

Belding Area Schools

Financial Statements With Supplemental Information June 30, 2018

Belding Area Schools

June 30, 2018
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Independent Auditor's Report

Independent Auditor's Report

To the Board of Education
Belding Area Schools
Belding, 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 Belding Area Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 14 to the financial statements, Belding Area Schools implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison 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 Belding Area Schools' basic financial statements. The additional supplementary information, as identified in the table of contents, and schedule of expenditures of federal awards as required by the U.S. Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 information is 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 29, 2018 on our consideration of the Belding Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Belding Area Schools' internal control over financial reporting and compliance.

Biggs, Hausserman, Thompson & Dickinson, P.C.

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Saranac, MI

October 29, 2018

Management's Discussion and Analysis

Belding Area Schools

Management's Discussion and Analysis

June 30, 2018

This section of the Belding Area Schools' annual financial report represents our discussion and analysis of the School District's financial performance and is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, and identify changes in the District's financial position and its ability to address the next and subsequent year challenges. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2018.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Belding Area School District financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant fund - the General Fund - with all other funds presented in one column as nonmajor funds. The remaining statement, the Statement of Fiduciary Net Position presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The annual report is organized as follows:

Management's Discussion & Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "Is the School District as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to 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.

These two statements report the School District's net position - the difference between assets and liabilities, as reported in the Statement of Net Position - as one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net position - as reported in the Statement of Activities - are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the School District.

Belding Area Schools

Management's Discussion and Analysis

June 30, 2018

The Statement of Net Position and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

For the year ended June 30, 2018 Belding Area Schools implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These changes are significant at the government-wide level.

Reporting the School District's Most Significant Funds – Fund Financial Statements

The School District's fund financial statements provide detailed information about the most *significant funds* - not the School District as a whole. Some funds are required to be established 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 (like the Food Service Fund) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the operations of the School District and the 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 a reconciliation.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or *fiduciary* for its student activity funds. All of the School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Belding Area Schools
Management's Discussion and Analysis
June 30, 2018

The School District As A Whole

The Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2018 and 2017:

Table 1:

Net Position Summary		
	Governmental Activities	
	2018	2017
Current and other assets	\$ 13,501,335	\$ 12,354,409
Capital assets	44,602,968	45,926,125
Total assets	58,104,303	58,280,534
Deferred outflows of resources	6,874,278	4,596,422
Current and other liabilities	9,140,508	7,685,468
Long-term liabilities	91,541,432	83,062,106
Total liabilities	100,681,940	90,747,574
Deferred inflows of resources	3,105,402	1,137,461
Net position		
Net investment in capital assets	(16,498,946)	(14,801,732)
Restricted for debt service	7,152,571	6,309,851
Restricted for food service	234,781	200,969
Unrestricted	(29,697,167)	(20,717,167)
Total net position	\$ (38,808,761)	\$ (29,008,079)

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was \$(38,808,761) at June 30, 2018. Invested in capital assets, net of related debt totaling \$(16,498,946) compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approval property taxes collected as the debt service comes due. 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 assets for day-to-day operations. Net position restricted for debt service totaled \$7,152,571 and food service totaled \$234,781. The remaining amount of net position, \$(29,697,167), was unrestricted.

The \$(29,697,167) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

For the year ended June 30, 2018, Belding Area Schools implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This requires the reporting of the entity's proportionate share of the net OPEB liability of MPERS, along with applicable deferred inflows/outflows of resources. Beginning Net Position was adjusted \$(8,889,703) to reflect beginning Net OPEB Liability. The above 2017 amounts have not been updated for the adoption of GASB 75.

Belding Area Schools

Management's Discussion and Analysis

June 30, 2018

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net position for fiscal year 2018 and 2017.

Table 2:

Statement of Activities Summary		
	Governmental Activities	
	2018	2017
Revenues		
Program revenues		
Charges for services	\$ 349,310	\$ 310,597
Grants and Categoricals	6,236,677	5,635,104
General Revenues		
Property taxes	4,072,767	3,902,937
State foundation allowance	11,788,676	12,047,654
Other general revenues	(55,324)	(176,909)
Total revenues	22,392,106	21,719,383
Functions/Program Expenses		
Instruction	11,495,070	11,226,890
Support services	6,986,584	6,937,432
Food services	834,305	882,193
Community service	53,577	61,532
Interest on long-term debt	2,631,555	2,540,295
Depreciation (unallocated)	1,301,994	1,396,336
Total expenses	23,303,085	23,044,678
Increase (decrease) in net position	\$ (910,979)	\$ (1,325,295)

As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was \$23,303,084. Certain activities were partially funded from those who benefited from the program (\$349,310) or by governments and organizations that subsidized certain programs with grants and categorical (\$6,236,677). We paid for the remaining "public benefit" portion of our governmental activities with \$4,072,767 in taxes, \$11,788,675 in state Foundation Allowance, and with our other revenues, like interest and general entitlements. During the year the School District experienced a decrease in net position of \$910,979.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the School District is being accountable for the resources taxpayers and others provide to it but may also give you more insight into the School District's overall financial health.

Belding Area Schools
Management's Discussion and Analysis
June 30, 2018

The School District's Funds

As the School District completed this year; our governmental funds reported a combined fund balance of \$10,002,625 which is an increase of \$1,222,635 from last year. The primary reasons for these are:

The debt service funds showed an increase of \$873,029. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

Our general fund is our principal operating fund. The fund balance in the general fund increased \$315,794 to \$2,167,542. The increase is due to an increase in revenues mainly due to federal grant revenue not being received within 60 days of the prior year end and therefore not recorded as revenues in the prior year.

Our special revenue fund showed a net increase of \$33,812.

General Fund Budgetary Highlights

The Uniform Budget Act requires that the local Board of Education approve the original budget for the upcoming year prior to July 1.

Over the course of the year, the district's practice is to revise the budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure expenditures do not exceed appropriations.

Budget revenues were increased \$1,317,373 from the original budget. These were various amendments to properly reflect revenues based on more current information.

Budget expenditures were increased \$842,679 to more closely reflect program expenditures.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2018, the School District had \$44,602,968 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions, deductions and depreciation) of \$1,323,157, or 2.88%, from last year.

Capital Assets at Year-End

	June 30, 2018	June 30, 2017
Land	\$ 243,585	\$ 243,585
Buildings	42,991,957	44,283,344
Buses and other vehicles	623,701	547,729
Furniture and equipment	743,725	851,467
Total capital assets	<u>\$ 44,602,968</u>	<u>\$ 45,926,125</u>

Belding Area Schools
Management's Discussion and Analysis
June 30, 2018

Capital Asset and Debt Administration (Continued)

The change is mostly attributable to this year's depreciation (\$1,531,758) of existing capital assets, the purchase of building improvements (\$208,601) and the disposal of outdated items (\$10,340).

Debt

At the end of this year, the School District had \$55,030,000 in bonds outstanding versus \$53,460,000 last year - an increase of \$1,570,000. Those bonds consisted of:

Outstanding Debt at Year-End

	June 30, 2018	June 30, 2017
General obligation bonds	<u>\$ 55,030,000</u>	<u>\$ 53,460,000</u>

The state limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e. debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding general obligation debt of \$55,030,000 is below the statutory imposed limit. Other obligations include termination benefits.

The borrowings and accrued interest owed to the School Bond Loan fund were decreased during the year by \$1,376,079. The balance at the end of the year is \$3,800,351, including accrued interest.

We present more detailed information about our long-term liabilities in the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2018-2019 fiscal year budget and tax rates. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. Approximately 90% of total general fund revenue is from the Foundation Allowance.

Under State law, the School District cannot access additional property tax revenue for general operations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts.

Various State legislation has been enacted in the attempt to lessen the local burden for retirement and employee insurance costs.

Belding Area Schools
Management's Discussion and Analysis
June 30, 2018

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and 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 financial information, contact:

Ross Hinkle
Business Manager
Belding Area Schools
850 Hall Street
Belding, MI 48809
(616) 794-4707

Government-Wide Financial Statements

Belding Area Schools
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Current Assets	
Cash and investments	\$ 10,116,225
Accounts receivable	77,439
Due from other governments	3,191,132
Inventory	116,539
Prepaid expense	-
Total current assets	<u>13,501,335</u>
Noncurrent Assets	
Capital assets	66,677,783
Less: accumulated depreciation	<u>(22,074,815)</u>
Total noncurrent assets	<u>44,602,968</u>
Total Assets	58,104,303
Deferred Outflows of Resources	
Deferred charges, net of amortization	773,686
Deferred outflows related to pensions	5,549,356
Deferred outflows related to OPEB	<u>551,236</u>
Total Deferred Outflow of Resources	6,874,278
Liabilities	
Current Liabilities	
Accounts payable	358,361
Salaries and withholdings payable	1,013,781
Due to other governments	184,788
Accrued interest payable	447,731
Unearned revenue	295,847
Notes payable	1,500,000
Long-term liabilities due within one year	
Bonds payable- due within one year	<u>5,340,000</u>
Total Current Liabilities	<u>9,140,508</u>
Noncurrent Liabilities	
Bonds and other loans payable	56,558,001
Compensated absences, not due within one year	243,763
Net pension liability	25,872,159
Net OPEB liability	<u>8,867,509</u>
Total Noncurrent Liabilities	<u>91,541,432</u>
Total Liabilities	100,681,940
Deferred Inflows of Resources	
Deferred inflows, related to pension	1,782,774
Deferred inflows, State aid funding for pension	1,022,841
Deferred inflows, related to OPEB	<u>299,787</u>
Total Deferred Inflows	3,105,402
Net Position	
Net investment in capital assets	(16,498,946)
Restricted for:	
Debt service	7,152,571
Food service	234,781
Unrestricted	<u>(29,697,167)</u>
Total Net Position	<u>\$ (38,808,761)</u>
See accompanying notes to financial statements	

Belding Area Schools

Statement of Activities

June 30, 2018

	Program Revenues			Governmental Activities
	Expenses	Charges for Service	Operating Grants	Net (Expenses) Revenues and Changes in Net Assets
Governmental activities:				
Instruction	\$ 11,495,070	\$ 25,492	\$ 4,311,098	\$ (7,158,480)
Support services	6,986,584	168,556	377,393	(6,440,635)
Food service	834,305	151,693	731,316	48,704
Community services	53,577	3,569	0	(50,008)
Interest on long- term debt	2,631,555	0	816,870	(1,814,685)
Depreciation (unallocated)	1,301,994	0	0	(1,301,994)
Total governmental activities	<u>\$ 23,303,085</u>	<u>\$ 349,310</u>	<u>\$ 6,236,677</u>	(16,717,098)
General revenues:				
Taxes				
Property taxes, levied for general purpose				1,631,688
Property taxes, levied for debt service				2,441,079
State aid not restricted to specific purposes				11,788,676
Interest and unrealized earnings (loss)				(103,740)
Other				48,416
Total general revenues				<u>15,806,119</u>
Changes in Net Position				(910,979)
Net Position-Beginning of year, as restated				<u>(37,897,782)</u>
Net Position-End of year				<u>\$ (38,808,761)</u>

See accompanying notes to financial statements

Fund Financial Statements

Belding Area Schools
Governmental Funds
Balance Sheet
June 30, 2018

	General	2010-A Building & Site Debt Fund	Other Non-Major Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 2,488,592	\$ 7,361,574	\$ 266,059	\$ 10,116,225
Accounts receivable	27,439	0	50,000	77,439
Due from other funds	876	0	176,225	177,101
Due from other governments	3,045,199	0	0	3,045,199
Inventory	95,368	0	21,171	116,539
Total assets	\$ 5,657,474	\$ 7,361,574	\$ 513,455	\$ 13,532,503
Liabilities and Fund Equity				
Liabilities				
Accounts payable	\$ 327,441	\$ 0	\$ 30,920	\$ 358,361
Salaries and withholdings payable	1,013,781	0	0	1,013,781
Due to other funds	176,225	0	876	177,101
Due to other governments	184,788	0	0	184,788
Unearned revenue	287,697	0	8,150	295,847
Notes payable	1,500,000	0	0	1,500,000
Total Liabilities	3,489,932	0	39,946	3,529,878
Fund Equity				
Fund balances				
Non-spendable for:				
Inventory	95,368	0	21,171	116,539
Restricted	0	7,361,574	452,338	7,813,912
Assigned				
Compensated absences	243,763	0	0	243,763
Unassigned	1,828,411	0	0	1,828,411
Total fund equity	2,167,542	7,361,574	473,509	10,002,625
Total liabilities and fund equity	\$ 5,657,474	\$ 7,361,574	\$ 513,455	\$ 13,532,503

Belding Area Schools
Governmental Funds
Reconciliation of Balance Sheet of Governmental Funds to Net Position
June 30, 2018

Total fund Balances- Governmental Funds **\$ 10,002,625**

Amounts reported for governmental activities
in the statement of net position are different because:

Deferred charges, net of amortization	773,686
Deferred outflows of resources - related to pension expenditures	2,286,280
Deferred outflows of resources - related to pension plan	3,263,076
Deferred outflows of resources - related to OPEB expenditures	550,844
Deferred outflows of resources - related to OPEB plan	392
Deferred inflows of resources - related to pensions	(1,782,774)
Deferred inflows of resources - related to state pension funding	(1,022,841)
Deferred inflows of resources - related to OPEB expenditures	(299,787)

Capital assets used in government activities
are not financial resources, and are not reported in the funds

Capital assets cost:	66,677,783	
Accumulated depreciation:	<u>(22,074,815)</u>	
Net Capital Assets		44,602,968

Long term and other liabilities are not due and payable
in the current period and are not reported in the funds

Bonds and other loans payable	(58,097,650)
Accrued Interest-net	(301,798)
Compensated absences	(243,763)
School Bond Loan payable	(3,800,351)
Net pension liability	(25,872,159)
Net OPEB liability	<u>(8,867,509)</u>
Total liabilities	<u>(97,183,230)</u>

Net Position of Governmental Activities **\$ (38,808,761)**

Belding Area Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	General	2010-A Building and Site Debt Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 1,858,459	\$ 838,478	\$ 1,649,076	\$ 4,346,013
State sources	14,796,768	0	34,750	14,831,518
Federal sources	1,177,018	816,870	696,566	2,690,454
Other	740,349	0	0	740,349
Total revenues	18,572,594	1,655,348	2,380,392	22,608,334
Expenditures				
Instruction				
Basic programs	8,295,381	0	0	8,295,381
Added needs	2,970,487	0	0	2,970,487
Adult and continuing education	72,954	0	0	72,954
Support services				
Pupil	668,107	0	0	668,107
Instructional staff	506,407	0	0	506,407
General administration	363,111	0	0	363,111
School administration	1,249,170	0	0	1,249,170
Business and central services	3,637,123	0	0	3,637,123
Athletics	441,316	0	0	441,316
Food service	0	0	828,647	828,647
Community services	53,577	0	0	53,577
Other transactions	19,717	0	0	19,717
Debt services				
Redemption of bonds/notes	0	0	9,639,295	9,639,295
Interest and fiscal charges	0	998,900	1,842,607	2,841,507
Total expenditures	18,277,350	998,900	12,310,549	31,586,799
Excess (deficiency) of revenues over expenditures	295,244	656,448	(9,930,157)	(8,978,465)
Other financing sources (uses)				
Proceeds from SLRF/bonds	0	0	14,560,730	14,560,730
Premium from debt issuance	0	0	301,371	301,371
Payment to refunded bond escrow agent	0	0	(4,661,001)	(4,661,001)
Operating transfers in	20,550	0	0	20,550
Operating transfers out	0	0	(20,550)	(20,550)
Total other financing sources (uses)	20,550	0	10,180,550	10,201,100
Excess (deficiency) of revenues over expenditures and other sources (uses)	315,794	656,448	250,393	1,222,635
Fund balances at beginning of year	1,851,748	6,705,126	223,116	8,779,990
Fund balances at end of year	\$ 2,167,542	\$ 7,361,574	\$ 473,509	\$ 10,002,625

Belding Area Schools
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to Statement of Activities
Year Ended June 30, 2018

Net Change in fund Balances- Total Governmental funds	\$	1,222,635
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Amount reported for governmental activities in the statement of activities are different because:

Governmental funds reported capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense		(1,531,758)
Capital outlay		208,601

Proceeds and repayments of principal on long-term debt are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities)

Principle repayment		9,639,295
New bond proceeds used to pay principle and interest		4,661,001
Proceeds from School Bond Loan Fund and new bonds(including premium)		(14,862,101)

Some items are not recorded in the funds, but are accrued and recorded in the statement of activities

Change in accrued interest		22,205
Amortization of bond premiums/deferred charges		187,747
Pension expense related items		(211,897)
OPEB expense related items		(17,098)
Change in accrued compensated absences		(13,381)
Revenue from federal grant expenditures received more than 60 days after the end of the previous fiscal year, not recorded in governmental funds		(265,440)

Restricted revenue that is deferred to offset deferred outflows related to Sec 147c pension contributions subsequent to the measurement period
State aid funding for pensions and OPEB

49,212

Net Change in Net Position- Governmental Activities	\$	<u>(910,979)</u>
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Belding Area Schools
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	<u>Agency Funds- Student Activities</u>
Assets	
Cash and Cash Equivalents	<u>\$ 231,309</u>
Liabilities	
Due to Student groups	<u>\$ 231,309</u>

See accompanying notes to financial statements

Belding Area Schools

Notes to Financial Statements

June 30, 2018

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Belding Area Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the district does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The district does not allocate indirect costs.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The District first utilizes restricted resources to finance qualifying activities.

Belding Area Schools

Notes to Financial Statements

June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Fund Based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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 and severance pay, are recorded only when payment is due.

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

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

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

Capital Projects fund is used to account for the construction of fixed assets.

The Government reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Fund maintained by the School District is the Food Services Fund.

Debt Retirement Funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

Capital Projects funds are used to account for the construction of fixed assets.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net position and results of operations are not included in government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

Belding Area Schools

Notes to Financial Statements

June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Property taxes assessed as of December 31 and the related property taxes are levied and become a lien on December 1. These taxes are billed on December 1st and are due February 15th. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state’s School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical 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 are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as revenue and expensed when received. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Cost of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The school district does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

Belding Area Schools

Notes to Financial Statements

June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Deferred Outflows - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding, pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualifies for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

Defined Benefit Plans - For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public 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.

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Compensated Absences – The liability for compensated absences reported in the government-wide statements consist of unpaid, accumulated annual vacation and sick pay balances. 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 upon termination are included.

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

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

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

Committed – amounts constrained on use imposed by the District's highest level of decision-making, its board of education. A fund balance commitment may be established, modified, or rescinded by a resolution of the board of education.

Belding Area Schools

Notes to Financial Statements

June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Assigned – amounts intended to be used for specific purposes, but do not rise to the level of committed. Assigned funds are normally temporary and do not require formal action to modify or unassign as required by committed funds. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature. If the school district budgets the use of fund balance in the subsequent year, this amount is shown as assigned. Additionally \$243,763 has been assigned to cover the estimated compensated absences liability.

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District's policy is to consider restricted funds spent first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the District's policy is to consider the funds to be spent in the following order: 1) committed, 2) assigned, 3) unassigned.

Comparative Data/Reclassifications – Comparative data is not included in the District's financial statements.

Use of Estimates- The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 – Stewardship, Compliance and Accountability

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. There were two amendments during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Expenditures over budget

Function - General Fund	Final Budget	Amount of Expenditures	Variance
Pupil	\$ 650,450	\$ 668,107	\$ (17,657)
Instructional Staff	\$ 484,851	\$ 506,407	\$ (21,556)
Athletics	\$ 399,414	\$ 441,316	\$ (41,902)

Belding Area Schools
Notes to Financial Statements
June 30, 2018

Note 3 – Deposits and Investments

As of June 30, 2018, the District had the following investments:

Investment type	Fair Value	Average Maturity (years)	Standard & Poor's Rating	Portfolio %
Government Money Market funds	\$ 608	0.0027	AAAm	0.01%
United States Treasury Strips	7,349,804	7.6139	AAAm	99.99%
Total Fair Value	<u>\$ 7,350,412</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>7.6078</u>		

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

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2018, \$2,505,743 of the School District's bank balance of \$3,015,037 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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

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

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

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

Belding Area Schools

Notes to Financial Statements

June 30, 2018

Note 3 – Deposits and Investments (Continued)

The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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

Reconciliation of cash and investments:

Carrying value of deposits and investments:

Deposits-including Fiduciary Funds	\$ 231,309	\$ 2,997,122
Investments		7,350,412
Total		<u>\$ 10,347,534</u>

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

Cash-Fiduciary Fund	\$ 231,309
Cash and investments-District Wide	10,116,225
Total	<u>\$ 10,347,534</u>

Note 4 – Receivables

Receivables as of year-end for the school district's individual major funds and the non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	2010-A Building & Site Debt Fund	Non-major and Other Funds	Total
Receivables:				
Various	\$ 27,439	0	50,000	\$ 77,439
Intergovernmental	3,045,199	0	0	3,045,199
Net Receivables	<u>\$ 3,072,638</u>	<u>0</u>	<u>50,000</u>	<u>\$ 3,122,638</u>

Belding Area Schools

Notes to Financial Statements

June 30, 2018

Note 4 – Receivables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unearned
Payments received prior to meeting all eligibility requirements:	<u>\$ 295,847</u>

Note 5 – Capital Assets

Capital Asset activity of the School District's Governmental activities was as follows:

	Balance June 30, 2017	Additions	Disposals and Adjustments	Balance June 30, 2018
Assets not being depreciated:				
Land	\$ 243,585	\$ 0	\$ 0	\$ 243,585
Subtotal	243,585	0	0	243,585
Capital assets being depreciated:				
Building and building improvements	62,036,654	89,445	0	62,126,099
Buses and other vehicles	1,779,568	112,006	0	1,891,574
Furniture and equipment	2,419,715	7,150	10,340	2,416,525
Subtotal	66,235,937	208,601	10,340	66,434,198
Accumulated depreciation:				
Building and building improvements	17,753,310	1,380,832	0	19,134,142
Buses and other vehicles	1,231,839	36,034	0	1,267,873
Furniture and equipment	1,568,248	114,892	10,340	1,672,800
Subtotal	20,553,397	1,531,758	10,340	22,074,815
Net capital assets being depreciated	45,682,540	(1,323,157)	0	44,359,383
Net capital assets	<u>\$ 45,926,125</u>	<u>\$ (1,323,157)</u>	<u>\$ 0</u>	<u>\$ 44,602,968</u>

Depreciation expense was charged to activities of the school as follows:

Governmental Activities	
Instruction	\$ 6,127
Support Services	219,042
Food Services	4,595
Unallocated	1,301,994
	<u>\$ 1,531,758</u>

Belding Area Schools

Notes to Financial Statements

June 30, 2018

Note 6 – Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

	Fund Due To		
Fund Due From	General Fund	Other Nonmajor Funds	Total
General Fund	\$ 0	\$ 176,225	\$ 176,225
Other Nonmajor Funds	876	0	876
Total	<u>\$ 876</u>	<u>\$ 176,225</u>	<u>\$ 177,101</u>

Interfund Transfers:

	Transfer Out		
	General Fund	Food Service	Total
Transfer in:			
General Fund-Administration	\$ 0	20,550	\$ 20,550
	<u>\$ 0</u>	<u>\$ 20,550</u>	<u>\$ 20,550</u>

Note 7 – Notes Payable

At June 30, 2018, the District had one outstanding state aid anticipation note. The note, dated August 2018, matures on August 2019. The note is secured by future state school aid payments.

Balance July 01, 2017	Additions	Payments	Balance June 30, 2018
<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

Belding Area Schools

Notes to Financial Statements

June 30, 2018

Note 8 – Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and school bond loan fund payable.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds	\$ 53,460,000	\$ 10,350,000	\$ 8,780,000	\$ 55,030,000	\$ 5,340,000
Total bonds payable	53,460,000	10,350,000	8,780,000	55,030,000	5,340,000
School Bond Loan Fund	5,176,430	4,339,921	5,716,000	3,800,351	0
Compensated Absences	230,382	13,381		243,763	0
Total other obligation	5,406,812	4,353,302	5,716,000	4,044,114	0
Total	<u>\$ 58,866,812</u>	<u>\$ 14,703,302</u>	<u>\$ 14,496,000</u>	<u>\$ 59,074,114</u>	<u>\$ 5,340,000</u>

Annual debt service requirements, to maturity for the above bond obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2019	\$ 5,340,000	\$ 2,570,450	\$ 7,910,450
2020	5,525,000	2,380,776	\$ 7,905,776
2021	5,675,000	2,230,354	7,905,354
2022	2,685,000	2,063,186	4,748,186
2023	2,630,000	1,963,374	4,593,374
2024-2028	21,625,000	6,697,386	28,322,386
2029-2033	4,725,000	2,417,500	7,142,500
2034-2038	4,850,000	1,223,750	6,073,750
2039-2043	1,975,000	148,250	2,123,250
Total	<u>\$ 55,030,000</u>	<u>\$ 21,695,026</u>	<u>\$ 76,725,026</u>

Belding Area Schools
Notes to Financial Statements
June 30, 2018

Note 8 – Long-Term Debt (Continued)

General obligation bonds consist of:

\$15,000,000 bonded debt of May 13, 2010, due in annual installments of \$5,000,000 beginning May 1, 2025 through May 1, 2027; interest at 6.5% to 6.7%.	15,000,000
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\$21,890,000 bonded debt as of December 1, 2015, due in annual installments of \$225,000 to \$990,000 beginning May 1, 2015 through May 1, 2040; interest at 3.00% to 5.00%	20,175,000
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\$13,260,000 bonded debt as of December 1, 2015, due in annual installments of \$2,445,000 to \$2,870,000 beginning May 1, 2017 through May 1, 2021; interest at 1.18% to 2.62%	8,265,000
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\$21,890,000 bonded debt as of December 1, 2015, due in annual installments of \$225,000 to \$990,000 beginning May 1, 2015 through May 1, 2040; interest at 3.00% to 5.00%	1,240,000
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\$4,550,000 bonded debt as of February 15, 2018, due in annual installments of \$610,000 to \$515,000 beginning May 1, 2019 through May 1, 2026; interest at 3.00% to 4.00%	4,550,000
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\$5,800,000 bonded debt as of February 15, 2018, due in annual installments of \$1,250,000 to \$1,055,000 beginning May 1, 2019 through May 1, 2023; interest at 2.22% to 3.02%	5,800,000
---	-----------

Subtotal - Bonds Payable	55,030,000
Plus: Premiums on bond issuances (net)	3,067,650

Subtotal - Bonds Payable	<u><u>\$ 58,097,650</u></u>
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On February 15, 2018 the School District issued two new bonds to refund the 2008 Refunding Bonds (2018 Series A) and refinance a portion of the School Bond Loan Fund and School Loan Revolving Fund (2018 Series B). The funds were placed in an escrow account to facilitate payments. On February 15, 2018 the escrow agent transferred funds to pay principle and interest on the School Loan Revolving Fund. On May 1, 2018 the escrow agents transferred funds to pay the principle and interest on the 2008 Refunding bonds. The net present value savings from cash flow from the 2018 Series A refunding bond offering is \$283,669.

Belding Area Schools
Notes to Financial Statements
June 30, 2018

Note 8 – Long-Term Debt (Continued)

Michigan School Bond Loans – The School District has borrowed on various occasions from the Michigan School Bond Loan Revolving Fund. Repayment is due when the School District has funds available as determined by the State of Michigan. Interest accrues on the unpaid balance. At June 30, 2018 the interest rate was 3.10164%. The School District borrowed an additional \$4,210,730 in principal during the fiscal year. The balances at June 30, 2018 are as follows:

Principal balance	\$ 3,777,950
Interest balance	<u>22,401</u>
Total	<u><u>\$ 3,800,351</u></u>

Note 9 – Risk Management

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

Note 10 – Defined Benefit Pension Plan and Post Retirement Benefits

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.

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 option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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

The System's financial statements are available at www.michigan.gov/orsschools.

Belding Area Schools
Notes to Financial Statements
June 30, 2018

Note 10 – Defined Benefit Pension Plan and Post Retirement Benefits (Continued)

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPSERS is as follows:

<u>Plan name</u>	<u>Plan Type</u>	<u>Plan status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% -7.0%.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Belding Area Schools
Notes to Financial Statements
June 30, 2018

Note 10 – Defined Benefit Pension Plan and Post Retirement Benefits (Continued)

Pension Reform 2012

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

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

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

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

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 – Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transient date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service their after would include a 1.25% pension factor.

Option 3 – Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 – Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Belding Area Schools
Notes to Financial Statements
June 30, 2018

Note 10 – Defined Benefit Pension Plan and Post Retirement Benefits (Continued)

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the Transition Date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided – Other postemployment benefit (OPEB)

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

Belding Area Schools
Notes to Financial Statements
June 30, 2018

Note 10 – Defined Benefit Pension Plan and Post Retirement Benefits (Continued)

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

Annual Amount – The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Belding Area Schools

Notes to Financial Statements

June 30, 2018

Note 10 – Defined Benefit Pension Plan and Post Retirement Benefits (Continued)

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2016 valuation will be amortized over a 22-year period for fiscal 2017.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other Post- Employment Benefit
October 1, 2016 – September 30, 2017	15.27% - 19.03%	5.69% - 5.91%
October 1, 2017 – September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

The District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately \$2,426,994 with \$2,398,854 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2018 were equal to the required contribution total. OPEB contributions were approximately \$677,053, with \$652,477 specifically for the Defined Benefit Plan.

These amounts, for both pension and OPEB contributions, include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB, effective 10/1/17).

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

Pension Liabilities

At June 30, 2018, the District reported a liability of \$25,872,159 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the District's proportion was 0.09984 and 0.10106 percent.

Belding Area Schools
Notes to Financial Statements
June 30, 2018

Note 10 – Defined Benefit Pension Plan and Post Retirement Benefits (Continued)

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

For the year ended June 30, 2018, the District recognized pension expense of \$2,580,597.

At June 30, 2018, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
	<hr/>	<hr/>
Difference between actual and expected experience	\$ 224,847	\$ 126,949
Changes of assumptions	2,834,501	0
Net difference between projected and actual earning on pension plan investments	0	1,236,859
Changes in proportion and differences between employer contributions and proportionate share of contributions	203,728	418,966
Employer contributions and Sec 147c receipts subsequent to the measurement date	2,286,280	1,022,841
	<hr/>	<hr/>
Totals	\$ 5,549,356	\$ 2,805,615
	<hr/>	<hr/>

The \$2,286,280 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 subsequent year. Deferred inflows from Sec. 147c receipts subsequent to the measurement date in the amount of \$1,022,841 are UAAL Rate Stabilization payments received after the measurement date. This amount will be recognized in the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30	Amount
2018	\$ 370,235
2019	\$ 830,944
2020	\$ 367,277
2021	\$ (88,154)

Belding Area Schools
Notes to Financial Statements
June 30, 2018

Note 10 – Defined Benefit Pension Plan and Post Retirement Benefits (Continued)

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

OPEB Liabilities

At June 30, 2018, the District reported a liability of \$8,867,509 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.10014 percent.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$593,213.

At June 30, 2018, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Difference between actual and expected experience	\$ 0	\$ 94,413
Changes of assumptions	0	0
Net difference between projected and actual earning on OPEB plan investments	0	205,374
Changes in proportion and differences between employer contributions and proportionate share of contributions	392	0
Employer contributions subsequent to the measurement date	550,844	0
Totals	<u>\$ 551,236</u>	<u>\$ 299,787</u>

The \$550,844 reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Belding Area Schools
Notes to Financial Statements
June 30, 2018

Note 10 – Defined Benefit Pension Plan and Post Retirement Benefits (Continued)

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

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30	Amount
2018	\$ (72,357)
2019	\$ (72,357)
2020	\$ (72,357)
2021	\$ (72,357)
2022	\$ (9,967)

Actuarial Assumptions

Investment rate of return for Pension – 7.5% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus Plan).

Investment rate of return for OPEB – 7.5% a year, compounded annually net of investment and administrative expenses

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation – 3.0%

Mortality assumptions - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2025 using projection scale BB (for men, 80% of the table rates were used and for women, 70% of the table rates were used).

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2016. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

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

Belding Area Schools

Notes to Financial Statements

June 30, 2018

Note 10 – Defined Benefit Pension Plan and Post Retirement Benefits (Continued)

Actuarial Assumptions (Continued)

Cost of Living Pension Adjustments – 3.0% annual non-compounded for MIP members

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

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

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

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

Coverage Election at Retirement – 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents

The target asset allocation at September 30, 2017 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Investment Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.00%	5.60%
Private Equity Pools	18.00%	8.70%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	(0.10)%
Real Estate and Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.00%
Short Term Investment Pools	2.00%	(0.90)%
Total	100.00%	

*Long Term rate of return does not include 2.3% inflation.

Belding Area Schools

Notes to Financial Statements

June 30, 2018

Note 10 – Defined Benefit Pension Plan and Post Retirement Benefits (Continued)

Actuarial Assumptions (Continued)

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

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

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease (Non-Hybrid/Hybrid)* 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 8.5% / 8.0%
District's proportionate share of the net pension liability	\$ 33,702,817	\$ 25,872,159	\$ 19,279,243

Sensitivity of the net OPEB liability to changes in the discount rate -The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the 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 point higher than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
District's proportionate share of the OPEB liability	\$ 10,386,416	\$ 8,867,509	\$ 7,578,433

Belding Area Schools

Notes to Financial Statements

June 30, 2018

Note 10 – Defined Benefit Pension Plan and Post Retirement Benefits (Continued)

Sensitivity of the net pension liability to changes in the discount rate (Continued)

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the District's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.5% decreasing to 2.5%)	Current Healthcare Cost Trend Rate (7.5% decreasing to 3.5%)	1% Increase (8.5% decreasing to 4.5%)
District's proportionate share of the OPEB liability	<u>\$ 7,509,588</u>	<u>\$ 8,867,509</u>	<u>\$ 10,409,334</u>

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued [Michigan Public School Employees Retirement System 2017 Comprehensive Annual Financial Report](#).

Payable to the Pension and OPEB Plan - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

Other Information

On December 20, 2017, the Michigan Supreme Court affirmed that Public Act 75 of 2010 is unconstitutional as it substantially impaired the employee's employment contracts by involuntarily reducing the employee's wages by 3%. As a result, the funds collected pursuant to Public Act 75 before the effective date of Public Act 300 of 2012, must be refunded to the employees in accordance with the Michigan Court of Clams judgment on the aforementioned court case. Effective September 30, 2017, the 3% contribution collected under Public Act 75, which amounted to approximately \$554 million (including interest), was posted as a liability on the plan's CAFR report.

Postemployment Benefits Other Than Pensions (OPEB) Prior to GASB 75

Prior to implementation of GASB 75 as described in Note 13, the District only reported the actual and required contributions to the retiree healthcare benefit plan. The District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2017 and 2016 were approximately \$500,977 and \$539,267, respectively. In addition, 27.12 and 30.55 percent respectively of the MPSERS Unfunded Actuarial Accrued Liability (UAAL) stabilization rate is considered a contribution to the retiree healthcare plan.

Belding Area Schools

Notes to Financial Statements

June 30, 2018

Note 11 – Contingencies

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

Note 12 – Subsequent Event

Subsequent to year end, the District entered into an agreement to borrow \$1,500,000 as a state aid note maturing August, 2019. The note is secured by the full faith and credit of the District as well as pledged state aid.

Note 13 – Property Tax Abatements

The District is subject to reduced property tax revenues as a result of tax abatements entered into by the local cities, villages, and townships. During the 2017-2018 fiscal year, the District received reduced property taxes due to Industrial Facilities Tax (IFT) exemption. The IFT exemption(s) is to promote economic growth by the expansion of industrial activity. The tax revenue abated is factored in the calculation when the State of Michigan determines the State Aid for the District. The property taxes abated by jurisdiction are as follows.

Jurisdiction	Type of abatement	Taxes abated
City of Belding	IFT	\$ 27,303
Otisco Township	IFT	\$ 44,319
Total abatements		<u>\$ 71,622</u>

Note 14 – New Accounting Standards

For the year ended June 30, 2018, the District implemented the following new pronouncements: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Belding Area Schools

Notes to Financial Statements

June 30, 2018

Note 14 – New Accounting Standards (Continued)

GASB Statement No. 75 requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense. The implementation of GASB Statement No. 75 required a restatement of the beginning of the year net position as follows:

	Governmental Activities
Net position as previously stated July 1, 2017	\$ (29,008,079)
Adoption of GASB Statement 75	
Net OPEB Liability	(9,353,258)
Deferred outflows	754,296
Deferred inflows	(290,741)
Net position as restated July 1, 2017	<u>\$ (37,897,782)</u>

Note 15 – Upcoming Accounting Pronouncements

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Required Supplemental Information

Belding Area Schools
Required Supplemental Information
Budgetary Comparison Schedule- General Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 1,776,948	\$ 1,964,348	\$ 1,858,459	\$ (105,889)
State sources	14,417,259	14,869,327	14,796,768	(72,559)
Federal sources	889,452	1,388,579	1,177,018	(211,561)
Other	605,513	784,291	740,349	(43,942)
Total revenues	17,689,172	19,006,545	18,572,594	(433,951)
Expenditures				
Instruction				
Basic programs	8,097,841	8,488,784	8,295,381	193,403
Added needs	2,834,783	3,025,411	2,970,487	54,924
Adult and continuing education	70,465	172,808	72,954	99,854
Support services				
Pupil	642,860	650,450	668,107	(17,657)
Instructional staff	542,437	484,851	506,407	(21,556)
General administration	395,296	402,593	363,111	39,482
School administration	1,280,871	1,309,919	1,249,170	60,749
Business and central services	3,616,108	3,785,053	3,637,123	147,930
Athletics	395,943	399,414	441,316	(41,902)
Community services	56,062	56,062	53,577	2,485
Other transactions	30,500	30,500	19,717	10,783
Total expenditures	17,963,166	18,805,845	18,277,350	528,495
Excess (deficiency) of revenues over expenditures	<u>(273,994)</u>	<u>200,700</u>	<u>295,244</u>	<u>94,544</u>
Other financing sources (uses)				
Operating transfers in	<u>30,000</u>	<u>30,000</u>	<u>20,550</u>	<u>(9,450)</u>
Total other financing sources (uses)	<u>30,000</u>	<u>30,000</u>	<u>20,550</u>	<u>(9,450)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (243,994)</u>	<u>\$ 230,700</u>	<u>315,794</u>	<u>\$ 85,094</u>
Fund balances at beginning of year			<u>1,851,748</u>	
Fund balances at end of year			<u>\$ 2,167,542</u>	

See accompanying note to financial statements

Belding Area Schools
Required Supplemental Information
Schedule of District's Proportionate Share of the Net Pension Liability
Michigan Public School Employee Retirement Plan
Last 10 Fiscal Years (Determined as of the Plan Year Ended September 30)

	2017	2016	2015	2014
District's Proportion of net pension liability (%)	0.09984%	0.10106%	0.10002%	0.10220%
District's proportionate share of net pension liability	\$ 25,872,159	\$ 25,212,513	\$ 24,431,062	\$ 22,511,311
District's covered-employee payroll	\$ 8,316,509	\$ 8,567,968	\$ 8,342,850	\$ 8,724,591
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	311.09%	294.26%	292.84%	258.02%
Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.20%

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

Belding Area Schools
Required Supplemental Information
Schedule of District's Pension Contributions
Michigan Public School Employee Retirement Plan
Last 10 Fiscal Years (Determined as of the Year Ended June 30)

	2018	2017	2016	2015
Statutorily required contributions	\$ 2,398,854	\$ 2,331,791	\$ 2,175,778	\$ 1,923,651
Contributions in relation to statutorily required contributions	2,398,854	2,331,791	2,175,778	1,923,651
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 8,050,214	\$ 8,401,303	\$ 8,507,468	\$ 8,712,407
Contributions as a percentage of covered-employee payroll	29.80%	27.76%	25.57%	22.08%

Changes of benefit terms: There were no changes of benefit terms during the year

Changes of assumptions: There were no changes of benefit assumptions during the year

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

Belding Area Schools

Required Supplemental Information

Schedule of District's Proportionate Share of the Net OPEB Liability Michigan Public School Employee Retirement Plan Last 10 Fiscal Years (Determined as of the Plan Year Ended September 30)

	<u>2017</u>
District's proportion of net OPEB liability (%)	0.10014%
District's proportionate share of net OPEB liability	\$ 8,867,509
District's covered-employee payroll	\$ 8,316,509
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	106.63%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%

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

Belding Area Schools

Required Supplemental Information
Schedule of District's OPEB Contributions
Michigan Public School Employee Retirement Plan
Last 10 Fiscal Years (Determined as of the Year Ended June 30)

	2018
Statutorily required OPEB contributions	<u>\$ 652,477</u>
OPEB contributions in relation to statutorily required contributions	<u>652,477</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 8,050,214</u>
OPEB contributions as a percentage of covered-employee payroll	8.11%

Changes of benefit terms: There were no changes of benefit terms during the year

Changes of assumptions: There were no changes of benefit assumptions during the year

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

Other Supplemental Information

Belding Area Schools
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue	Other Nonmajor Funds					Nonmajor Governmental Funds
	Food Service	2015-A Refunding Debt	2015-B Refunding Debt	2016 Refunding Debt	2018-A Refunding Debt	2018-B Refunding Debt	Total
Assets							
Cash and investments	\$ 26,455	\$ 37,412	\$ 184,770	\$ 17,422	\$ 0	\$ 0	\$ 266,059
Accounts Receivable	50,000	0	0	0	0	0	50,000
Due from other funds	176,225	0	0	0	0	0	176,225
Inventory of supplies - at cost	21,171	0	0	0	0	0	21,171
Total Assets	\$ 273,851	\$ 37,412	\$ 184,770	\$ 17,422	\$ 0	\$ 0	\$ 513,455
Liabilities							
Accounts payable	\$ 30,920	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,920
Unearned revenue	8,150	0	0	0	0	0	8,150
Due to other funds	0	0	876	0	0	0	876
Total Liabilities	39,070	0	876	0	0	0	39,946
Fund Balance							
Non-spendable-Inventory	21,171	0	0	0	0	0	21,171
Restricted	213,610	37,412	183,894	17,422	0	0	452,338
Total Fund Balance	234,781	37,412	183,894	17,422	0	0	473,509
Total Liabilities and Fund Balance	\$ 273,851	\$ 37,412	\$ 184,770	\$ 17,422	\$ 0	\$ 0	\$ 513,455

See accompanying notes to financial statements

Belding Area Schools
Other Supplemental Information
Combining Statement of Revenue, Expenditures
and changes in fund balances
Non Major Governmental Funds
Year Ended June 30, 2018

	Special Revenue	Other Nonmajor Funds						Total Nonmajor Governmental Funds
	Food Service	2008 Refunding Debt	2015-A Refunding Debt	2015-B Refunding Debt	2016 Refunding Debt	2018-A Refunding Debt	2018-B Refunding Debt	
Revenues								
Local sources								
Property taxes	\$ 0	\$ 587,622	\$ 612,195	\$ 179,379	\$ 118,187	\$ 0	\$ 0	\$ 1,497,383
Lunch sales	151,693	0	0	0	0	0	0	151,693
Total Local Sources	151,693	587,622	612,195	179,379	118,187	0	0	1,649,076
Federal and state sources								
State aid-matching funds	34,750	0	0	0	0	0	0	34,750
Federal aid	643,636	0	0	0	0	0	0	643,636
Federal commodities	52,930	0	0	0	0	0	0	52,930
Total Federal and State Sources	731,316	0	0	0	0	0	0	731,316
Total Revenues	883,009	587,622	612,195	179,379	118,187	0	0	2,380,392
Expenditures								
Food & supplies	389,091	0	0	0	0	0	0	389,091
Salaries & wages	74,889	0	0	0	0	0	0	74,889
Fringe benefits	25,448	0	0	0	0	0	0	25,448
Repairs & capital outlay	20,923	0	0	0	0	0	0	20,923
Other	318,296	0	0	0	0	0	0	318,296
Debt Service								
Redemption of Serial Bonds/SLRF	0	630,000	740,000	2,550,000	185,000	0	5,534,295	9,639,295
Interest	0	125,000	999,900	230,769	28,863	93,500	181,705	1,659,737
Other	0	500	500	500	500	96,870	84,000	182,870
Total Expenditures	828,647	755,500	1,740,400	2,781,269	214,363	190,370	5,800,000	12,310,549
Excess (deficiency) of revenues over expenditures	54,362	(167,878)	(1,128,205)	(2,601,890)	(96,176)	(190,370)	(5,800,000)	(9,930,157)
Other financing sources (uses)								
Proceeds from SLRF/Bonds	0	167,878	1,156,843	2,774,106	111,903	4,550,000	5,800,000	14,560,730
Bond premium	0	0	0	0	0	301,371	0	301,371
Transfer to escrow agent	0	0	0	0	0	(4,661,001)	0	(4,661,001)
Operating transfers in (out)	(20,550)	0	0	0	0	0	0	(20,550)
Total Other Financing Sources	(20,550)	167,878	1,156,843	2,774,106	111,903	190,370	5,800,000	10,180,550
Excess (deficiency) of revenues over expenditures & other sources (uses)	33,812	0	28,638	172,216	15,727	0	0	250,393
Fund balances at beginning of year	200,969	0	8,774	11,678	1,695	0	0	223,116
Fund balances at end of year	\$ 234,781	\$ 0	\$ 37,412	\$ 183,894	\$ 17,422	\$ 0	\$ 0	\$ 473,509

Belding Area Schools
Other Supplemental Information
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2018

	2018		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues			
Local sources	\$ 1,964,348	\$ 1,858,459	\$ (105,889)
State sources	14,869,327	14,796,768	(72,559)
Federal sources	1,388,579	1,177,018	(211,561)
Other	784,291	740,349	(43,942)
Total revenues	19,006,545	18,572,594	(433,951)
Expenditures			
Instruction			
Basic programs	8,488,784	8,295,381	193,403
Added needs	3,025,411	2,970,487	54,924
Adult and continuing education	172,808	72,954	99,854
Support services			
Pupil	650,450	668,107	(17,657)
Instructional staff	484,851	506,407	(21,556)
General administration	402,593	363,111	39,482
School administration	1,309,919	1,249,170	60,749
Business and central services	3,785,053	3,637,123	147,930
Athletics	399,414	441,316	(41,902)
Community services	56,062	53,577	2,485
Other transactions	30,500	19,717	10,783
Total expenditures	18,805,845	18,277,350	528,495
Excess (deficiency) of revenues over expenditures	200,700	295,244	94,544
Other financing sources (uses)			
Operating transfers in	30,000	20,550	(9,450)
Total other financing sources (uses)	30,000	20,550	(9,450)
Excess (deficiency) of revenues over expenditures and other sources (uses)	\$ 230,700	315,794	\$ 85,094
Fund balances at beginning of year		1,851,748	
Fund balances at end of year		\$ 2,167,542	

See accompanying notes to financial statements

Belding Area Schools
Other Supplemental Information
Special Revenue Funds
Statement of Revenues, Expenditures, and
Changes in Fund Balance- Budget and Actual
Year Ended June 30, 2018

	Budget	Food Service Actual	Difference
Revenues			
Local sources			
Lunch sales	\$ 137,345	\$ 151,693	\$ 14,348
Total Local Sources	137,345	151,693	14,348
Federal and state sources			
State aid-matching funds	50,000	34,750	(15,250)
Federal aid	633,170	643,636	10,466
Federal commodities	58,500	52,930	(5,570)
Total Federal and State Sources	741,670	731,316	(10,354)
Total Revenues	879,015	883,009	3,994
Expenditures			
Food & supplies	404,000	389,091	14,909
Salaries & wages	75,760	74,889	871
Fringe benefits	25,460	25,448	12
Repairs & capital outlay	21,000	20,923	77
Other	319,630	318,296	1,334
Total Expenditures	845,850	828,647	17,203
Excess (deficiency) of revenues over expenditures	33,165	54,362	21,197
Other financing sources (uses)			
Operating transfers in(out)	(20,550)	(20,550)	0
Excess (deficiency) of revenues over expenditures & other sources (uses)	\$ 12,615	33,812	\$ 21,197
Fund balances at beginning of year		200,969	
Fund balances at end of year		\$ 234,781	

See accompanying notes to financial statements

Belding Area Schools
Other Supplemental Information
Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2018

Student Activity Funds

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Assets				
Cash And Cash Equivalents	\$ 198,925	\$ 316,788	\$ 284,404	\$ 231,309
Liabilities				
Due To Student Groups	\$ 198,925	\$ 316,788	\$ 284,404	\$ 231,309

See accompanying notes to financial statements

Belding Area Schools
Other Supplemental Information
Schedule of Bonded Debt
2010 School Building and Site Bonds - Series A
June 30, 2018

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2019			\$ 497,500	\$ 497,500	\$ 995,000
2020			497,500	497,500	995,000
2021			497,500	497,500	995,000
2022			497,500	497,500	995,000
2023			497,500	497,500	995,000
2024			497,500	497,500	995,000
2025	6.50%	\$ 5,000,000	497,500	497,500	5,995,000
2026	6.70%	5,000,000	335,000	335,000	5,670,000
2027	6.70%	5,000,000	167,500	167,500	5,335,000
Total		<u>\$ 15,000,000</u>	<u>\$ 3,985,000</u>	<u>\$ 3,985,000</u>	<u>\$ 18,990,000</u>

Purpose - Refunding the Schools District's 1998 Refunding Bonds dated February 28, 1998, which are callable on or after May 1, 2008, and are due and payable May 1, 2009 through May 1, 2014, inclusive, May 1, 2018 and May 1, 2026, and paying the costs of issuing the Bonds.

Belding Area Schools
Other Supplemental Information
Schedule of Bonded Debt
2015 Refunding Bonds - Series A
June 30, 2018

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2019	3.00%	\$ 760,000	\$ 488,850	\$ 488,850	\$ 1,737,700
2020	4.00%	780,000	477,450	477,450	1,734,900
2021	4.00%	805,000	461,850	461,850	1,728,700
2022	5.00%	825,000	445,750	445,750	1,716,500
2023	5.00%	860,000	425,125	425,125	1,710,250
2024	5.00%	890,000	403,625	403,625	1,697,250
2025	5.00%	920,000	381,375	381,375	1,682,750
2026	5.00%	925,000	358,375	358,375	1,641,750
2027	5.00%	930,000	335,250	335,250	1,600,500
2028	5.00%	930,000	312,000	312,000	1,554,000
2029	5.00%	935,000	288,750	288,750	1,512,500
2030	5.00%	940,000	265,375	265,375	1,470,750
2031	5.00%	945,000	241,875	241,875	1,428,750
2032	5.00%	950,000	218,250	218,250	1,386,500
2033	5.00%	955,000	194,500	194,500	1,344,000
2034	5.00%	960,000	170,625	170,625	1,301,250
2035	5.00%	965,000	146,625	146,625	1,258,250
2036	5.00%	970,000	122,500	122,500	1,215,000
2037	5.00%	975,000	98,250	98,250	1,171,500
2038	5.00%	980,000	73,875	73,875	1,127,750
2039	5.00%	985,000	49,375	49,375	1,083,750
2040	5.00%	990,000	24,750	24,750	1,039,500
Total		<u>\$ 20,175,000</u>	<u>\$ 5,984,400</u>	<u>\$ 5,984,400</u>	<u>\$ 32,143,800</u>

Purpose - Refunding the 2010 Series B refunding bonds

Belding Area Schools
Other Supplemental Information
Schedule of Bonded Debt
2015 Refunding Bonds - Series B
June 30, 2018

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2019	2.00%	\$ 2,645,000	\$ 94,984	\$ 94,984	\$ 2,834,968
2020	2.25%	2,750,000	68,535	68,535	2,887,070
2021	2.62%	<u>2,870,000</u>	<u>37,597</u>	<u>37,597</u>	<u>2,945,194</u>
	Total	<u>\$ 8,265,000</u>	<u>\$ 201,116</u>	<u>\$ 201,116</u>	<u>\$ 8,667,232</u>

Purpose - Refinancing School Loan Revolving Fund Debt

Belding Area Schools
Other Supplemental Information
Schedule of Bonded Debt
2016 Refunding Bonds - Series A
June 30, 2018

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2019	4.00%	\$ 180,000	\$ 12,581	\$ 12,581	\$ 205,162
2020	4.00%	165,000	10,781	10,781	186,562
2021	4.00%	155,000	9,131	9,131	173,262
2022	4.00%	145,000	7,581	7,581	160,162
2023	4.00%	155,000	6,131	6,131	167,262
2024	4.00%	150,000	4,581	4,581	159,162
2025	4.00%	145,000	3,081	3,081	151,162
2026	4.00%	145,000	1,631	1,631	148,262
Total		<u>\$ 1,240,000</u>	<u>\$ 55,498</u>	<u>\$ 55,498</u>	<u>\$ 1,350,996</u>

Purpose- Refunding the 2006 Refunding Bonds which originated as the 1996 Bonds. The 1996 bonds were to erect, furnish, and equip a new elementary school and playgrounds; to erect, furnish and equip and addition or additions to and/or partially remodel, refurnish and re-equip the Ellis Elementary School and the High School; partially remodel for and install educational technology in school facilities; partially remodel, refurnish and re-equip the Hallpark School for an athletic facility; acquire additional land for site purposes; construct, develop and improve sites, playgrounds, outdoor physical education fields and athletic facilities and refunding all of the 1992 construction bonds.

Belding Area Schools
Other Supplemental Information
Schedule of Bonded Debt
2018-A Refunding Bonds
June 30, 2018

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2019	3.00%	\$ 605,000	\$ 116,587	\$ 81,975	\$ 803,562
2020	4.00%	610,000	72,900	72,900	755,800
2021	4.00%	595,000	60,700	60,700	716,400
2022	4.00%	590,000	48,800	48,800	687,600
2023	4.00%	560,000	37,000	37,000	634,000
2024	2.50%-4.00%	550,000	25,800	25,800	601,600
2025	2.50%-4.00%	525,000	17,050	17,050	559,100
2026	2.50%-4.00%	515,000	8,425	8,425	531,850
Total		<u>\$ 4,550,000</u>	<u>\$ 387,262</u>	<u>\$ 352,650</u>	<u>\$ 5,289,912</u>

Purpose - Refunding the Schools District's 2008 Refunding Bonds dated February 19, 2008 which were payable through May 1, 2026

Belding Area Schools
Other Supplemental Information
Schedule of Bonded Debt
2018-B Refunding Bonds
June 30, 2018

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2019	2.22%	\$ 1,150,000	\$ 108,071	\$ 75,987	\$ 1,334,058
2020	2.43%	1,220,000	63,222	63,222	1,346,444
2021	2.63%	1,250,000	48,399	48,399	1,346,798
2022	2.85%	1,125,000	31,962	31,962	1,188,924
2023	3.02%	1,055,000	15,931	15,931	1,086,862
	Total	<u>\$ 5,800,000</u>	<u>\$ 267,585</u>	<u>\$ 235,501</u>	<u>\$ 6,303,086</u>

Purpose - Refinancing \$5,716,000 of principle and accrued interest from the School Bond Revolving Fund (SBRF).
Repayment terms of the SBRF is determined by the State and interest is accrued at current market rates.

Federal Programs

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

Board of Education
Belding Area Schools
Belding, 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 Belding Area Schools as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Belding Area Schools' basic financial statements, and have issued our report thereon dated October 29, 2018.

Internal Control Over Financial Reporting

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

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

Belding Area Schools' Response to Findings

The District's response to the findings identified in our audit are described in the accompanying corrective action plan. The District's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Compliance and Other Matters

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

Purpose of this Report

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

Biggs, Hausserman, Thompson & Dickinson, P.C.

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Saranac, MI

October 29, 2018



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Board of Education
Belding Area Schools
Belding, Michigan

Report on Compliance for Each Major Federal Program

We have audited Belding Area Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Belding Area Schools' major federal programs for the year ended June 30, 2018. Belding Area Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal programs. However, our audit does not provide a legal determination of Belding Area Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Belding Area Schools, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Biggs, Hausserman, Thompson & Dickinson, P.C.

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Saranac, MI

October 29, 2018

Belding Area Schools
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the general purpose financial statements of Belding Area Schools.
2. A material weakness or significant deficiency relating to the audit of the financial statements is reported in the 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.
3. No instances of noncompliance material to the financial statements of Belding Area Schools, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of the major federal award programs is reported in the Independent Auditor's Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
5. The auditor's report on compliance for the major federal award programs for Belding Area Schools expresses an unqualified opinion on all major programs.
6. Audit findings that are required to be reported in accordance with the Uniform Guidance are reported in Part C of this Schedule. There are no findings for the year ended June 30, 2018.
7. The programs tested as a major program include: CFDA #10.553, #10.555, and #10559. Total expenditures were \$695,052.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Belding Area Schools was determined not to be a low-risk auditee.

B. Findings--Financial Statement Audit

2018-001 – Failure to timely perform ledger account reconciliations.
(Repeat Finding)

Criteria: Policies and procedures require that ledger accounts be reconciled in a timely manner to supporting statements or schedules.

Condition: During our field work, we discovered that various accounts had not been reconciled as of the end of the year. This caused a delay in field work waiting for the items to be reconciled.

Cause: Likely due to personnel changes.

Effect: As a result of this condition, the District's accounting records could have been materially misstated due to omission, error, or fraud and not be detected in a timely manner.

Recommendation: We recommend that the finance director obtain additional training and spend more time on a monthly basis reviewing and reconciling accounts per established policies and procedures.

View of Responsible Officials: The District is in agreement with the need for better internal control. Currently, the District is evaluating additional training.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

Belding Area Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue at July 1, 2017	(Memo Only) Prior Year Expenditures	Current-Year Expenditures	Current-Year Federal Revenue Received	Accrued or (Deferred) Revenue at June 30, 2018	Adjustments
U.S. Department of Agriculture								
Child Nutrition Cluster								
Passed through the Michigan Department of Education National School Lunch/Breakfast/Summer Program								
Summer	10.559	*						
Project number 171900		\$ 1,693	\$ 0	\$ 0	\$ 1,693	\$ 1,693	\$ 0	\$ 0
Project number 170900		16,235	0	0	16,235	16,235	0	0
Total Summer		17,928	0	0	17,928	17,928	0	0
Lunch-Cash	10.555	*						
Project number 171960		457,126	3,548	396,654	60,472	64,020	0	0
Project number 181960		360,828	0	0	360,828	360,828	0	0
Total Lunch-Cash		817,954	3,548	396,654	421,300	424,848	0	0
Lunch-commodities								
Entitlement		52,930	0	0	52,930	52,930	0	0
Bonus		0	0	0	0	0	0	0
Total Commodities		52,930	0	0	52,930	52,930	0	0
Total lunch		870,884	3,548	396,654	474,230	477,778	0	0
Breakfast	10.553	*						
Project number 171970		208,310	5,427	180,472	27,838	33,265	0	0
Project number 181970		175,056	0	0	175,056	175,056	0	0
Total Breakfast		383,366	5,427	180,472	202,894	208,321	0	0
Total Child Nutrition Cluster	*	1,272,178	8,975	577,126	695,052	704,027	0	0
Child Care Food Program	10.558							
Project number 181920		1,373	0	0	1,373	1,373	0	0
Project number 171920		1,495	0	1,354	141	141	0	0
Total Child Care Food		2,868	0	1,354	1,514	1,514	0	0
Total U.S. Department of Agriculture		1,275,046	8,975	578,480	696,566	705,541	0	0
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I, Part A Cluster								
Title I	84.010							
Project number 171530-1617		424,657	77,192	402,297	0	77,192	0	0
Project number 181530-1718		441,087	0	0	442,089	312,889	129,200	0
Total Title 1, Part A Cluster		865,744	77,192	402,297	442,089	390,081	129,200	0

Belding Area Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue at July 1, 2017	(Memo Only) Prior Year Expenditures	Current-Year Expenditures	Current-Year Federal Revenue Received	Accrued or (Deferred) Revenue at June 30, 2018	Adjustments
Title 1 - Migrant	84.011							
Project number 181890-1718		174,274	0	0	174,274	89,693	84,581	0
Project number 161830-1516		146,339	5,103	112,021	0	0	0	(5,103)
Project number 171890-1617		215,761	59,358	215,761	0	57,939	0	(1,419)
Project number 171830-1617		123,644	0	0	111,768	116,631	(4,863)	0
Project number 161890-1516		236,024	0	227,016	0	(100)	0	(100)
Total Title 1 - Migrant		896,042	64,461	554,798	286,042	264,163	79,718	(6,622)
Title III LEP	84.365							
Project number 160580-1516		78,954	0	69,930	0	(1,011)	0	(1,011)
Project number 170580-1617		70,886	30,991	70,853	0	30,824	0	(167)
Project number 170570-1617		18,831	18,831	18,831	0	18,831	0	0
Project number 180580-1718		59,411	0	0	52,361	20,143	32,218	0
Project number 180570-1718		2,813	0	0	2,813	2,813	0	0
Total Title III LEP		230,895	49,822	159,614	55,174	71,600	32,218	(1,178)
Title IIA - Improving Teacher Quality	84.367							
Project number 180520-1718		112,447	0	0	72,316	27,025	45,291	0
Project number 170520-1617		112,628	73,965	82,667	0	74,615	0	650
Project number 160520-1516		137,226	0	117,079	0	(676)	0	(676)
Total Title IIA		362,301	73,965	199,746	72,316	100,964	45,291	(26)
Adult Education-State Administered	84.002							
Project number 171130-171913		43,900	19,937	43,898	0	19,937	0	0
Project number 181130-181913		98,000	0	0	57,734	43,981	13,753	0
Total Adult Education		141,900	19,937	43,898	57,734	63,918	13,753	0
Title IVA - Student Support and Academic Enrich	84.424							
Project number 180750-1718		10,000	0	0	6,049	0	6,049	0
Total Education Jobs Fund		10,000	0	0	6,049	0	6,049	0
Total U.S. Department of Education		2,506,882	285,377	1,360,353	919,404	890,726	306,229	(7,826)
Total federal financial assistance		\$ 3,781,928	\$ 294,352	\$ 1,938,833	\$ 1,615,970	\$ 1,596,267	\$ 306,229	\$ (7,826)

* = Major program

Belding Area Schools

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2018

NOTE A: *Designates a major program.

NOTE B: Basis of Presentation – The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the grant activity of Belding Area Schools under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Belding Area Schools, it is not intended to and does not present financial position or changes in net position of Belding Area Schools.

NOTE C: Summary of Significant Accounting Policies – Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE D: The Child Nutrition Cluster (CFDA #10.559, #10.555, and #10.553) was audited as the major programs, representing 43.01% of expenditures. The District did not qualify for low risk auditee status.

NOTE E: The threshold for distinguishing Type A and Type B programs was \$750,000.

NOTE F: Management has utilized the Grant Auditors’ Report in preparing the Schedule of Expenditures of Federal Awards.

NOTE G: For purposes of charging indirect costs to federal awards, the District has not elected to use the 10% de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

NOTE H: Federal expenditures are reported as revenue in the following funds in the financial.

General fund	\$ 1,177,018
Other nonmajor governmental fund	696,566
Total per financial statements	<u>\$ 1,873,584</u>

NOTE I: Management has utilized the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. Expenditures in the Schedule of Expenditures of Federal Awards match revenues from Federal sources on the Belding Area Schools’ Statement of Revenues, Expenditures and Changes in Fund Balances, with the exception of CFDA #84.010, #84.011, #84.365 and #84.367, which have a discrepancy of \$265,440 due to revenues being received more than 60 days after June 30, 2018. These revenues will be recognized during the fiscal year on the financial statements, while the expenditures were reported on the SEFA for the year ended June 30, 2017.

NOTE J: The following reconciles the federal revenues reported in the June 30, 2018, Financial Statements to the expenditures of the District administered Federal programs reported on the Schedule of Expenditures of Federal Awards.

	<u>Total</u>
Revenues from Federal sources per financial statements	\$ 2,690,454
Less: Build America Bonds Federal Interest Subsidy which is not subject to the Single Audit Act	<u>(816,870)</u>
Federal Revenue reported in funds	\$ 1,873,584
Plus: Federal revenue received more than 60 days after June 30, 2017, included in Governmental Funds for 6/30/18	<u>(265,440)</u>
Federal expenditures per Schedule of Expenditures of Federal Awards (net of adjustments)	<u>\$ 1,608,144</u>

Belding Area Schools
Schedule of Prior Audit Findings
June 30, 2018

Prior Audit Findings

Financial Statement Finding

2017-001 – Failure to timely perform ledger accounts reconciliations.

Repeat finding- See 2018-001



Ross Hinkle • Director • Business Office

October 29, 2018

A certain matter was brought to our attention as a result of the audit process. This is described in the Schedule of Findings and Questioned Costs. We have evaluated this matter as described below, and had described our planned action as a result.

Material Internal Control Deficiency Finding

2018-001 – Failure to timely perform ledger account reconciliations.

Planned Corrective Action: The Finance Director will obtain additional training and spend more time on a monthly basis reviewing and reconciling accounts per policies and procedures established by the District.

Responsible Party: Finance Director

Planned Completion Date: January 31, 2019

Management Assessment: We are in agreement with the audit assessment regarding this matter.

To the Board of Education
Belding Area Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Belding Area Schools for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 14, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Belding Area Schools are described in Note 1 to the financial statements. During the year ended June 30, 2018, the District implemented Governmental Accounting Standard (GASB) No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The application of existing policies was not changed during 2018. We noted no transactions entered into by Belding Area Schools 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 estimate(s) affecting the District's financial statements were:

- Net pension liability and the deferred outflows and deferred inflows originating in the retirement plan. The estimates were used in actuarial calculation as described in the Defined Benefit Pension Plan and Post Retirement Benefit footnote disclosure.
- Net OPEB liability and the deferred outflows and deferred inflows originating in the OPEB plan. The estimates were used in actuarial calculation as described in the Defined Benefit Pension Plan and Post Retirement Benefit footnote disclosure.
- The useful lives of its capital assets. Useful lives are estimated on the expected length of time during which the asset is able to deliver a given level of service.
- Estimates have been used in the calculation of employee compensated absences

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

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

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require 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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to 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 29, 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 Belding Area Schools'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 Belding Area Schools'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 the required supplementary information (RSI), which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the 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 information and use of Board of Education and management of Belding Area Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Biggs, Hausserman, Thompson & Dickinson, P.C.

Biggs, Hausserman, Thompson & Dickinson, P.C.
Saranac, MI

October 29, 2018