2016

Change of Assumptions - there were no changes in 2016

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available beginning with FYE June 30, 2014.

Other Supplemental Information

Bark River Harris Public Schools
Balance Sheet
Non-Major Governmental Funds
For the Year Ended
June 30, 2017

| | Debt | | |
|---|------------------|------------------|------------------|
| | Retirement | Hot Lunch | Total |
| ASSETS | | | |
| Cash | \$ 27,193 | \$ 3,610 | \$ 30,803 |
| Due from other Governmental units | - | 2,670 | 2,670 |
| Accounts receivable | - | 1,081 | 1,081 |
| Inventory | - | 1,568 | 1,568 |
| Prepaid expenditures | - | 3,034 | 3,034 |
| Total Assets | \$ 27,193 | \$ 11,963 | \$ 39,156 |
| | | | |
| LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND EQUITY | | | |
| Liabilities | | | |
| Accounts payable | \$ - | \$ 7,210 | \$ 7,210 |
| Due to other funds | - | - | - |
| Total Liabilities | - | 7,210 | 7,210 |
| | | | |
| Deferred Inflow of Resources | | | |
| Unavailable revenue | - | 2,847 | 2,847 |
| | | | |
| Fund Balances | | | |
| Non-Spendable: | | | |
| Inventory | - | 1,568 | 1,568 |
| Prepaid | - | 3,034 | 3,034 |
| Restricted | 27,193 | (2,696) | 24,497 |
| Total Fund Balances | 27,193 | 1,906 | 29,099 |
| | | | |
| Total Liabilities, Deferred Inflows of Resources and Fund Equity | \$ 27,193 | \$ 11,963 | \$ 39,156 |

Bark River Harris Public Schools
Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended
June 30, 2017

| | Debt Retirement | Hot Lunch | Total |
|---|--------------------|-----------------|------------------|
| REVENUE | | | |
| Local sources | \$ 177,874 | \$ 141,307 | \$ 319,181 |
| State sources | - | 45,869 | 45,869 |
| Federal sources | - | 203,202 | 203,202 |
| Total Revenue | <u>177,874</u> | <u>390,378</u> | <u>568,252</u> |
| EXPENDITURES | | | |
| Supporting service | - | 398,054 | 398,054 |
| Principal retirement | 170,000 | - | 170,000 |
| Interest | 15,436 | - | 15,436 |
| Capital outlay | - | 6,398 | 6,398 |
| Total Expenditures | <u>185,436</u> | <u>404,452</u> | <u>589,888</u> |
| Excess of Revenue (Expenditures) | (7,562) | (14,074) | (21,636) |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | - | 14,205 | 14,205 |
| Operating transfers out | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>14,205</u> | <u>14,205</u> |
| Excess revenues and other resources over (under) expenditures and other uses | (7,562) | 131 | (7,431) |
| Fund Balance July 1 | <u>34,755</u> | <u>1,775</u> | <u>36,530</u> |
| Fund Balance June 30 | <u>\$ 27,193</u> | <u>\$ 1,906</u> | <u>\$ 29,099</u> |

Bark River Harris Public Schools
Schedule of General Fund Revenue
For the Year Ended
June 30, 2017

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|---------------------|---------------------|-------------------|
| LOCAL SOURCES | | | |
| General property tax levy | | \$ 393,848 | |
| Interest in investments | | 4,241 | |
| Athletics | | 42,562 | |
| Tuition | | 6,275 | |
| Driver's ed fees | | 8,660 | |
| Chip-in funds | | 89,311 | |
| Miscellaneous | | 3,883 | |
| Total Local Sources | <u>544,652</u> | <u>548,780</u> | <u>4,128</u> |
| STATE SOURCES | | | |
| State school aid | | 5,035,246 | |
| Headlee | | 18,428 | |
| Student data MPSERS cost | | 452,613 | |
| At Risk | | 217,614 | |
| Special education | | 115,746 | |
| Other | | 53,007 | |
| Total State Sources | <u>5,892,570</u> | <u>5,892,654</u> | <u>84</u> |
| FEDERAL SOURCES | | | |
| Title I | | 114,246 | |
| Indian education | | 24,211 | |
| Impact aid | | 194,070 | |
| Title II teacher quality | | 28,959 | |
| Total Federal Sources | <u>369,424</u> | <u>361,486</u> | <u>(7,938)</u> |
| INTER-DISTRICT AND OTHER SOURCES | | | |
| School District - various programs | | 32,091 | |
| Sale of school property | | 23,527 | |
| | <u>53,548</u> | <u>55,618</u> | <u>2,070</u> |
| Total General Fund Revenue | <u>\$ 6,860,194</u> | <u>\$ 6,858,538</u> | <u>\$ (1,656)</u> |

Bark River Harris Public Schools
Schedule of General Fund Expenditures for the Year Ended June 30, 2017

| | Budget | Actual | Variance |
|-----------------------------|---------------------|---------------------|------------------|
| INSTRUCTION - BASIC | | | |
| Elementary | | | |
| Salaries | | | |
| Teacher | | \$ 1,113,747 | |
| Teacher aides | | 114,115 | |
| Teacher substitute | | 6,296 | |
| Severance pay | | 5,898 | |
| Temporary wages | | 583 | |
| Employee insurance | | 296,076 | |
| Employee retirement | | 505,378 | |
| FICA | | 85,945 | |
| Workers compensation | | 1,027 | |
| Supplies and materials | | 12,167 | |
| Rental copier | | 3,763 | |
| Textbooks | | 3,356 | |
| Workshop and conferences | | 194 | |
| Instructional services | | 24,874 | |
| Dues and fees | | 818 | |
| Miscellaneous | | 2,672 | |
| Total Elementary | 2,183,205 | 2,176,909 | 6,296 |
| Jr. High School | | | |
| Salaries | | | |
| Teacher | | 286,205 | |
| Teacher substitute | | 5,575 | |
| Severance pay | | 19,800 | |
| Workers compensation | | 136 | |
| Employee insurance | | 67,064 | |
| Employee retirement | | 133,846 | |
| FICA | | 21,149 | |
| Supplies and materials | | 1,612 | |
| Instructional services | | 4,762 | |
| Rental copier | | 2,565 | |
| Miscellaneous | | 219 | |
| Total Junior High | 548,471 | 542,933 | 5,538 |
| High School | | | |
| Salaries | | | |
| Teacher | | 578,463 | |
| Teacher substitute/tutor | | 13,222 | |
| Severance pay | | 2,543 | |
| Employee insurance | | 127,658 | |
| Employee retirement | | 288,303 | |
| FICA | | 41,388 | |
| Tuition - dual enrollment | | 68,746 | |
| Supplies and materials | | 11,197 | |
| Miscellaneous | | 183 | |
| Instructional services | | 4,002 | |
| Rental copier | | 2,565 | |
| Dues and fees | | 16,347 | |
| Workers compensation | | 318 | |
| Band/music expense | | 3,359 | |
| Total High School | 1,180,059 | 1,158,294 | 21,765 |
| Total Basic Programs | \$ 3,911,735 | \$ 3,878,136 | \$ 33,599 |

Bark River Harris Public Schools
Schedule of General Fund Expenditures (Continued)
For the Year Ended June 30, 2017

| | Budget | Actual | Variance |
|--|---------|-----------|----------|
| INSTRUCTION - ADDED NEEDS | | | |
| Career and Technology | | | |
| Salaries | | | |
| Teacher | | \$ 24,429 | |
| Teacher substitution | | 2,437 | |
| Employee retirement | | 6,829 | |
| Employee insurance | | 6,034 | |
| FICA | | 1,803 | |
| Teaching supplies | | 129 | |
| Workers compensation | | 4 | |
| Instructional services | | 38 | |
| Total Career and Technology | 42,314 | 41,703 | 611 |
| Guidance Services | | | |
| Salaries | | | |
| Counseling wages | | 71,735 | |
| Employee retirement | | 17,951 | |
| Employee insurance | | 13,619 | |
| FICA | | 4,765 | |
| Workers compensation | | 148 | |
| Total Guidance Services | 109,258 | 108,218 | 1,040 |
| Special Education | | | |
| Salaries | | | |
| Teacher | | 146,024 | |
| Teacher aide | | 24,661 | |
| Teacher substitute/tutor | | 1,340 | |
| Employee insurance | | 49,970 | |
| Employee retirement | | 42,800 | |
| FICA | | 12,921 | |
| Workers compensation | | 262 | |
| Instructional services | | 8,604 | |
| Severance pay | | 13,484 | |
| Supplies and materials | | 1,166 | |
| Workshop and conference | | 124 | |
| Total Special Education | 305,800 | 301,356 | 4,444 |
| Supervision and Direction of Instructional Staff | | | |
| GSRP Specialist | | 2,000 | |
| Total Supervision and Direction of Instructional Staff | 3,000 | 2,000 | 1,000 |
| Speech Services | | | |
| Salaries | | 67,968 | |
| Employee retirement | | 16,995 | |
| Workers compensation | | 89 | |
| Employee insurance | | 18,284 | |
| Teaching supplies | | 429 | |
| FICA | | 4,476 | |
| Dues and fees | | 225 | |
| Total Speech Services | 109,087 | 108,466 | 621 |
| Ed Media Services | | | |
| Teacher aide wage | | 29,656 | |
| Employee retirement | | 6,287 | |
| FICA | | 2,170 | |

Bark River Harris Public Schools
Schedule of General Fund Expenditures (Continued)
For the Year Ended
June 30, 2017

| | Budget | Actual | Variance |
|--|---------------------|---------------------|------------------|
| INSTRUCTION - ADDED NEEDS (CONTINUED) | | | |
| Ed Media Services (continued) | | | |
| Insurance | | 2,242 | |
| Workers comp | | 37 | |
| Instructional services | | 1,377 | |
| Supplies | | 478 | |
| Dues and fees | | 2,471 | |
| Total ED Media Services | 44,833 | 44,718 | 115 |
| Improvement of Instruction | | | |
| Salaries | | | |
| Teacher | | 6,600 | |
| Employee retirement | | 1,612 | |
| FICA | | 480 | |
| Workers compensation | | 10 | |
| Workshop and conferences | | 1,678 | |
| Instructional services | | 383 | |
| Total Improvement of Instruction | 13,999 | 10,763 | 3,236 |
| Driver Education | | | |
| Salaries | | | |
| Teachers | | 4,998 | |
| Employee retirement | | 1,247 | |
| FICA | | 345 | |
| Workers compensation | | 5 | |
| Bus repairs and supplies | | 845 | |
| Total Driver Education | 10,522 | 7,440 | 3,082 |
| Preschool | | | |
| Salaries | | | |
| Teachers | | 3,753 | |
| Employee retirement | | 602 | |
| FICA | | 170 | |
| Workers compensation | | 5 | |
| Workshop and conferences | | 45 | |
| Instructional service | | 25,524 | |
| Dues and fees | | 65 | |
| Total Preschool | 30,410 | 30,164 | 246 |
| Compensatory Education | | | |
| Salaries | | | |
| Teacher | | 69,389 | |
| Teacher substitute | | 67 | |
| Teacher aide | | 39,503 | |
| Employee retirement | | 25,784 | |
| Employee insurance | | 2,930 | |
| Instructional services | | 3,427 | |
| FICA | | 8,100 | |
| Workers compensation | | 166 | |
| Workshop and conferences | | 198 | |
| Total Title I | 152,130 | 149,564 | 2,566 |
| Total Added Needs | 821,353 | 804,392 | 16,961 |
| TOTAL INSTRUCTION | \$ 4,733,088 | \$ 4,682,528 | \$ 50,560 |

Bark River Harris Public Schools
Schedule of General Fund Expenditures (Continued)
For the Year Ended
June 30, 2017

| | Budget | Actual | Variance |
|---|---------|----------|----------|
| SUPPORTING SERVICES - GENERAL ADMINISTRATION | | | |
| Board of Education | | | |
| Audit | | \$ 5,300 | |
| Other professional contracts | | 22,294 | |
| Dues and fees | | 4,693 | |
| Advertising | | 12,784 | |
| Workshop and conferences | | 985 | |
| Legal expenses | | 9,173 | |
| Miscellaneous | | 1,236 | |
| Total Board of Education | 63,478 | 56,465 | 7,013 |
| Executive Administrative | | | |
| Salaries | | | |
| Superintendent | | 100,909 | |
| Employee insurance | | 1,749 | |
| Employee retirement | | 23,372 | |
| FICA | | 7,506 | |
| Workers compensation | | 49 | |
| Workshop and conferences | | 570 | |
| Office supplies | | 50 | |
| Dues and fees | | 1,585 | |
| Miscellaneous | | 1,150 | |
| Total Executive Administrative | 139,463 | 136,940 | 2,523 |
| Other School Administrative | | | |
| Graduation expenses | | 2,499 | |
| Total Other School Administrative | 3,000 | 2,499 | 501 |
| Fiscal Services | | | |
| Salaries | | | |
| Administrative assistant | | 81,899 | |
| Employee insurance | | 18,310 | |
| Employee retirement | | 20,602 | |
| FICA | | 5,590 | |
| Workers compensation | | 61 | |
| Workshop and conferences | | 1,662 | |
| Office supplies | | 883 | |
| Rental copier | | 1,286 | |
| Dues and fees | | 704 | |
| Total General Administration | 134,319 | 130,997 | 3,322 |

Bark River Harris Public Schools
Schedule of General Fund Expenditures (Continued)
For the Year Ended
June 30, 2017

| | Budget | Actual | Variance |
|--|---------|---------|----------|
| SUPPORTING SERVICES - OFFICE OF PRINCIPAL | | | |
| Salaries | | | |
| Principal | | 181,515 | |
| Secretarial | | 56,839 | |
| Temporary wages | | 11 | |
| FICA | | 16,389 | |
| Employee insurance | | 66,729 | |
| Employee retirement | | 58,333 | |
| Workers compensation | | 405 | |
| Workshop and conferences | | 2,801 | |
| Other professional contracts | | 1,477 | |
| Rental copier | | 1,428 | |
| Office supplies | | 2,410 | |
| Miscellaneous | | 194 | |
| Dues and fees | | 1,025 | |
| Total School Administration Services | 395,988 | 389,556 | 6,432 |
| SUPPORTING SERVICES - OPERATION AND MAINTENANCE | | | |
| Salaries | | | |
| Custodial | | 168,193 | |
| Temporary wages | | 5,636 | |
| Heating/gas | | 34,660 | |
| Electrical | | 72,355 | |
| Waste disposal | | 3,652 | |
| Property liability insurance | | 17,580 | |
| Repairs and maintenance bldg | | 36,058 | |
| Telephone | | 2,877 | |
| Postage | | 4,318 | |
| Other supplies | | 25,918 | |
| Miscellaneous | | 1,773 | |
| Equipment repair | | 1,317 | |
| Employee insurance | | 47,055 | |
| FICA | | 11,718 | |
| Employee retirement | | 42,233 | |
| Workers compensation | | 1,034 | |
| Total Operation and Maintenance | 497,817 | 476,377 | 21,440 |
| SUPPORTING SERVICES - ATHLETIC ACTIVITIES | | | |
| Salaries | | | |
| Coach | | 40,054 | |
| Employee retirement | | 10,266 | |
| FICA | | 2,955 | |
| Workers compensation | | 143 | |
| Pupil services | | 13,825 | |
| Advertising | | 519 | |
| Other supplies | | 22,432 | |
| Dues and fees | | 3,898 | |
| Workshop and conferences | | 295 | |
| Athletic tournament | | 1,966 | |
| Athletic awards | | 1,037 | |
| Athletic driver meals | | 139 | |
| Miscellaneous | | 138 | |
| Total Athletic Activities | 109,702 | 97,667 | 12,035 |

Bark River Harris Public Schools
Schedule of General Fund Expenditures (Continued)
For the Year Ended
June 30, 2017

| | Budget | Actual | Variance |
|---|---------------------|---------------------|--------------------|
| SUPPORTING SERVICES - PUPIL TRANSPORTATION | | | |
| Salaries | | | |
| Bus driver | | 137,397 | |
| Bus driver mechanic | | 43,746 | |
| Temporary wages | | 3,630 | |
| Overtime salaries | | 324 | |
| Bus contracted services | | 20,000 | |
| Workshops and conferences | | 2,586 | |
| Vehicle repairs and parts | | 40,418 | |
| Dues and fees | | 2,713 | |
| Other transport supplies | | 233 | |
| Gasoline, oil and tires | | 61,943 | |
| Fleet insurance | | 5,416 | |
| Trans radio | | 4,945 | |
| Employee insurance | | 36,212 | |
| FICA | | 11,953 | |
| Employee retirement | | 40,098 | |
| Workers compensation | | 1,890 | |
| Total Pupil Transportation | 428,256 | 413,504 | 14,752 |
| SUPPORTING SERVICES - NON-INSTRUCTIONAL PROF DEVELOPMENT | | | |
| Workshops | | 2,447 | |
| Total Non-Instructional Professional Development | 4,355 | 2,447 | 1,908 |
| SUPPORTING SERVICES - INTERMEDIATE SCHOOL SERVICES | | | |
| Alternative and vocational | | 14,663 | |
| Special ed bill back | | 3,725 | |
| General services | | 14,129 | |
| Total Intermediate School Services | 32,792 | 32,517 | 275 |
| SUPPORTING SERVICES - INFORMATION | | | |
| Salaries | | | |
| Technology | | 63,097 | |
| Copyright fee & software license | | 19,117 | |
| Data processing | | 3,780 | |
| Total Information | 103,710 | 85,994 | 17,716 |
| Total Supporting Services | 1,912,880 | 1,824,963 | 87,917 |
| CAPITAL OUTLAY | | | |
| Supporting Service | | | |
| Bus | | 72,105 | |
| Equipment | | 313,537 | |
| Improvement building | | 71,701 | |
| Total Capital Outlay | 229,291 | 457,343 | (228,052) |
| TOTAL GENERAL FUND EXPENDITURES | \$ 6,875,259 | \$ 6,964,834 | \$ (89,575) |

Supplemental Report

JOHNSON & RENNIE, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Rodney R. Johnson, CPA
Joel T. Rennie, CPA
Carl R. Sorensen, CPA

Members
American Institute of CPA's
Michigan Association of CPA's
Wisconsin Institute of CPA's

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

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 Governmental activities, each major fund and the aggregate remaining fund information of Bark River Harris Public School's as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise Bark River Harris Public School's basic financial statements and have issued our report thereon dated September 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School'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 School District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control described in the accompanying Schedule of Findings and Responses as items 2017-001 and 2017-002 that we consider to be a significant deficiency.

Compliance and other Matters

As part of obtaining reasonable assurance about whether Bark River Harris Public School's financial statements are free of 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School's Response to Findings

Bark River Harris Public School's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit Bark River Harris Public School's response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information and use of the Board of Education, management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Johnson & Rennie, LLC

Johnson & Rennie, LLC
Menominee, Michigan
September 1, 2017

Bark River Harris Public Schools

Schedule of Findings and Responses For the Year Ended June 30, 2017

#2017-001 - Ability to Prepare Financial Statements and Related Note Disclosures

Criteria: Local units of Government are required to possess the ability to prepare its financial statements and related disclosures in accordance with generally accepted accounting principles.

Condition: Like other local units of Government of similar size, limited financial summaries and abbreviated financial statements are made available for the Members of the Board. The School District relies on its auditor to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Members of the Board review and accept the financial statements on behalf of the School District.

Cause: The School District does not have staff familiar enough with accounting standards to be able to draft the School District's financial statements and related footnotes.

Recommendation: The hiring of additional personnel to prepare the financial statements would not be cost effective. Members of the Board should remain involved in the financial reporting process to provide oversight and independent review functions.

Response: The School District agrees and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.

#2017-002 – Segregation of Duties

Criteria: Local units of Government including School Districts, are required to have a segregation of duties among its accounting department staff in accordance with sound accounting principles.

Condition: As in prior years it was noted that the School District has a lack of segregation of duties. One person handles almost all phases of the accounting and reporting of the School Districts finances due to the small number of staff.

Cause: It has been determined not to be cost effective to hire more staff to help eliminate this lack of segregation.

Effect: The effect of this is minimal as the lack of segregation was mitigated by the Superintendent's supervision and the active oversight of the Board.

Recommendation: Although the size of the School District makes complete segregation of duties impossible, we again recommend that the accounting functions be reviewed by management on a regular basis and that the duties be periodically rotated between the staff.

Managements Response: The School District is in the process of cross training accounting staff and duties will be rotated in the absence of accounting personnel. Management will continue to closely monitor the accounting functions.

Bark River Harris Public Schools

Schedule of Prior Year Findings and Responses For the Year Ended June 30, 2017

#2016-001 - Ability to Prepare Financial Statements and Related Note Disclosures

Criteria: Local units of Government are required to possess the ability to prepare its financial statements and related disclosures in accordance with generally accepted accounting principles.

Condition: Like other local units of Government of similar size, limited financial summaries and abbreviated financial statements are made available for the Members of the Board. The School District relies on its auditor to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Members of the Board review and accept the financial statements on behalf of the School District.

Cause: The School District does not have staff familiar enough with accounting standards to be able to draft the School District's financial statements and related footnotes.

Recommendation: The hiring of additional personnel to prepare the financial statements would not be cost effective. Members of the Board should remain involved in the financial reporting process to provide oversight and independent review functions.

Response: The School District agrees and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.