

**BRITTON DEERFIELD SCHOOLS  
BRITTON, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS  
(With required supplementary and  
other supplemental information)**

**YEAR ENDED JUNE 30, 2018**

**Britton Deerfield Schools  
Financial Report  
For the Fiscal Year Ended  
June 30, 2018**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Britton Deerfield Schools  
Britton, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Britton Deerfield Schools (the School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Schools District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Emphasis of Matter***

As described in Note 1 to the basic financial statements, effective July 1, 2017, the School District adopted the provision of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The School District's unrestricted net position has been restated as of July 1, 2017 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of Britton Deerfield Schools, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

### *Other Information*

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

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 combining and individual 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 *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2018, on our consideration of Britton Deerfield Schools internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Britton Deerfield Schools internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Britton Deerfield Schools internal control over financial reporting and compliance.

*Darnell & Meyering, P.C.*

DARNELL & MEYERING, P.C.

Taylor, Michigan  
October 10, 2018

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN**  
**MANAGEMENT AND DISCUSSION LETTER**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

On July 1, 2011 Britton-Macon and Deerfield Public Schools consolidated and became the Britton Deerfield Schools. Our discussion and analysis of Britton Deerfield School District's (the School District) financial performance provides an overview of the School District's financial activities in the fiscal year ended June 30, 2018. The Britton Deerfield School District implemented GASB requirements in the June 30, 2018 audit as required by the Governmental Accounting Standards Board (GASB). Please read it in conjunction with the School District's financial statements, which immediately follow this section.

The management's discussion and analysis is provided at the beginning of the audit and organized so that the reader can understand the current position of the Britton Deerfield School District's financial condition. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the School District's revenues by program for the General Fund, Debt Service Fund, Capital Projects Fund, and Special Revenue Fund.

## **USING THIS ANNUAL REPORT**

The School District's Annual Report consists of a series of financial statements that show information for the School District as a whole, its funds, and its fiduciary responsibilities. The *District Wide Financial Statements*, which include the **Statement of Net Position** and the **Statement of Activities** provide information about the district as a whole and present a longer-term view of the School District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The *Fund Financial Statements* provide detailed information about the School District's most significant funds, not the School District as a whole.

## **Reporting the School District as a whole**

These two statements report the School District's Net Position-the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources as reported in the **Statement of Net Position** – as one way to measure the School District's financial health or financial position. The **Statement of Net Position**, for the first time, combines and consolidates governmental fund's current financial resources with capital assets and long-term obligations, regardless if they are currently available or not. In comparison to "other assets", capital assets are those assets that are tangible, valued over a specified amount, and usually have a long life. They are depreciated over a useful life. More detail on capital assets and their recorded useful lives is found in the footnote section of the audit. Long-term obligations (liabilities) are those that are longer than one year. Some liabilities are classified as "short-term" for the portion due in a year, and "long-term" for the portion due in the future years (such as leases payable, compensated absences, and debt obligations). "Other liabilities" are considered to be obligations due within a year. Over time, increases or decreases in the School District's Net Position – as reported in the **Statement of Activities** – is one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the School District's operating results.



**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN**  
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**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

However, the School District's goal is to provide services to our students, not to generate a profit as commercial entities do. There are other factors to consider such as quality of education and school safety to assess the overall health of the School District.

The **Statement of Net Position** and **Statement of Activities** report the governmental activities and business-type activities. These statements for the Britton Deerfield School District will include only governmental activities, which encompass all of the School District's services including instruction, supporting services, athletics, and food service. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

**Reporting the School District's most significant funds**

The School District's fund financial statements provide detailed information about the School District's most significant funds, not the School District as a whole. The fund statements are similar to financial presentations in the past, but the new focus is on the School District's major funds rather than fund types. The two Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. Some funds are required by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (such as **Food Service**) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies (such as **Debt and Capital Projects**). The School District's major funds are the **General Fund** and the **2017 Sinking Fund**.

Most of the School District's services are reported in governmental funds. Governmental fund reporting focuses on how money flows into and out of the funds and the balances left at year-end that are available for spending in future periods. They are reported using an accounting method called "modified accrual" accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between *governmental activities* (reported in the **Statement of Net Position** and the **Statement of Activities**) and *governmental funds* in reconciliation on pages 16 and 18.

Fund types include the General Fund, Special Revenue Fund, Debt Retirement Fund, Capital Projects Fund, and Fiduciary Fund. The General Fund is used primarily to account for the general education requirements of the School District. Its revenues are derived from property taxes, state and federal distributions and grants and other intergovernmental revenues. The Debt Fund is used to record the funding and payment of principal and interest on Bonded Debt. The Special Revenue Fund is used to record the funding and expenditures of monies specified for a specific purpose (Food Service). The Fiduciary Funds account for assets held by the School District in a trustee capacity or as an agent for various student groups and related activities.

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN**  
**MANAGEMENT AND DISCUSSION LETTER**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**The School District as a Whole**

The School District's net position was (\$8,385,453) at the end of June 30, 2018 and (\$8,652,421) as restated as of June 30, 2017, representing a net increase of \$266,968. Of the total amount \$(12,955,138) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those funds for day-to-day operations. Our analysis below focuses on the **Net Position** (Table 1) and **Change in Net Position** (Table 2) of the School District's governmental activities.

As required by the Government Accounting Standards Board (GASB), the School District adopted GASB Statements No. 75. This standard required the inclusion of the School District's proportionate share of the Michigan Public School Employees' Post-employment Benefits Other Than Pension Plan (OPEB) Plan obligations within the School District's financial statements, effective July 1, 2017. The effect of the adoption was to decrease July 1, 2017 beginning net position by \$3,265,905 and to include the obligation, and related deferred outflows of resources, in the June 30, 2018 financial statements. All governments participating in the OPEB plan were required to adopt this new standard.

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN**  
**MANAGEMENT AND DISCUSSION LETTER**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<b>Net Position (Table 1)</b>		
	<b>2018</b>	<b>2017</b>
<b>Assets:</b>		
Current assets	\$ 2,106,526	\$ 1,875,462
Noncurrent assets	6,851,996	7,123,105
Total assets	8,958,522	8,998,567
<b>Deferred Outflows of Resources</b>		
Deferred pension amounts	2,017,449	1,487,448
Deferred OPEB amounts	149,715	259,855
Total deferred outflows of resources	2,167,164	1,747,303
Total assets and deferred outflows of resources	11,125,686	10,745,870
<b>Liabilities:</b>		
Current liabilities	1,768,405	1,858,231
Noncurrent liabilities	15,552,691	16,720,908
Total liabilities	17,321,096	18,579,139
<b>Deferred Inflows of Resources</b>		
Deferred pension amounts	2,077,037	819,152
Deferred OPEB amounts	113,006	-
Total deferred inflows of resources	2,190,043	819,152
Total liabilities and deferred inflows of resources	19,511,139	19,398,291
<b>Net position:</b>		
Net investment in capital assets	4,147,756	4,087,863
Restricted for School Lunch program	17,345	13,160
Restricted for Debt Service	56,552	98,296
Restricted for Sinking Fund	348,032	15,390
Unrestricted	(12,955,138)	(12,867,130)
Total net position (deficit)	\$ (8,385,453)	\$ (8,652,421)

The Statement of Activities presented later in the government-wide financial statement, provides greater detail on the School District's annual activity. The Statement of Activities (Table 2) shown below details the cost of the School District's governmental activities and how those activities were financed.

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN  
MANAGEMENT AND DISCUSSION LETTER  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<b>Table 2</b>		
<b>Changes in Britton Deerfield's Net Position</b>		
	<b>2018</b>	<b>2017</b>
Revenues:		
Program revenues:		
Operating and grants contribution	\$ 1,535,805	\$ 1,462,285
Charges for services	229,453	245,879
General revenues:		
Property taxes	1,256,037	1,076,018
State aid - unrestricted	3,621,607	3,768,390
Investment income	3,469	2,764
Other	179,119	111,755
Special items:		
Loss on disposal of items	(4,489)	-
Total revenues	<b>6,821,001</b>	<b>6,667,091</b>
Expenses:		
Instruction	3,602,481	4,029,529
Support services	2,039,033	1,928,917
Community services	676	1,102
Food services	325,339	327,561
Athletics	209,100	240,219
Interest expense	59,967	93,793
Other	10,364	33,447
Unallocated depreciation	307,073	316,174
Total expenses	<b>6,554,033</b>	<b>6,970,742</b>
Change in net position	<b>\$ 266,968</b>	<b>\$ (303,651)</b>

**Financial Analysis of the School District's Funds**

The financial performance of the district as a whole is reflected in its governmental funds as well.

**GENERAL FUND                      Factors affecting Revenue**

*State Aid funding* -The State of Michigan provides a \$7,631 per pupil foundation allowance that provides a substantial portion of our district's revenue, 59 percent. In addition, we also receive various grants from the state. This means that the financial stability of the School District rests primarily with the economic health of the State of Michigan. State aid payments are made with the first payment of the school year beginning in October, and the last payment being made in August. Therefore, at the end of the School District's fiscal year end, there is adjustment made that includes 2 months of state aid payments into revenue that has not yet been made.

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN  
MANAGEMENT AND DISCUSSION LETTER  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Factors affecting Expenses**

- *Salaries and Benefits* - A significant portion of the School District's expenses are related to compensation, 69% in 2017-18.
- *Instructional purchases* - Another part of each year's budgetary expenditure includes textbooks and supplemental learning materials, supplies, and purchased services.
- *Operation and Maintenance* - Each year's budgetary expenditures also include the general operation and maintenance of our school buildings.

**General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, the School District amends its budget during the school year. In fact, all Michigan school districts must complete a second full budget after the state's official student membership count date (the first Wednesday in October), because only then are they knowledgeable of their Foundation Grant's income level. These revisions are made in order to deal with the unexpected changes in revenues and expenditures. The following analysis describes the reasons for changes in the budget during the year.

**Original Budget versus Final Budget**

- *Revenues*-Original estimated budgets for revenues were \$6,225,243 versus the final budget of \$6,143,546. Major components of revenue and their original budget versus final budget decrease was due to the following:
  - Special education was down
  - Decrease in enrollment
- *Expenditures* – The original budget for expenditures was \$6,092,319 versus the final budget of \$6,248,397. The major components of original versus final budget increase was due to the adjustments on state aid pertaining to special education and the penalty on the Counselor agreement. In addition, there were capital outlay that were not originally budgeted.

**Final Budget versus Actual Figures**

- The majority (about 57%) of *Local Revenues* are property taxes received from eight townships including Deerfield, Blissfield, Ridgeway, Summerfield, Macon, Raisin, Dundee and Milan.

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN  
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- *State Revenues* were budgeted at \$4,597,507 versus actual of \$4,602,754. This was an increase of \$5,247.
- *Federal Revenues* were budgeted at \$118,144 versus actual of \$59,914. This was a decrease of \$58,230.
- *Overall revenues* were under budget by \$(70,027) from the final budget amounts. This is an insignificant amount compared to the total revenue budget of \$6,143,546.
- *Expenses*- Final estimated budgets for expenses were \$6,248,397 versus an actual final amount of \$6,100,811. The overall variation from final budget to actual was \$147,586 favorable variance.

**SPECIAL REVENUE FUND**

- *School Lunch Fund*-The School Lunch Fund receives its revenues from the sale of goods, State reimbursement and federal grants.

**CAPITAL PROJECTS FUND**

Consist of 2007 Sinking Fund and Building Capital Project. These funds are used to do improvements to the District. These funds are restricted for improvements to the School District. The 2007 Sinking Fund is under the old Sinking Fund millage. At the end of the fiscal year 2017-18 there was a fund balance of \$36,628. In 2017, the School District was authorized to levy not to exceed 2 mills for a period of 5 years from 2017 to 2021 to create a sinking fund for the purchase of real estate, for the construction or repair of school buildings, for security improvements, for the acquisition or upgrading of technology. The 2017 Sinking Fund is under the new Sinking Fund millage and was reported as a major fund for the year ended June 30, 2018. At the end of the fiscal year 2017-2018, the 2017 Sinking Fund had a fund balance of \$332,642.

*Old Sinking Fund Millage* – Revenues are generated by taxes going toward building improvements.

*New Sinking Fund Millage* – Revenues are generated by taxes going toward building improvements, security improvements and acquisitions and upgrading technologies.

**DEBT SERVICE FUND**

This fund is directly funded through taxes. For fiscal year 2017-18 the collection of property taxes for the retirement of principal and interest relating to the 2016 refunding bonds for Britton Schools was \$365,559. Principal and interest requirements for the 2017-18 retirement was \$371,000.

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN**  
**MANAGEMENT AND DISCUSSION LETTER**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*-At June 30, 2018, the School District had \$6,851,996 invested in capital assets, net of accumulated depreciation. The School District had bonded debt outstanding of \$2,695,000. As these items also relate to capital assets, the amount ***Net investment in capital assets*** is \$4,147,756. Assets, net of accumulated depreciation will probably continue to decrease because the School District at this time has no intention of purchasing many capital assets. Those already on the books will continue to depreciate.

The District's capital assets are as follows:

<p style="text-align: center;"><b>Table 3</b> <b>Britton Deerfield's Capital Assets</b></p>				
	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>2018 Net Book Value</b>	<b>2017 Net Book Value</b>
Land	\$ 71,075	\$ -	\$ 71,075	\$ 71,075
Land Improvements	1,000,306	707,414	292,892	332,275
Building and Improvements	11,001,267	4,753,538	6,247,729	6,409,417
Machinery, Equipment & Furniture	2,891,130	2,732,745	158,385	184,586
Transportation Equipment	594,157	512,242	81,915	125,752
Total	<u>\$ 15,557,935</u>	<u>\$ 8,705,939</u>	<u>\$ 6,851,996</u>	<u>\$ 7,123,105</u>

**Long-term debt Activity**

At year-end, the School District had outstanding long-term debt obligations in the amount of \$2,793,426 (more detailed information about the School District's long-term liabilities is presented in Note 6 of the financial statements.)

<p style="text-align: center;"><b>Table 4</b> <b>Britton Deerfield School's Outstanding Long-Term Debt</b></p>		
	<b>2018</b>	<b>2017</b>
2016 Refunding Bond	\$ 2,695,000	\$ 3,005,000
Bus loan payable	30,478	60,175
Compensated absences	67,949	66,647
Total	<u>\$ 2,793,427</u>	<u>\$ 3,131,822</u>

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN  
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**Economic Factors and Next Year's Budget**

The following factors will affect the School District in the future and were considered in preparing the School District's budget for the 2019 fiscal year budget.

One of the most important factors affecting the budget is our student count. The other is the state foundation revenue determined by multiplying the blended student count by the foundation allowance per pupil. The 2018-2019 budget was adopted in June 2018, based on an estimated number of students who will be enrolled in September 2018. In an effort to sustain student enrollment and maximize funding from the state, the School District continues to provide opportunities to students through Schools of Choice.

Prudent fiscal responsibility and cost containment remain critical to the School District's ability to effectively operate in a volatile and difficult economic climate. Over the past years, the School District has made a series of budget adjustments to protect its financial future. The School District continues to explore avenues that allow it to reduce costs by restructuring its delivery of services.

**Contacting the District's Financial Management**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, please contact:

Business Office Britton Deerfield Schools 201 College Ave. Britton, MI 49229.



**Britton Deerfield Schools**  
**Statement of Net Position**  
**June 30, 2018**

	Governmental Activities
<b>Assets</b>	
<b>Current Assets:</b>	
Cash and equivalents	\$ 770,130
Investments	214,669
Receivables:	
Accounts receivable	687
Due from other governmental units	1,095,635
Prepaid expenditures	23,990
Inventory	1,415
<b>Total Current Assets</b>	<u>2,106,526</u>
<b>Noncurrent Assets:</b>	
Capital assets	15,557,935
Less accumulated depreciation	(8,705,939)
<b>Total Noncurrent Assets</b>	<u>6,851,996</u>
<b>Total Assets</b>	8,958,522
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to pension	2,017,449
Deferred outflows related to OPEB	149,715
<b>Total Deferred Outflows of Resources</b>	<u>2,167,164</u>
<b>Total assets and deferred outflows of resources</b>	<u><u>11,125,686</u></u>
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts payable	47,689
Accrued expenditures	211,255
Accrued interest	8,984
Accrued salary	312,022
State Aid Note Payable	810,507
Due to other governmental unit	24,358
Unearned revenue	23,557
Current portion of long term obligations	330,033
<b>Total Current Liabilities</b>	<u>1,768,405</u>
<b>Noncurrent Liabilities:</b>	
Noncurrent portion of long term obligations	2,395,445
Noncurrent portion of compensated absences	67,949
Net Pension Liability	9,746,643
Net OPEB Liability	3,342,654
<b>Total Noncurrent Liabilities</b>	<u>15,552,691</u>
<b>Total Liabilities</b>	17,321,096
<b>Deferred inflows of resources</b>	
Deferred inflows related to pension	2,077,037
Deferred inflows related to OPEB	113,006
<b>Total Deferred Inflows of Resources</b>	<u>2,190,043</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>19,511,139</u>
<b>Net Position (Deficit):</b>	
Net investment in capital assets	4,147,756
Restricted for school lunch program	17,345
Restricted for debt service	56,552
Restricted for sinking fund	348,032
Unrestricted	(12,955,138)
<b>Total Net Position (Deficit)</b>	<u><u>\$ (8,385,453)</u></u>

The notes to the financial statements are an integral part of this statement.

**Britton Deerfield Schools**  
**Statement of Activities**  
**Year Ended June 30, 2017**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Activities</u>
		<u>Services</u>	<u>&amp; Contributions</u>	<u>Net (expense)</u>
				<u>Revenue and</u>
				<u>Changes in</u>
				<u>Net Position</u>
Governmental activities:				
Instruction	\$ 3,602,481	\$ 56,816	\$ 1,178,388	\$ (2,367,277)
Support services	2,039,033	1,805	148,561	(1,888,667)
Community services	676	-	-	(676)
Food services	325,339	126,906	203,603	5,170
Athletics	209,100	43,926	5,253	(159,921)
Interest expense	59,967	-	-	(59,967)
Other	10,364	-	-	(10,364)
Unallocated depreciation	307,073	-	-	(307,073)
Total governmental activities	<u>\$ 6,554,033</u>	<u>\$ 229,453</u>	<u>\$ 1,535,805</u>	(4,788,775)
General revenues:				
Property taxes, levied for general purposes				543,214
Property taxes, levied for debt service				365,559
Property taxes, levied for sinking fund				347,264
Investment earnings				3,469
State of Michigan school aid unrestricted				3,621,607
Miscellaneous				179,119
Special items:				
Loss on disposal of assets				(4,489)
Total general revenues				<u>5,055,743</u>
Change in net position				266,968
Net position, beginning of year, previously reported				(5,386,516)
Prior period adjustment (Note 1)				<u>(3,265,905)</u>
Net position, beginning of year, as restated				<u>(8,652,421)</u>
Net position, end of year (deficit)				<u>\$ (8,385,453)</u>

The notes to the financial statements are an integral part of this statement.

**Britton Deerfield Schools**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	General Fund	2017 Sinking Fund	Other Nonmajor Governmental Fund	Total Governmental Funds
<b>Assets</b>				
<b>Assets:</b>				
Cash and equivalents	\$ 298,631	\$ 346,876	\$ 124,623	\$ 770,130
Investments	214,669	-	-	214,669
Receivables				
Accounts	570	-	117	687
Other governmental units	1,092,929	-	2,706	1,095,635
Due from other fund	15,791	395	57	16,243
Inventory	-	-	1,415	1,415
Prepaid expenditures	23,990	-	-	23,990
<b>Total Assets</b>	<u><u>\$ 1,646,580</u></u>	<u><u>\$ 347,271</u></u>	<u><u>\$ 128,918</u></u>	<u><u>\$ 2,122,769</u></u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 46,601	\$ -	\$ -	\$ 46,601
Accrued expenditures	209,395	-	1,860	211,255
Accrued salary	308,253	-	3,769	312,022
Due to other funds	1,088	14,629	1,614	17,331
Due to other governmental unit	24,358	-	-	24,358
Unearned revenue	21,391	-	2,166	23,557
State aid loan payable	810,507	-	-	810,507
<b>Total Liabilities</b>	<u>1,421,593</u>	<u>14,629</u>	<u>9,409</u>	<u>1,445,631</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	38,947	-	-	38,947
<b>Total Deferred Inflows of Resources</b>	<u>38,947</u>	<u>-</u>	<u>-</u>	<u>38,947</u>
<b>Fund Balances:</b>				
Nonspendable prepaid expenditures	23,990	-	-	23,990
Restricted for:				
School lunch program	-	-	17,345	17,345
Debt service	-	-	65,536	65,536
Capital outlay	-	332,642	36,628	369,270
Unassigned reported in general fund	162,050	-	-	162,050
<b>Total Fund Balances</b>	<u>186,040</u>	<u>332,642</u>	<u>119,509</u>	<u>638,191</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u><u>\$ 1,646,580</u></u>	<u><u>\$ 347,271</u></u>	<u><u>\$ 128,918</u></u>	<u><u>\$ 2,122,769</u></u>

The notes to the financial statements are an integral part of this statement.

**Britton Deerfield Schools**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2018**

<b>Total governmental fund balances</b>		\$ 638,191
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		
The cost of capital assets is:	\$ 15,557,935	
Accumulated depreciation is:	<u>(8,705,939)</u>	6,851,996
Long term liabilities are not due and payable in the current period and are not reported in the funds		
Long term obligations		
Bonds payable		(2,695,000)
Bus loan payable		(30,478)
Compensated absences		(67,949)
Interest payable on long term debt		(8,984)
Net pension liability		(9,746,643)
Net OPEB liability		(3,342,654)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflow of resources related to pension (see Note 7)		2,017,449
Deferred inflow of resources related to pension (see Note 7)		(2,077,037)
Deferred outflow of resources related to OPEB (see Note 8)		149,715
Deferred inflow of resources related to OPEB (see Note 8)		(113,006)
Receivables collected after 60 days are considered unavailable in the governmental funds.		<u>38,947</u>
<b>Net position of governmental activities (deficit)</b>		<u><u>\$ (8,385,453)</u></u>

The notes to the financial statements are an integral part of this statement.

**Britton Deerfield Schools**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**Year Ended June 30, 2018**

	General Fund	2017 Sinking Fund	Other Nonmajor Governmental Fund	Total Governmental Funds
<b>Revenues:</b>				
Local sources				
Property taxes	\$ 543,214	\$ 347,264	\$ 365,559	\$ 1,256,037
Investment earnings	3,348	-	121	3,469
Food service	-	-	126,906	126,906
Athletics	43,926	-	-	43,926
Preschool/Kids care	56,816	-	-	56,816
Special Education reimbursements	161,553	-	-	161,553
Other	136,312	-	6,932	143,244
Total local sources	945,169	347,264	499,518	1,791,951
Intermediate sources	465,682	-	-	465,682
State sources	4,602,754	-	27,313	4,630,067
Federal sources	59,914	-	182,079	241,993
Total revenues	6,073,519	347,264	708,910	7,129,693
<b>Expenditures:</b>				
Current:				
Instruction	3,781,079	-	-	3,781,079
Support	2,072,494	-	-	2,072,494
Community service	676	-	-	676
Food service activities	-	-	321,213	321,213
Athletic activities	219,562	-	-	219,562
Capital Outlay	27,000	14,622	8,695	50,317
Debt service:				
Interest & fiscal charges	-	-	61,500	61,500
Total expenditures	6,100,811	14,622	391,408	6,506,841
<b>Excess (deficiency) of revenues over expenditures:</b>	(27,292)	332,642	317,502	622,852
<b>Other financing sources (uses):</b>				
Redemption of principal	-	-	(310,000)	(310,000)
Operating transfers in	39,789	-	-	39,789
Operating transfers out	-	-	(39,789)	(39,789)
Indirect cost transfer	15,000	-	(15,000)	-
Total other financing sources (uses):	54,789	-	(364,789)	(310,000)
<b>Net change in fund balance</b>	27,497	332,642	(47,287)	312,852
<b>Fund balances:</b>				
Beginning of year	158,543	-	166,796	325,339
End of year	\$ 186,040	\$ 332,642	\$ 119,509	\$ 638,191

The notes to financial statements are an integral part of this statement.

**Britton Deerfield Schools**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balance of Governmental Fund**  
**To the Statement of Activities**  
**Year Ended June 30, 2018**

**Net change in fund balance total governmental fund** \$ 312,852

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.

Capital outlay	40,453
Depreciation expense	(307,073)
Loss on disposal of assets	(4,489)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).

Principal repayment on long-term obligations from bonds payable	310,000
Principal repayment on long-term obligations from bus loan payable	29,697

Accrued interest on long-term debt is recorded in the statement of activities when incurred, it is not recorded in the governmental funds until it is paid.

Accrued interest payable beginning of the year	10,017
Accrued interest payable end of the year	(8,984)

Compensated absences are reported on the accrual method in the statement of activities, and recorded as expenditure when financial resources are use in the governmental funds:

Compensated payable beginning of the year	66,647
Compensated payable end of the year	(67,949)

Revenue in support of pension contributions made subsequent to measurement date	(452,682)
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Change in deferred outflows of pension resources	530,001
--	---------

Change in deferred inflows of pension resources	(805,203)
---	-----------

Change in net proportionate share of net pension liability	656,380
--	---------

Change in deferred outflows of OPEB resources	(110,140)
---	-----------

Change in deferred inflows of OPEB resources	(113,006)
--	-----------

Change in net proportionate share of net OPEB liability	183,106
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Governmental funds report revenues when they are collected within 60 days after the year end.

Revenues are recorded in the statement of activities when earned.	(2,659)
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<b>Change in net position of governmental activities increase</b>	<u><u>\$ 266,968</u></u>
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**Britton Deerfield Schools**  
**Statement of Fiduciary Net Position**  
**June 30, 2018**

	<u>Agency Fund</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 163,395
Due from other fund	<u>1,088</u>
	<u><u>\$ 164,483</u></u>
<b>Liabilities:</b>	
Accounts payable	\$ 31
Due to student groups	156,431
Due to others	<u>8,021</u>
	<u><u>\$ 164,483</u></u>

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of Britton Deerfield Schools (the “School District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District’s accounting policies are described below.

**A. Reporting Entity**

The School District is governed by the Board of Education (the “Board”) of Britton Deerfield Schools, which has responsibility and control over all activities related to public school education within the School District. The School District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the School District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the School District’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

**B. Government-Wide And Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School District. The government-wide financial statements categorize primary activities as either governmental or business-type. All of the School District’s activities are classified as governmental activities.

Amounts reported in the funds as interfund receivables and payables are eliminated in the governmental activities column of the statement of net position. Amounts reported in the funds as receivable from or payable to fiduciary funds are included in the statement of net position as receivable from or payable to external parties, rather than as internal balances. Therefore, all internal balances are eliminated in the total primary government column.



**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-Wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, property taxes, certain revenue from the intermediate district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net position, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The School District first utilizes restricted resources to finance qualifying activities.

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

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate School District sources, interest income, and other revenues).

The School District does not allocate indirect costs.

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

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**B. Government-Wide and Fund Financial Statements** (Continued)

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

**Governmental Funds** – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the School District’s expendable financial resources and the related current liabilities are accounted for through governmental funds. Effective July 1, 2010, the School District has implemented their Fund Balance Policy in Accordance with GASB Statement No. 54 as follows:

*Purpose* - The following policy has been adopted by the Board of Education in order to address the implications of Governmental Accounting Standards Board (“GASB”) Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of the School District and jeopardize the continuation of necessary public services. This policy will ensure that the School District maintains adequate fund balances and reserves in order to:

- a. Provide sufficient cash flow for daily financial needs,
- b. Secure and maintain investment grade bond ratings,
- c. Offset significant economic downturns or revenues shortfalls and,
- d. Provide funds for unforeseen expenditures related to emergencies.

This policy and the procedures promulgated under it supersede all previous regulations regarding the School District’s fund balance and reserve policies.

**Fund type definitions** - The following definitions will be used in reporting activity in governmental funds across the School District. The School District may or may not report all fund types in any given reporting period, based on actual circumstances and activity.

- General fund is used to account for all financial resources not accounted for and reported in another fund.

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-Wide and Fund Financial Statements (Continued)**

- Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.
- Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.
- Capital projects funds are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.
- Permanent funds are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the School District's purposes.

*Fund balance reporting in governmental funds* - Fund balance will be reported in governmental funds under the following categories:

Nonspendable fund balance

*Definition* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact.

*Classification* – Nonspendable amounts will be determined before all other classifications and consist of the following items (as applicable in any given fiscal year):

- The School District will maintain a fund balance equal to the balance of any long-term outstanding balances due from others (including other funds of the government).
- The School District will maintain a fund balance equal to the value of inventory balances and prepaid items (to the extent that such balances are not offset with liabilities and actually result in fund balance).
- The School District will maintain a fund balance equal to the corpus (principal) of any permanent funds that are legally or contractually required to be maintained in-tact.

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-Wide and Fund Financial Statements (Continued)**

- The School District will maintain a fund balance equal to the balance of any land or other nonfinancial assets held for sale.

Restricted fund balance

*Definition* – includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers; or through enabling legislation.

Committed fund balance

*Definition* – includes amounts that can be used only for the specific purposes determined by a formal action of the School District's highest level of decision-making authority (i.e., the Board of Education).

*Authority to Commit* – Commitments will only be used for specific purposes pursuant to a formal action of the Board of Education. A majority vote is required to approve a commitment and a two-thirds majority vote is required to remove a commitment.

Assigned fund balance

*Definition* – includes amounts intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

*Authority to Assign* – The Board of Education delegates to the Superintendent or his/her/their designee the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned fund balance

*Definition* – includes the residual classification for the School District's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-Wide and Fund Financial Statements (Continued)**

*Operational Guideline* – The following guidelines address in the classification and use of fund balance in governmental funds:

Classifying fund balance amounts – Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.

Encumbrance reporting – Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display of encumbered amounts. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate.

Prioritization of fund balance use – When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the School District to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the School District that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

The School District reports the following major governmental fund:

*The General Fund*

*The 2017 Sinking Fund*

**Other Non-major Funds**

*The Special Revenue Fund*

*The Debt Service Funds and*

*The Capital Projects Funds*

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

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-Wide and Fund Financial Statements (Continued)**

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

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

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

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenue not meeting this definition is classified as deferred inflow of resources. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pensions and claims and judgments, are recorded only when payment is due.

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

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**  
(Continued)

**State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan.

The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the School Districts. For the year ended June 30, 2018, the foundation allowance was based on pupil membership counts taken in February and October of 2017.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2017 to August 2018. Thus, the unpaid portion at June 30<sup>th</sup> is reported as due from other governmental units.

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 used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year is recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

**D. Other Accounting Policies**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The School District reports its investments in accordance with GASB 40, *Deposit and Investment Risk Disclosures*, GASB 72 *Fair Value Measurements*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

investments are valued at cost (or amortized cost) when they are of a short term duration, the rate of return is fixed, and the School District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

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; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.

The 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 as outlined above. At June 30, 2018, the School District had \$214,669 in Money Market Deposit Account.

**2. Property Taxes**

Property taxes levied by the School District are collected by various municipalities and periodically remitted to the School District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14 and February 28, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

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

<u>Fund</u>	<u>Mills</u>
General Fund -Non Personal Residence and commercial property	18.00
2017 Sinking Fund-total taxable value	2.00
2016 Britton Debt - total taxable value	3.75



**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

3. Inventories and Prepaid Expenditures

Inventories are valued at cost (first-in, first-out). Inventories in the Special Revenue Fund consisting of expendable supplies held for consumption, are recorded as expenditures when consumed or used rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

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

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and equipment	5 – 20 years
Transportation equipment	3 – 7 years

The School District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

5. Deferred Outflows/Inflows

In addition to assets, the statement of net position and/or 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2018, the School District's statement of net position had deferred outflows of resources related to deferred pension plan expenses and deferred post-employment benefits other than pension expenses totaling \$2,017,449 and \$149,387 respectively.

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. At June 30, 2018, the School District's statement of net position had deferred inflows of resources related to its pension plan, revenue in support of pension payments made subsequent to the measurement date and deferred inflows of resources related to its OPEB plan totaling \$1,624,355, \$452,682 and \$113,006, respectively. Furthermore, at June 30, 2018, the School District's balance sheet had deferred inflows of resources related to unavailable revenue totaling \$38,947.

6. Compensated absences

The liability for compensated absences reported in the government wide statement consists of earned and unused sick days. A liability for this amount is reported in the governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments are included.

7. Long term obligations

In the government-wide financial statements, long-term debt obligations are reported as liabilities on the statement of net position. Bond premiums and discounts, as well as deferred charges on refunding, are deferred and amortized over the life of the debt using the straight-line method over the term of related debt. The difference between the reacquisition price and the net carrying amount of the old debt are reported as a deferred outflow of resources or deferred inflow of resources. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance cost is reported as debt expenditures at the time they are incurred.

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

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

**8. Pensions**

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. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contribution as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

**9. Fair Value Measurements**

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

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

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

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

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

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

The School District's money market investment is valued as Level 2 inputs.

**10. Use of Estimates**

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

**11. Postemployment Benefits Other Than Pensions**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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.

**12. Adoption of New Accounting Standards**

As of June 30, 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. Statement No. 75 requires governments providing postemployment benefits to recognize their unfunded OPEB benefit obligation as a liability for the first time. Statement No. 75 requires a government to recognize a beginning deferred outflow of resources for its OPEB contributions, if any, made subsequent to the measurement date of the beginning net OPEB liability. The statements also enhance accountability and transparency through revised note

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

disclosures and required supplementary information. In accordance with this new pronouncement, the School District has reported a net OPEB liability of \$3,525,760 and a beginning deferred outflow of resources for OPEB contributions of \$259,855 made subsequent to the September 30, 2016 measurement date, as the effects of these changes in accounting principles to unrestricted net position (deficit) as of July 1, 2017. The effects of these changes are summarized below.

Net position at June 30, 2017 - As previously reported	\$ (5,386,516)
Net OPEB liabilities	(3,525,760)
Deferred outflows of resources for OPEB contributions	<u>259,855</u>
Net position (deficit) at June 30, 2017 - As restated	<u><u>\$ (8,652,421)</u></u>

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***Budgetary Information***

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund.

The School District maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

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

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

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**  
(Continued)

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent and Business Manager are authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. The budget was amended during the year with supplemental appropriation, the last one approved prior to June 30, 2018. The School District does not consider these amendments to be significant.

***Expenditures Over Appropriation in Budgeted Fund***

The School District had the following general fund budget function overdrafts for the year ended June 30, 2018 as follows:

Function	Amounts by which expenditures exceeded appropriations
General administration	\$ 9,021
Business and fiscal services	2,517

The School District had a \$1,472 budget overdraft in capital outlay for its 2017 Sinking Fund.

***2017 Sinking Fund Compliance***

Sinking Fund – The 2017 Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of Section 1212 of the Revised School Code.

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 3 - DEPOSITS AND INVESTMENTS**

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the School District. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2018, \$721,408 of the School District's bank balance of \$1,219,846 (money market deposit account, savings and checking accounts) that were uninsured and uncollateralized.

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

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

**NOTE 4 - INTERGOVERNMENTAL RECEIVABLES**

Due from governmental units June 30, 2018 consist of the following:

	General	Food Service	Total
Receivables:			
State Aid	\$ 822,900	\$ 2,706	\$ 825,606
Federal	19,254	-	19,254
Other Governmental Entity	250,775	-	250,775
Net Total Receivables	<u>\$ 1,092,929</u>	<u>\$ 2,706</u>	<u>\$ 1,095,635</u>

No allowance for doubtful accounts is considered necessary.

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 5 - CAPITAL ASSETS**

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

Governmental Activities	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated				
Land	\$ 71,075	\$ -	\$ -	\$ 71,075
Subtotal	<u>71,075</u>	<u>-</u>	<u>-</u>	<u>71,075</u>
Capital assets being depreciated				
Land Improvements	1,006,061	5,353	11,108	1,000,306
Building and Improvements	10,966,167	35,100	-	11,001,267
Machinery, Equipment & Furniture	2,891,130	-	-	2,891,130
Transportation Equipment	<u>594,157</u>	<u>-</u>	<u>-</u>	<u>594,157</u>
Total Depreciable Assets	<u>15,457,515</u>	<u>40,453</u>	<u>11,108</u>	<u>15,486,860</u>
Less: Accumulated depreciation for:				
Land Improvements	673,786	40,247	6,619	707,414
Building and Improvements	4,556,750	196,788	-	4,753,538
Machinery, Equipment & Furniture	2,706,544	26,201	-	2,732,745
Transportation Equipment	<u>468,405</u>	<u>43,837</u>	<u>-</u>	<u>512,242</u>
Subtotal	<u>8,405,485</u>	<u>307,073</u>	<u>6,619</u>	<u>8,705,939</u>
Net Depreciable Capital Assets	<u>7,052,030</u>	<u>(266,620)</u>	<u>4,489</u>	<u>6,780,921</u>
Governmental Activities Capital Assets, net	<u>\$ 7,123,105</u>	<u>\$ (266,620)</u>	<u>\$ 4,489</u>	<u>\$ 6,851,996</u>

Depreciation is computed by the straight line method for all classes of assets. Depreciation for the fiscal year ended June 30, 2018 amounted to \$307,073. The School District determined that it was impractical to allocate depreciation and amortization to the various governmental activities as the assets serve multiple functions.

**NOTE 6 - LONG-TERM DEBT**

On February 10, 2016, the School District issued \$3,310,000 in General Obligation Bonds with an average interest rate of 2.02% to advance refund \$2,690,000 of outstanding 2006 Refunding Bonds and \$925,000 of outstanding 2005 Building and Site Bonds, with an average interest rates of 4.1% and 4.00%, respectively.

The net proceeds of \$3,416,942 (after payment of \$31,058 in underwriting fees, and other insurance costs) together with \$138,000 from the 2006 Debt Fund were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the callable 2006 Refunding Bonds and 2005 Building and Site Bonds. As a result, the callable 2006 Refunding Bonds and the 2005 Building and Site Bonds are



**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 6 - LONG-TERM DEBT** (Continued)

considered to be defeased and the liability for those bonds has been removed from the long-term debt. As of June 30, 2018, the amount of defeased debt outstanding for the 2006 Refunding Bonds and 2005 Building and Site Bonds amounted to \$2,295,000 and \$490,000, respectively. The net present value savings of the refunding is approximately \$335,800. These bonds are in compliance with Section 380.1212 of the School District Revised School Code.

A schedule of the 2016 refunding bond issue for Britton is as follows:

<b>Year Ended</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest Due</b>		
<b>June 30</b>	<b>Rate</b>	<b>Due May 1</b>	<b>November 1</b>	<b>May 1</b>	<b>Total Due</b>
2019	2.000%	315,000	27,400	27,400	369,800
2020	2.000%	320,000	24,250	24,250	368,500
2021	2.000%	325,000	21,050	21,050	367,100
2022	2.000%	335,000	17,800	17,800	370,600
2023	2.000%	340,000	14,450	14,450	368,900
2024	2.000%	345,000	11,050	11,050	367,100
2025	2.000%	355,000	7,600	7,600	370,200
2026	2.000%	360,000	4,050	4,050	368,100
		<u>\$ 2,695,000</u>	<u>\$ 127,650</u>	<u>\$ 127,650</u>	<u>\$ 2,950,300</u>

The School District purchased two buses in 2013 and 2015 these were financed through a financing company. A schedule of the future payments related to these buses is as follows:

Fiscal Year Ending,	Governmental Activities		
	Principal	Interest	Total
2019	15,033	838	15,871
2020	15,445	426	15,871
Total	<u>\$ 30,478</u>	<u>\$ 1,264</u>	<u>\$ 31,742</u>

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 6 - LONG-TERM DEBT (Continued)**

The following is a schedule of the governmental long term obligations for the School District for the year ended June 30, 2018:

	2016 Refunding Bonds Britton	Bus Loan Payable Deerfield	Compensated Absences	Total
Balance July 1, 2017	\$3,005,000	\$ 60,175	\$ 66,647	\$ 3,131,822
Additions	-	-	1,302	1,302
Deletions	310,000	29,697	-	339,697
Balance June 30, 2018	2,695,000	30,478	67,949	2,793,427
Less: Current Portion	315,000	15,033	-	330,033
Total due after one year	<u>\$2,380,000</u>	<u>\$ 15,445</u>	<u>\$ 67,949</u>	<u>2,463,394</u>

The debt service requirements of governmental activities at June 30, 2018 were as follows:

	Governmental Activities		
Fiscal Year Ending,	Principal	Interest	Total
2019	\$ 330,033	\$ 55,638	\$ 385,671
2020	335,445	48,926	384,371
2021	325,000	42,100	367,100
2022	335,000	35,600	370,600
2023	340,000	28,900	368,900
2024-2026	1,060,000	45,400	1,105,400
Total	<u>\$ 2,725,478</u>	<u>\$ 256,564</u>	<u>\$ 2,982,042</u>

Interest expense for the year amounted to \$59,967.

**NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN**

**Plan Description**

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

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**NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN**  
(Continued)

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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 on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**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 are determined by final average compensation, 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. MPSERS also provides disability and survivor benefits to DB plan members.

A DB member 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.

**Contribution**

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.

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN**  
(Continued)

Employer contributions to MPSERS 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.

The School District's required and actual contributions to the plan for the year ended June 30, 2018 were \$907,760, which includes the School District contribution required for those members with a defined contribution benefit. The School District's required and actual contributions include an allocation of \$ 452,682 in revenue received from the State of Michigan, and remitted to MPSERS to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the year ended June 30, 2018.

The schedule below summarizes pension contribution rates in effect for fiscal year 2017.

**Pension Contribution Rates**

<b>Benefit Structure</b>	<b>Member</b>	<b>Employer</b>
Basic	0.0 - 4.0 %	19.03 %
Member Investment Plan	3.0 - 7.0 %	19.03 %
Pension Plan	3.0 - 6/4 %	18.40 %
Defined Contribution	0.0 %	15.27 %

Required contributions from School District were \$ 882,181 for the year ended September 30, 2017.

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

At June 30, 2018, the School District's reported a liability of \$ 9,746,643 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2016. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN**  
(Continued)

pension contributions required from all applicable employers during the measurement period. At September 30, 2017, School District's proportion was .03761 percent, which was a decrease of .00409 percent from its proportion measured as of September 30, 2016.

For the year ended June 30, 2018 the School District recognized total pension expense of \$ 695,926. At June 30, 2018 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferered Inflows of Resources</b>
Difference between actual and expected experience	\$ 84,705	\$ (47,825)
Changes of assumptions	1,067,822	-
Net difference between projected and actual earnings on pension plan investments	-	(465,954)
Changes in proportion and differences between School District contributions and proportionate share of contributions	66,886	(1,110,576)
School District contributions subsequent to the measurement date	<u>798,036</u>	<u>-</u>
Total	<u>\$ 2,017,449</u>	<u>\$ (1,624,355)</u>

Contributions subsequent to 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, 2019. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ending September 30

2018	\$ (136,766)
2019	\$ 16,226
2020	\$ (151,775)
2021	\$ (132,627)

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN**  
(Continued)

In addition, the School District had deferred inflows of revenues related to revenue in support of pension payments made subsequent to the measurement date totaling \$452,682 at June 30, 2018.

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

***Summary of Actuarial Assumptions***

Valuation Date:	September 30, 2016
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.50%
Investment Rate of Return	
MIP and Basic Plans (Non-Hybrid):	7.50%
Pension Plus Plan (Hybrid)	7.00%
Projected Salary Increases:	3.5% to 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 MPSERS. 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.

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN**  
(Continued)

*Notes*

- Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by MPSERS for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, 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: (4.5188 for non-university employers 1.1222 for university employers)
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity Pools	28.0%	5.6%
% Alternative Investment Pools	18.0%	8.7%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	-0.1%
Real Estate and Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.0%
Short Term Investment Pools	2.0%	-0.9%
Total	<u>100.0%</u>	

\*Long term rate of return are net of administrative expenses and 2.3% inflation.

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN**  
(Continued)

**Rate of Return**

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

A discount rate of 7.5% 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 7.5% (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 the Net Pension Liability to Changes in the Discount Rate**

The following presents the School District's proportionate share of the net pension liability, calculated using the discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

<b>Current Single Discount Rate</b>		
<b>1% Decrease</b>	<b>Assumption</b>	<b>1% Increase</b>
<b>(Non-Hybrid/Hybrid)*</b>	<b>(Non-Hybrid/Hybrid)*</b>	<b>(Non-Hybrid/Hybrid)*</b>
<b>6.5% / 6.0%</b>	<b>7.5% / 7.0%</b>	<b>8.5% / 8.0%</b>
<b>\$12,696,634</b>	<b>\$9,746,643</b>	<b>\$7,262,938</b>

\*Basic plan and the Member Investment Plan (MIP) are non-hybrid plans.



**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN**  
(Continued)

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payable to the Pension Plan**

At June 30, 2018, the School District reported a payable of approximately \$67,553 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**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's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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 on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Benefits Provided**

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013,

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**  
(Continued)

it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013, 90% for those Medicare eligible and enrolled in the insurance as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

**Contributions**

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.

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**  
(Continued)

Employer OPEB 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 2017 fiscal year.

The School District's required and actual contributions to the plan for the year ended June 30, 2018 were \$204,545,

The schedule below summarized OPEB contribution rates in effect for fiscal year 2017.

**OPEB Contribution Rates**

<b>Benefit Structure</b>	<b>Member</b>	<b>Employer</b>
Premium Subsidy	3.00 %	5.91 %
Personal Healthcare Fund (PHF)	0.00 %	5.69 %

Required contributions to the OPEB plan from the School District were \$293,874 for the year ended September 30, 2017.

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

At June 30, 2018, the School District reported liability of \$3,342,654 for its proportionate share of all MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the School District's proportion was .03774 percent, which was a decrease of .05478 percent from its proportion measured as of October 1, 2016.

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**  
(Continued)

For the year ending June 30, 2018, the School District recognized OPEB expense of \$223,655. At June 30, 2018 the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between actual and expected experience	\$ -	\$ (35,589)
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(77,417)
Changes in proportion and differences between School District contributions and proportionate share of contributions	328	-
School District contributions subsequent to the measurement date	<u>149,387</u>	<u>-</u>
Total	<u>\$ 149,715</u>	<u>\$ (113,006)</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

of Resources by Year  
(To Be Recognized in Future OPEB Expenses)

2018	\$ (27,235)
2019	\$ (27,235)
2020	\$ (27,235)
2021	\$ (27,235)
2022	\$ (3,738)

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**  
(Continued)

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

***Summary of Actuarial Assumptions***

Valuation Date:	September 30, 2016
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.50%
Investment Rate of Return	7.50%
Projected Salary Increases:	3.50% to 12.30% Including wage inflation at 3.50%
Healthcare Cost Trend Rate:	7.50% Year 1 graded to 3.5% Year 12
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.
Other Assumptions:	
Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**  
(Continued)

Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

*Notes:*

- Assumption changes as a result of an experience study for the period 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 OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, 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: (5.4744 for non-university employers or 1.4186 for university employers).
- Recognition period for assets in years is 5.000.
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on OPEB 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 OPEB 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 OPEB plan's target asset allocation as of September 30, 2017, are summarized in the following table:

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**  
(Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
% Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short term Investment Pools	2.0	(0.9)
<b>Total</b>	<b>100.0%</b>	

\*Long-term rates of return are net of administrative expenses and 2.3% inflation.

**Rate of Return**

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

A discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that 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 OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**  
(Continued)

<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
<b>6.50%</b>	<b>7.50%</b>	<b>8.50%</b>
<u>\$3,915,214</u>	<u>\$3,342,654</u>	<u>\$2,856,730</u>

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate**

The following presents the School District's proportionate share of the net OEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

	<b>Current Healthcare Cost</b>	
<b>1% Decrease</b>	<b>Trend Rate</b>	<b>1% Increase</b>
<b>6.50%</b>	<b>7.50%</b>	<b>8.50%</b>
<u>\$2,830,779</u>	<u>\$3,342,654</u>	<u>\$3,923,853</u>

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ors website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**NOTE 9 - INTERFUND BALANCES AND TRANSFERS**

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All balances at June 30, 2018 are expected to be repaid within the next fiscal year.

A schedule of interfund balances follows:

<b>Fund</b>	<b>Interfund Receivable</b>	<b>Fund</b>	<b>Interfund Payable</b>
Major	\$ 16,186	Major	\$ 15,717
Nonmajor	57	Nonmajor	1,614
Activity Fund	\$ 1,088		
	<u>\$ 17,331</u>		<u>\$ 17,331</u>



**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 - INTERFUND BALANCES AND TRANSFERS (Continued)**

A schedule of interfund transfer follows:

<u>Fund</u>	<u>Transfer From</u>	<u>Fund</u>	<u>Transfer To</u>
Major	\$ 54,789	Nonmajor	\$ 54,789

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move unspent bond proceeds from fully paid debt and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. The premiums are based on the ultimate cost of the experience to date of the participating members of the risk pool. The School District cannot estimate losses from reported and unreported claims at June 30, 2018. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2018 or any of the prior three years.

**NOTE 11 - CONTINGENCIES**

The School District had no contingencies at June 30, 2018.

**NOTE 12 - AT RISK**

During the year, the School District received State categorical aid for at risk students, which amounted to \$205,557. The School District split all of these funds for at risk students.

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 13 - SHORT-TERM DEBT - STATE AID NOTES**

State School aid anticipation notes are issued under the provisions of Section 1225 of Act 451, Public Acts of Michigan, and Act 34 of Michigan for the purpose of providing money for school operations. The School District has pledged its state aid as collateral. In the event of unavailability or insufficiency of State school aid, the note is payable from taxes levied by the School District. The interest rate is 1.70% and the maturity date is August 20, 2018. The interest expense related to this note at June 30, 2018 is \$16,314.

Short-term debt activity for the fiscal year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
2016-2017	\$ 848,477	\$ -	\$ 848,477	\$ -
2017-2018	-	1,416,314	605,807	810,507
Totals	<u>\$ 848,477</u>	<u>\$ 1,416,314</u>	<u>\$ 1,454,284</u>	<u>\$ 810,507</u>

**Note 14 - BUS LEASE**

On June 2, 2016, an agreement was entered into by CH & H (lessor) and the School District (lessee) for the lease of 3 buses. The lease calls for annual rent of \$12,853 for each bus. The term of the lease is for 3 years.

The future minimum rental payments for the bus leases are as follows:

<u>Year Ending June 30,</u>	<u>Bus lease</u>
2019	<u>\$ 38,559</u>

**NOTE 15 - NET POSITION RESTRICTED BY ENABLING LEGISLATION**

The government-wide statement of net position reports \$421,949 of restricted net position at June 30, 2018, all of which is restricted by enabling legislation.

**NOTE 16 - SUBSEQUENT EVENTS**

In August 2018, the Academy issued a Revenue Anticipation Note in the amount of \$1,600,000 to assist in the operation cash flows prior to the receipt of state aid payments for the 2018-2019 school year. The note is secured by the future receipt of state aid payments.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Britton Deerfield Schools**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance with final budget Favorable (Unfavorable)
<b>Revenues:</b>				
Local sources	\$ 948,875	\$ 944,540	\$ 945,169	\$ 629
Intermediate sources	503,640	483,355	465,682	(17,673)
State sources	4,700,098	4,597,507	4,602,754	5,247
Federal sources	72,630	118,144	59,914	(58,230)
Total revenues	<u>6,225,243</u>	<u>6,143,546</u>	<u>6,073,519</u>	<u>(70,027)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Basic programs	2,981,424	2,835,469	2,776,548	58,921
Added needs	1,048,001	1,038,368	1,004,531	33,837
Total instruction	<u>4,029,425</u>	<u>3,873,837</u>	<u>3,781,079</u>	<u>92,758</u>
Support services:				
Pupil	58,505	79,028	77,398	1,630
Instructional staff	9,870	37,707	21,788	15,919
General administration	271,196	279,376	288,397	(9,021)
School administration	412,354	480,558	466,434	14,124
Business and fiscal services	131,717	118,140	120,657	(2,517)
Operation & maintenance	582,231	595,605	579,932	15,673
Transportation	290,296	356,104	347,312	8,792
Central	38,925	55,070	47,324	7,746
Other	38,366	123,838	123,252	586
Athletics	229,186	220,634	219,562	1,072
Total support services	<u>2,062,646</u>	<u>2,346,060</u>	<u>2,292,056</u>	<u>54,004</u>
<b>Expenditures (concluded):</b>				
Community services:	248	1,500	676	824
Total Community service	<u>248</u>	<u>1,500</u>	<u>676</u>	<u>824</u>
Capital outlay:	-	27,000	27,000	-
Total expenditures	<u>6,092,319</u>	<u>6,248,397</u>	<u>6,100,811</u>	<u>147,586</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>132,924</u>	<u>(104,851)</u>	<u>(27,292)</u>	<u>77,559</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	39,789	39,789	-
Indirect cost transfer	20,000	15,000	15,000	-
Total other financing sources (uses)	<u>20,000</u>	<u>54,789</u>	<u>54,789</u>	<u>-</u>
<b>Net change in fund balance</b>	152,924	(50,062)	27,497	77,559
<b>Fund balance:</b>				
Beginning of year	158,543	158,543	158,543	-
End of year	<u>\$ 311,467</u>	<u>\$ 108,481</u>	<u>\$ 186,040</u>	<u>\$ 77,559</u>

**Britton Deerfield Schools**  
**Budgetary Comparison Schedule**  
**2017 Sinking Fund**  
**Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance with final budget Favorable (Unfavorable)
<b>Revenues:</b>				
Local sources:				
Property taxes	\$ 347,185	\$ 347,185	\$ 347,264	\$ 79
Total revenues	<u>347,185</u>	<u>347,185</u>	<u>347,264</u>	<u>79</u>
<b>Expenditures:</b>				
Capital outlay	13,100	13,100	14,572	(1,472)
Miscellaneous	100	100	50	50
Total expenditures	<u>13,200</u>	<u>13,200</u>	<u>14,622</u>	<u>(1,422)</u>
<b>Excess of revenues over expenditures</b>	<u>333,985</u>	<u>333,985</u>	<u>332,642</u>	<u>1,343</u>
<b>Net change in fund balance</b>	333,985	333,985	332,642	1,343
<b>Fund balance:</b>				
Beginning of year	-	-	-	-
End of year	<u>\$ 333,985</u>	<u>\$ 333,985</u>	<u>\$ 332,642</u>	<u>\$ 1,343</u>

**Britton Deerfield Schools**  
**Required Supplemental Information**  
**Schedule of Britton Deerfield Schools' Pension Contribution to**  
**Michigan Public Schools Employees Retirement Plan**  
**Determined as of the Year Ended June 30**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 907,370	\$ 757,727	\$ 853,703	\$ 808,326
Contribution in relation to statutorily required contribution	<u>907,370</u>	<u>757,727</u>	<u>853,703</u>	<u>808,326</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 2,533,180	\$ 3,346,148	\$ 3,328,195	\$ 3,850,746
Contribution as a percentage of covered-employee payroll	35.82%	22.64%	25.65%	20.99%

**Britton Deerfield Schools**  
**Required Supplemental Information**  
**Schedule of Britton Deerfield Schools' Proportionate Share of the Net Pension Liability**  
**Michigan Public Schools Employees Retirement Plan**  
**Determined as of the Plan Year Ended September 30**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability	0.03761%	0.04170%	0.04250%	0.04370%
School District's proportionate share of the net pension liability	\$ 9,746,643	\$ 10,403,023	\$ 10,808,873	\$ 9,624,941
School District's covered-employee payroll	3,018,137	3,429,007	3,752,650	3,850,746
School District's proportionate share of net pension liability as a percentage of its covered employee payroll	322.94%	303.38%	288.03%	249.95%
Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.20%

**Britton Deerfield Schools**  
**Required Supplemental Information**  
**Schedule of Britton Deerfield Schools' OPEB Contribution to**  
**Michigan Public Schools Employees Retirement Plan**  
**Determined as of the Year Ended June 30**

	<u>2018</u>
Statutorily required contributions	\$ 183,380
Contribution in relation to statutorily required contribution	<u>183,380</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
School District's covered-employee payroll	\$ 2,533,180
Contribution as a percentage of covered-employee payroll	7.24%



**Britton Deerfield Schools**  
**Required Supplemental Information**  
**Schedule of Britton Deerfield Schools' Proportionate Share of the Net OPEB Liability**  
**Michigan Public Schools Employees Retirement Plan**  
**Determined as of the Plan Year Ended September 30**

	<u>2018</u>
School District's proportion of the net OPEB liability	
School District's proportionate share of the net OPEB liability	\$ 3,342,654
School District's covered-employee payroll	3,018,137
School District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	110.75%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%

**BRITTON DEERFIELD SCHOOLS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2018**

**NOTE 1: CHANGES OF BENEFIT TERMS**

There were no changes of benefit terms in 2017 for pension and OPEB.

**NOTE 2: CHANGES OF ASSUMPTIONS**

There were no changes of benefit assumptions in 2017 for pension and OPEB.

## **OTHER SUPPLEMENTAL INFORMATION**

# **DARNELL & MEYERING, P.C.**

*Certified Public Accountants*

CLINTON MEYERING, C.P.A.  
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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education  
Britton Deerfield Schools  
Britton, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Britton Deerfield Schools (the School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 10, 2018.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2018-001 and 2018-002 that we consider to be significant deficiencies.

## **COMPLIANCE AND OTHER MATTERS**

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

## **SCHOOL DISTRICT'S RESPONSES TO FINDINGS**

The School District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Darnell & Meyering, P.C.*

DARNELL & MEYERING, P.C.

Taylor, MI  
October 10, 2018

**Britton Deerfield Schools**  
**Schedule of Findings and Responses**  
**June 30, 2018**

Reference Number	Findings
2018-001	<p><b>Finding Type – Significant Deficiency</b></p> <p><b>Finding:</b> Adequate segregation of duties for the District is necessary to minimize the likelihood that fraud or errors could occur and not be detected. The District has not achieved a complete segregation of duties among employees who have both access to assets and accounting responsibilities. The small size of the business office staff creates an inherent lack of segregation of duties. As a result of this condition, the District lacks proper segregation of duties and is exposed to an increased risk of misstatement of its financial statements.</p> <p><b>Identification of repeat finding. This is a repeat finding from the immediate previous audit 2017-001</b></p> <p><b>Recommendations:</b> We understand that in your environment of limited numbers of staff, the most desirable segregation of duties is not always feasible. Also the costs of administrative systems should not exceed their benefits. These recommendations were developed with these concepts in mind and should be considered in that light. We recommend that management and the Board of Education implement procedures as follows:</p> <ul style="list-style-type: none"><li>• All reconciliations, journal entries and monthly reports (i.e. bank reconciliation, payroll reports) should be reviewed by a designated individual other than the preparer to ensure accuracy and completeness and to verify that reconciled items and journal entries have been properly handled. In addition, review of the reconciliations, journal entries and monthly reports should be evidence by appropriate signatures.</li></ul>

**Britton Deerfield Schools  
Schedule of Findings and Responses  
June 30, 2018**

Reference Number	Findings
2018-001	<p><b>Finding Type</b> – Significant Deficiency (Continue)</p> <p><b>Individual Responsible for Corrective Action Plan:</b> Stacy Johnson (Superintendent)</p> <p><b>View of Responsible Officials and Planned Corrective Actions:</b> We agree with the auditor’s recommendation. However, the District has evaluated the manner in which they segregate duties and has implemented certain measures. However, the cost associated with adding additional staff to achieve a complete segregation is not justified by the expected benefits.</p>
2018-002	<p><b>Finding Type</b> – Significant Deficiency</p> <p><b>Finding:</b> Adequate design of internal control over the complete preparation of the financial statements and footnotes being audited. The District does not have personnel with level of knowledge to update the footnotes completely.</p> <p><b>Identification of repeat finding. This is a repeat finding from the immediate previous audit 2017-002</b></p> <p><b>Recommendations:</b> We recommend that from information gleaned from various seminars attended, consider gathering information on footnotes that will fit the District’s needs, and apply appropriately. In addition, we recommend that the Business Manager continue to attend seminars that will enhance her knowledge in financial statement preparation.</p> <p><b>Individual Responsible for Corrective Action Plan:</b> Sue Andries (Business Manager)</p> <p><b>View of Responsible Officials and Planned Corrective Actions:</b> We agree with the auditor’s recommendation. The District has evaluated the manner in which they prepare the financial statements and footnotes to those financial statements and will attempt to follow the recommendation made.</p>

**Britton Deerfield Schools  
Combining Balance Sheet  
Nonmajor Governmental Fund  
June 30, 2018**

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
<b>Assets</b>				
<b>Assets:</b>				
Cash and equivalents	\$ 22,121	\$ 65,874	36,628	\$ 124,623
Receivables				
Accounts	117	-	-	117
Other governmental units	2,706	-	-	2,706
Due from other fund	-	57	-	57
Inventory	1,415	-	-	1,415
<b>Total Assets</b>	<u><u>\$ 26,359</u></u>	<u><u>\$ 65,931</u></u>	<u><u>\$ 36,628</u></u>	<u><u>\$ 128,918</u></u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accrued expenditures	\$ 1,860	\$ -	\$ -	\$ 1,860
Accrued salary	3,769	-	-	3,769
Due to other funds	1,219	395	-	1,614
Unearned revenue	2,166	-	-	2,166
<b>Total Liabilities</b>	<u><u>9,014</u></u>	<u><u>395</u></u>	<u><u>-</u></u>	<u><u>9,409</u></u>
<b>Fund Balances:</b>				
Restricted				
School lunch program	17,345	-	-	17,345
Debt service	-	65,536	-	65,536
Capital outlay	-	-	36,628	36,628
<b>Total Fund Balances</b>	<u><u>17,345</u></u>	<u><u>65,536</u></u>	<u><u>36,628</u></u>	<u><u>119,509</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 26,359</u></u>	<u><u>\$ 65,931</u></u>	<u><u>\$ 36,628</u></u>	<u><u>\$ 128,918</u></u>



**Britton Deerfield Schools**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2018**

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds 2018
<b>Revenues:</b>				
Local sources:				
Property taxes	\$ -	\$ 365,559	\$ -	\$ 365,559
Investment earnings	-	121	-	121
Food sales	126,906	-	-	126,906
Other	4,100	2,832	-	6,932
	<u>131,006</u>	<u>368,512</u>	<u>-</u>	<u>499,518</u>
Total local sources	131,006	368,512	-	499,518
State sources	27,313	-	-	27,313
Federal sources	182,079	-	-	182,079
	<u>340,398</u>	<u>368,512</u>	<u>-</u>	<u>708,910</u>
Total revenues	340,398	368,512	-	708,910
<b>Expenditures:</b>				
Food service/activities	321,213	-	-	321,213
Capital outlay	-	-	8,695	8,695
Debt service				
Interest and fiscal charges	-	61,500	-	61,500
Total expenditures	321,213	61,500	8,695	391,408
	<u>321,213</u>	<u>61,500</u>	<u>8,695</u>	<u>391,408</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>19,185</u>	<u>307,012</u>	<u>(8,695)</u>	<u>317,502</u>
<b>Other Financing Sources (Uses):</b>				
Redemption of principal	-	(310,000)	-	(310,000)
Transfer out	-	(39,789)	-	(39,789)
Indirect cost transfer	(15,000)	-	-	(15,000)
Total other financing sources (uses)	(15,000)	(349,789)	-	(364,789)
	<u>(15,000)</u>	<u>(349,789)</u>	<u>-</u>	<u>(364,789)</u>
<b>Net change in fund balance</b>	4,185	(42,777)	(8,695)	(47,287)
<b>Fund balance:</b>				
Beginning of year	13,160	108,313	45,323	166,796
End of year	<u>\$ 17,345</u>	<u>\$ 65,536</u>	<u>\$ 36,628</u>	<u>\$ 119,509</u>

**Britton Deerfield Schools**  
**Balance Sheet**  
**Special Revenue Fund - Food Service**  
**June 30, 2018**

	<u>2018</u>
<b>Assets</b>	
<b>Assets:</b>	
Cash and equivalents	\$ 22,121
Receivables	
Accounts	117
Other governmental units	2,706
Inventory	1,415
<b>Total Assets</b>	<u><u>\$ 26,359</u></u>
<b>Liabilities and Fund Balances</b>	
<b>Liabilities:</b>	
Accrued expenditures	\$ 1,860
Accrued salary	3,769
Due to other funds	1,219
Unearned revenue	2,166
<b>Total Liabilities</b>	<u>9,014</u>
<b>Fund Balances:</b>	
Restricted for School lunch program	17,345
<b>Total Fund Balances</b>	<u>17,345</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 26,359</u></u>

**Britton Deerfield Schools**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Special Revenue - Food Service**  
**Year Ended June 30, 2018**

	<u>2018</u>
<b>Revenues:</b>	
Local sources:	
Food sales	\$ 126,906
Other	4,100
Total local sources	<u>131,006</u>
State sources	27,313
Federal sources	182,079
Total revenues	<u>340,398</u>
<b>Expenditures:</b>	
Cost of goods sold - net	150,801
Salaries and wages	93,501
Employee benefits	46,572
Contracted services	21,923
Travel, workshops and conferences	25
Miscellaneous	8,391
Total expenditures	<u>321,213</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>19,185</u>
<b>Other Financing Sources (Uses):</b>	
Indirect cost transfer	(15,000)
Total other financing sources (uses)	<u>(15,000)</u>
<b>Net change in fund balance</b>	4,185
<b>Fund balance:</b>	
Beginning of year	13,160
End of year	<u>\$ 17,345</u>

**Britton Deerfield Schools**  
**Combining Balance Sheet**  
**Debt Funds**  
**June 30, 2018**

	2005 Debt Refunding Deerfield	2016 Refunding Bonds Debt Britton	Total Debt Funds
<b>Assets</b>			
<b>Assets:</b>			
Cash and equivalents	\$ 32	\$ 65,842	\$ 65,874
Due from other fund	-	57	57
<b>Total Assets</b>	<u>32</u>	<u>65,899</u>	<u>65,931</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Due to other funds	-	395	395
<b>Total Liabilities</b>	<u>-</u>	<u>395</u>	<u>395</u>
<b>Fund Balances:</b>			
Restricted for debt service	32	65,504	65,536
<b>Total Fund Balances</b>	<u>32</u>	<u>65,504</u>	<u>65,536</u>
<b>Total Fund Balances</b>	<u>\$ 32</u>	<u>\$ 65,899</u>	<u>\$ 65,931</u>

**Britton Deerfield Schools**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Debt Funds**  
**Year Ended June 30, 2018**

	2005 Debt Refunding Deerfield	2016 Debt Refunding Britton	Total 2018
<b>Revenues:</b>			
Local sources:			
Property taxes	\$ -	\$ 365,559	\$ 365,559
Investment earnings	32	89	121
Miscellaneous	-	2,832	2,832
Total revenues	<u>32</u>	<u>368,480</u>	<u>368,512</u>
<b>Expenditures:</b>			
Interest	-	61,000	61,000
Fees	-	500	500
Total expenditures	<u>-</u>	<u>61,500</u>	<u>61,500</u>
<b>Excess of revenues over expenditures</b>	<u>32</u>	<u>306,980</u>	<u>307,012</u>
<b>Other Financing Sources (Uses):</b>			
Redemption of principal	-	(310,000)	(310,000)
Transfer out	(39,789)	-	(39,789)
Total other financing sources (uses)	<u>(39,789)</u>	<u>(310,000)</u>	<u>(349,789)</u>
<b>Net change in fund balance</b>	(39,757)	(3,020)	(42,777)
<b>Fund balance:</b>			
Beginning of year	39,789	68,524	108,313
End of year	<u>\$ 32</u>	<u>\$ 65,504</u>	<u>\$ 65,536</u>

**Britton Deerfield Schools  
Combining Balance Sheet  
Capital Project Funds  
June 30, 2018**

	2007 Sinking Fund	Building Capital Project Fund	Total Capital Project Funds
<b>Assets</b>			
<b>Assets:</b>			
Cash and equivalents	\$ 15,390	\$ 21,238	\$ 36,628
<b>Total Assets</b>	<u>15,390</u>	<u>21,238</u>	<u>36,628</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Due to other funds	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>			
Restricted for capital outlay	15,390	21,238	36,628
<b>Total Fund Balances</b>	<u>15,390</u>	<u>21,238</u>	<u>36,628</u>
<b>Total Fund Balances</b>	<u>\$ 15,390</u>	<u>\$ 21,238</u>	<u>\$ 36,628</u>

**Britton Deerfield Schools**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Capital Project Funds**  
**Year Ended June 30, 2018**

	2007 Sinking Fund	Building Capital Project Fund	Total 2018
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues:</b>			
Local sources:			
Property taxes	\$ -	\$ -	\$ -
Investment earnings	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>			
Capital outlay	<u>-</u>	<u>8,695</u>	<u>8,695</u>
Total expenditures	<u>-</u>	<u>8,695</u>	<u>8,695</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>(8,695)</u>	<u>(8,695)</u>
<b>Net change in fund balance</b>	-	(8,695)	(8,695)
<b>Fund balance:</b>			
Beginning of year	<u>15,390</u>	<u>29,933</u>	<u>45,323</u>
End of year	<u>\$ 15,390</u>	<u>\$ 21,238</u>	<u>\$ 36,628</u>

**Britton Deerfield Schools**  
**Schedule of Cash Receipts, Disbursements and Liabilities**  
**Agency Funds**  
**Year Ended June 30, 2018**

	Liability Balance <u>July 1, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	Liability Balance <u>June 30, 2018</u>
<b>Cash and cash equivalents</b>				
School activity accounts	\$ 177,046	\$ 206,279	\$ 227,951	\$ 155,374
Employee café plan	7,971	21,030	22,541	6,460
Britton parks and recreation	2,550		989	1,561
Totals	<u>\$ 187,567</u>	<u>\$ 227,309</u>	<u>\$ 251,481</u>	<u>\$ 163,395</u>



# DARNELL & MEYERING, P.C.

*Certified Public Accountants*

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October 10, 2018

Board of Education  
Britton Deerfield Schools  
Britton, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Britton Deerfield Schools (the School District) for the year ended June 30, 2018. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 27, 2018, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to management discussion analysis, budgetary comparison schedule of major fund, schedule of pension contributions, schedule of the School District's proportionate share of the net pension liability, schedule of other postemployment benefit (OPEB) contributions, and schedule of the School District's proportionate of the net OPEB liability, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on other supplementary information such as the nonmajor combining statements, nonmajor governmental funds individual balance sheet and statement of revenues, expenditures and changes in fund balance, and schedule of cash receipts, disbursements and liabilities of the agency fund, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope, Timing of the Audit, and Other

We performed our audit according to the planned scope and timing previously communicated in our discussion with the Board of Education President and in our engagement letter about the audit scope and timing.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by School District are described in Note 1 to the financial statements. As discussed in Note 1 to the basic financial statements, effective July 1, 2017, the School District adopted the provisions of the Governmental Accounting Standards Board Statement No. 75. Accordingly, the accounting change has been retrospectively applied to July 1, 2017 as required by the Standard.

We noted no transactions entered into by School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the School District's financial statements relate to the School District's share of the MPSERS pension plan net pension liability and net OPEB liability recorded on the government-wide statements for the implementation of GASB 68 and GASB 75, respectively.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of net pension liability and net OPEB liability.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

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

*Corrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 10, 2018.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

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

Other Matters

We applied certain limited procedures to Management's Discussion & Analysis, Budgetary Comparison Schedule (General Fund), Schedule of Britton Deerfield Schools' Pension Contributions, Schedule of Britton Deerfield Schools' Proportionate Share of Net Pension Liability, Schedule of Britton Deerfield Schools OPEB contributions, Schedule of Britton Deerfield Schools' Proportionate Share of Net OPEB Liability and notes to required supplementary information which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,

*Darnell & Meyering, P.C.*

**Darnell & Meyering PC**