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Bullock Creek School District

Financial Statements

June 30, 2018



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Bullock Creek School District
Members of the Board of Education and Administration
June 30, 2018

Members of the Board of Education

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

Administration

Shawn Hale	Superintendent
Julie Pierce	Director of Business Services



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Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters:

Required Supplementary Information

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

Other Information

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

The other supplementary information, as identified in the table of contents, is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America. In our opinion, other than the prior year information, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Supplementary Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Bullock Creek School District's basic financial statements as of and for the year ended June 30, 2017, which are not presented with the accompanying basic financial statements. In our report dated September 18, 2017, we expressed unmodified opinions on the respective basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Bullock Creek School District's basic financial statements as a whole. The 2017 information in the comparative supplementary schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 information in the comparative supplementary schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2018 on our consideration of Bullock Creek School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bullock Creek School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bullock Creek School District's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Midland, Michigan
September 18, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

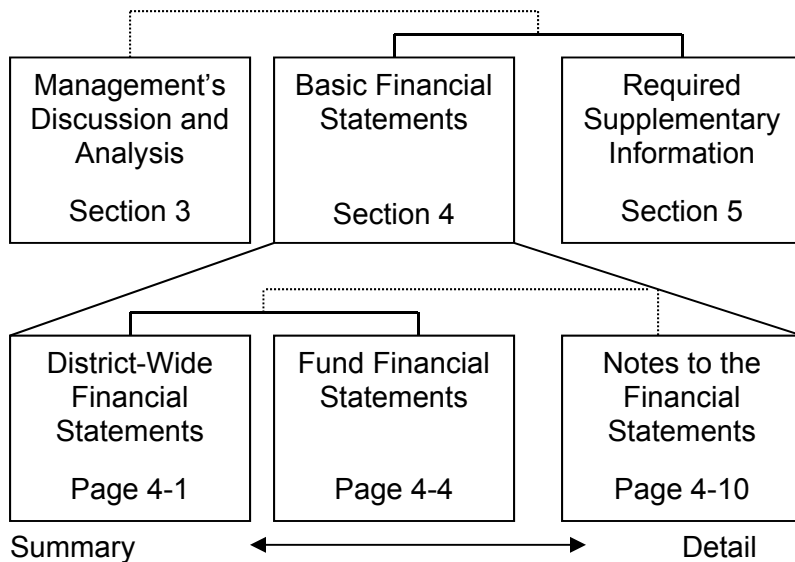
Bullock Creek School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018

The following discussion and analysis of the Bullock Creek School District's financial performance provides an overall review of the District's financial activities and position for the fiscal year ended June 30, 2018. Readers should also review the financial statements, the notes to the financial statements and the supplementary information to enhance their understanding of the District's financial performance.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. The overall organization of this report is shown in Figure A-1.

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



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

District-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

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

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

Financial Analysis of the District as a Whole

Summary of the Statement of Net Position

	Governmental Activities		
	June 30, 2018	June 30, 2017	Change
Assets			
Current assets	\$ 8,989,959	\$ 13,206,206	\$ (4,216,247)
Capital assets	38,799,394	35,950,842	2,848,552
Less accumulated depreciation	<u>(16,492,812)</u>	<u>(15,316,308)</u>	<u>(1,176,504)</u>
Capital assets			
net book value	<u>22,306,582</u>	<u>20,634,534</u>	<u>1,672,048</u>
Deferred outflows of resources	<u>7,557,509</u>	<u>4,853,895</u>	<u>2,703,614</u>
Total assets	<u>38,854,050</u>	<u>38,694,635</u>	<u>159,415</u>
Liabilities			
Current liabilities	5,894,615	7,072,397	(1,177,782)
Noncurrent liabilities	<u>52,579,430</u>	<u>44,037,319</u>	<u>8,542,111</u>
Total liabilities	<u>58,474,045</u>	<u>51,109,716</u>	<u>7,364,329</u>
Deferred inflows of resources	<u>3,432,759</u>	<u>973,105</u>	<u>2,459,654</u>
Net Position			
Net investment in			
capital assets	10,158,581	9,531,134	627,447
Restricted	407,269	547,428	(140,159)
Unrestricted	<u>(33,618,604)</u>	<u>(23,466,748)</u>	<u>(10,151,856)</u>
Total net position	<u>\$ (23,052,754)</u>	<u>\$ (13,388,186)</u>	<u>\$ (9,664,568)</u>

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

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

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

The net position for the District decreased by \$104,621 during the 2017-18 year. The *Summary of the Statement of Activities* (right) shows the details of this change.

The *Summary of the Statement of Activities* shows the change from another perspective. As shown in the *Summary of the Statement of Net Position*, the majority of the change in total assets is due to an increase in capital assets, associated with a decrease in cash as the cash from the sale of bonds in 2016-2017 is spent. Also, the district had \$914,102 less in accounts payable at the end of 2017-2018 meaning more cash was spent as of year end. The net change in total liabilities is an increase, which is related to the increase in the net pension and OPEB liabilities to the District at the end of 2017-2018.

Summary of the Statement of Activities

	<u>Governmental Activities</u>		
	<u>Year ended 2018</u>	<u>Year ended 2017</u>	<u>Difference</u>
Revenues			
Program Revenues			
Charges for Services	\$ 379,582	\$ 373,646	\$ 5,936
Operating Grants/Contributions	4,431,019	4,717,597	(286,578)
Capital Grants/Contributions	60,771	16,507	44,264
General Revenues			
Property Taxes	3,635,165	3,599,051	36,114
State Foundation Allowance	12,622,549	12,469,665	152,884
Other	214,954	253,916	(38,962)
Total Revenues	<u>21,344,040</u>	<u>21,430,382</u>	<u>(86,342)</u>
Expenses			
Instruction	13,084,866	12,938,046	146,820
Support Services	7,150,861	7,380,753	(229,892)
Food Services	852,454	867,491	(15,037)
Other Transactions	360,480	379,430	(18,950)
Total Expenses	<u>21,448,661</u>	<u>21,565,720</u>	<u>(117,059)</u>
Change in Net Position	<u>\$ (104,621)</u>	<u>\$ (135,338)</u>	<u>\$ 30,717</u>

Approximately 75% of the District's revenues are received from State sources. The Net State Foundation Grant is based on three variables:

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

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

The School District's Funds

At June 30, 2018, the District's governmental funds reported a combined fund balance of \$3,110,817, which is a decrease of \$3,041,312 from last year. The primary reasons for the decrease are:

- In the General Fund, our principal operating fund, the fund balance decreased by \$34,240. Although this is a decrease in fund balance, the district recovered from a loss of students over the course of the 2017-18 year. This is the result of conservative spending in the areas of supplies, textbooks and purchased services from the original budget. The reserves and designations of fund balance are identified on page 4-4. By law, the portion of the fund balance restricted for other purposes is unavailable for school operations.
- A 2015 & 2016 Capital Projects Fund was created through the issuance of bonds, which are used for capital related projects. The 2016 project continued this fiscal year with the purchase of school buses while the 2017 project also continued with the addition of capital assets and building improvements. At the end of 2017-18, a total of \$749,123 of the bond proceeds remain in the fund balance to be spent in 2018-19 on the purchase of new buses, technology equipment and building improvements throughout the district.
- In the Special Revenue Funds, the Food Service fund balance decreased by \$27,335. This was partly due to an increase in expenditures, mainly in food costs as continued adjustments were made to find economical solutions to the increased regulations from the USDA. The Food Service Program continued to see a decrease in the number of meals served causing a reduction in overall revenues. It is believed this is a result of students adjusting to the new menus and meal content.

Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. In 2017-18 the State was able to fully fund the Bullock Creek School District foundation allowance of \$7,631 per pupil.

Student Enrollment

The District's student enrollment for the fall count of 2017-2018 was 1,816 students. This is a decrease of 2 student from the previous September. While the District has seen an overall decrease in students, it continues to have a strong school of choice population. This is due, in part, to the District offering some unique programs that other area schools do not offer such as Nature K-2 and a Young Fives program. The following summarizes fall student enrollments in the past five years:

Enrollment History

Year	Student FTE	FTE Change from Prior Year
2016-2017	1,818	(32)
2015-2016	1,850	(14)
2014-2015	1,864	(16)
2013-2014	1,880	(53)
2012-2013	1,933	(91)

Preliminary student enrollment projections for 2018-2019 indicate that enrollments are likely to increase slightly compared to 2017-2018. The District uses county birthrates, current enrollment, and community factors as part of this forecast.

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

Property Taxes Levied for General Operations

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

Local Property Tax History

<u>Year</u>	<u>Local Property Tax Revenue</u>	<u>% of General Fund Revenue</u>
2017-2018	\$ 866,538	4.6%
2016-2017	846,428	4.5%
2015-2016	868,740	4.8%
2014-2015	861,934	4.9%
2013-2014	853,744	4.9%

Capital Assets

At June 30, 2018, the District had \$22,306,582 invested in capital assets including land, construction in progress, buildings, furniture, and equipment.

<u>Assets</u>	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Land and construction in progress	\$ 215,956	\$ 3,186,064
Buildings and additions	34,957,887	29,395,381
Equipment and furniture	910,642	910,642
Buses and other vehicles	2,714,909	2,458,755
Subtotal	38,799,394	35,950,842
Less accumulated depreciation	(16,492,812)	(15,316,308)
Total	\$ 22,306,582	\$ 20,634,534

Debt Administration

At June 30, 2018, the District had \$14,860,000 in general obligation bonds outstanding for capital projects. During the 2017-2018 fiscal year, the District levied a debt millage of 7.0 mills that generated revenue of \$1,920,095 and was based on the taxable value of all properties within the District. The revenue raised by the debt levy is used to pay maturities on the general obligation bonds.

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

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

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

Original versus Revised Budget

The Uniform Budget Act of the State of Michigan requires that a local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The budget for 2017-2018 was approved on June 26, 2017 and amended in February and June of 2018.

General Fund Revenues

Total Revenues Revised Budget	\$ 18,585,049
Total Revenues Original Budget	<u>18,621,900</u>
Change	<u><u>\$ (36,851)</u></u>

The District's actual general fund revenues were slightly less than the revised budget by \$80,270, a variance of less than one percent or .4319%.

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

- A decrease in federal revenues due to the District no longer receiving federal adult education funding. These federal funds went directly to Education Training & Connection, the third party contractor the District works with to provide adult education services in Midland County.
- A decrease in revenues primarily due to a decrease in funds received from the Midland County ESA for Medicaid funding.
- There were increases in At Risk funding and other small, one time restrictive grants.

General Fund Expenditures

Total Expenditures Revised Budget	\$ 18,627,382
Total Expenditures Original Budget	<u>18,627,186</u>
Change	<u><u>\$ 196</u></u>

The District's actual general fund expenditures were less than the revised budget by \$94,563, a variance of .5076%.

The significant expenditure budget adjustment for the year includes:

- A decrease to federal expenditures to match the decrease in federal revenues for the adult education programs.
- Adjustments to At Risk expenditures to match the increase in State grant revenue.
- The remaining items were related to either minor changes in programs or benefits costs based on personnel changes along with savings in supplies and contracted services.

Economic Factors and Next Year's Budget and Rates

Since most of the District's revenue is derived from the per pupil foundation allowance, student enrollment as reported in the *blended count* is one of the key factors in forecasting revenue. The other key factor in determining revenue is the actual per pupil foundation allowance established in the State Aid Act. The Board of Education was required by law to approve the 2018-2019 budget by July 1, 2017. The District's initial budget was based on a per pupil foundation allowance of \$7,831 and a count of 1,817 students.

**Bullock Creek School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Bullock Creek School District
Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>
Assets	
Cash	\$ 5,780,209
Due from other governmental units	2,971,458
Asset held for sale	223,293
Prepaid items	14,999
Capital assets not being depreciated	215,956
Capital assets - net of accumulated depreciation	<u>22,090,626</u>
Total assets	<u>31,296,541</u>
Deferred Outflows of Resources	
Deferred amount on debt refunding	318,899
Deferred amount relating to net pension liability	6,593,474
Deferred amount relating to net OPEB liability	<u>645,136</u>
Total deferred outflows of resources	<u>7,557,509</u>
Total assets and deferred outflows of resources	<u>38,854,050</u>

See Accompanying Notes to the Financial Statements

Bullock Creek School District
Statement of Net Position
June 30, 2018

	Governmental Activities
Liabilities	
Accounts payable	\$ 82,081
State aid anticipation note payable	3,600,000
Accrued expenditures	774,794
Accrued salaries payable	1,228,671
Unearned revenue	209,069
Long-term liabilities	
Net pension liability	29,091,709
Net OPEB liability	9,958,967
Debt due within one year	1,970,249
Debt due in more than one year	11,558,505
Total liabilities	58,474,045
Deferred Inflows of Resources	
Deferred amount relating to net pension liability	3,096,073
Deferred amount relating to net OPEB liability	336,686
Total deferred inflows of resources	3,432,759
Total liabilities and deferred inflows of resources	61,906,804
Net Position	
Net investment in capital assets	10,158,581
Restricted for	
Debt service	407,269
Unrestricted (deficit)	(33,618,604)
Total net position	\$ (23,052,754)

See Accompanying Notes to the Financial Statements

Bullock Creek School District
Statement of Activities
For the Year Ended June 30, 2018

	Program Revenues				
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
Functions/Programs					
Governmental activities					
Instruction	\$ 13,084,866	\$ -	\$ 3,200,602	\$ 47,992	\$ (9,836,272)
Supporting services	7,150,861	151,858	613,194	12,779	(6,373,030)
Food services	852,454	227,724	617,223	-	(7,507)
Interest and fiscal charges on long-term debt	360,480	-	-	-	(360,480)
Total governmental activities	\$ 21,448,661	\$ 379,582	\$ 4,431,019	\$ 60,771	(16,577,289)
General revenues					
Property taxes, levied for general purposes					1,715,070
Property taxes, levied for debt service					1,920,095
State aid - unrestricted					12,622,549
Interest and investment earnings					5,731
Gain on sale of capital assets					12,072
Other					197,151
Total general revenues					16,472,668
Change in net position					(104,621)
Net position - beginning, as restated					(22,948,133)
Net position - ending					\$ (23,052,754)

See Accompanying Notes to the Financial Statements

Bullock Creek School District
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	2015 & 2016 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 4,340,659	\$ 759,508	\$ 680,042	\$ 5,780,209
Due from other funds	7,285	-	11,190	18,475
Due from other governmental units	2,957,293	-	14,165	2,971,458
Asset held for sale	223,293	-	-	223,293
Prepaid items	14,999	-	-	14,999
Total assets	<u>\$ 7,543,529</u>	<u>\$ 759,508</u>	<u>\$ 705,397</u>	<u>\$ 9,008,434</u>
Liabilities				
Accounts payable	\$ 71,696	\$ 10,385	\$ -	\$ 82,081
State aid anticipation note payable	3,600,000	-	-	3,600,000
Due to other funds	11,190	-	7,285	18,475
Accrued expenditures	757,933	-	1,388	759,321
Accrued salaries payable	1,224,490	-	4,181	1,228,671
Unearned revenue	208,841	-	228	209,069
Total liabilities	<u>5,874,150</u>	<u>10,385</u>	<u>13,082</u>	<u>5,897,617</u>
Fund Balance				
Non-spendable				
Asset held for sale	223,293	-	-	223,293
Prepaid items	14,999	-	-	14,999
Restricted for				
Debt service	-	-	422,742	422,742
Capital projects	-	749,123	-	749,123
Food service	-	-	92,056	92,056
Committed for				
Purchase of textbooks	85,000	-	-	85,000
Assigned for				
Capital projects	-	-	177,517	177,517
Unassigned	1,346,087	-	-	1,346,087
Total fund balance	<u>1,669,379</u>	<u>749,123</u>	<u>692,315</u>	<u>3,110,817</u>
Total liabilities and fund balance	<u>\$ 7,543,529</u>	<u>\$ 759,508</u>	<u>\$ 705,397</u>	<u>\$ 9,008,434</u>

See Accompanying Notes to the Financial Statements

Bullock Creek School District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2018

Total fund balances for governmental funds	\$ 3,110,817
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets not being depreciated	215,956
Capital assets - net of accumulated depreciation	22,090,626
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	318,899
Deferred outflows of resources resulting from net pension liability	6,593,474
Deferred outflows of resources resulting from net OPEB liability	645,136
Deferred inflows of resources resulting from net pension liability	(3,096,073)
Deferred inflows of resources resulting from net OPEB liability	(336,686)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(15,473)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Net pension liability	(29,091,709)
Net OPEB liability	(9,958,967)
Compensated absences	(312,731)
Bonds payable	(13,056,027)
Capital lease payable	<u>(159,996)</u>
Net position of governmental activities	<u>\$(23,052,754)</u>

Bullock Creek School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>2015 & 2016 Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Local sources	\$ 1,236,158	\$ 2,094	\$ 2,211,968	\$ 3,450,220
State sources	15,982,182	-	102,192	16,084,374
Federal sources	228,360	-	523,007	751,367
Interdistrict sources	<u>1,058,079</u>	<u>-</u>	<u>-</u>	<u>1,058,079</u>
Total revenues	<u>18,504,779</u>	<u>2,094</u>	<u>2,837,167</u>	<u>21,344,040</u>
Expenditures				
Current				
Education				
Instruction	11,910,690	-	-	11,910,690
Supporting services	6,513,940	-	12,052	6,525,992
Food services	-	-	835,385	835,385
Capital outlay	64,221	2,866,216	-	2,930,437
Debt service				
Principal	35,414	-	1,825,000	1,860,414
Interest and other expenditures	<u>9,004</u>	<u>-</u>	<u>313,430</u>	<u>322,434</u>
Total expenditures	<u>18,533,269</u>	<u>2,866,216</u>	<u>2,985,867</u>	<u>24,385,352</u>
Deficiency of revenues over expenditures	<u>(28,490)</u>	<u>(2,864,122)</u>	<u>(148,700)</u>	<u>(3,041,312)</u>

See Accompanying Notes to the Financial Statements

Bullock Creek School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>2015 & 2016 Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 5,750	\$ 5,750
Transfers out	(5,750)	-	-	(5,750)
Total other financing sources (uses)	(5,750)	-	5,750	-
Net change in fund balance	(34,240)	(2,864,122)	(142,950)	(3,041,312)
Fund balance - beginning	1,703,619	3,613,245	835,265	6,152,129
Fund balance - ending	<u>\$ 1,669,379</u>	<u>\$ 749,123</u>	<u>\$ 692,315</u>	<u>\$ 3,110,817</u>

See Accompanying Notes to the Financial Statements

Bullock Creek School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - Total governmental funds	\$ (3,041,312)
Total change in net position reported for governmental activities in the statement of activities is different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(1,176,504)
Capital outlay	2,848,552
Expenses are recorded when incurred in the statement of activities.	
Interest	2,847
Compensated absences	77,730
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(543,690)
Net change in the deferral of resources related to the net pension liability	(1,195)
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	99,798
Net change in the deferral of resources related to the net OPEB liability	(190,368)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Repayments of long-term debt	1,860,414
Amortization of deferred amount on refunding	(63,295)
Amortization of bond premium	<u>22,402</u>
Change in net position of governmental activities	<u>\$ (104,621)</u>

See Accompanying Notes to the Financial Statements

Bullock Creek School District
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2018

	<u>Agency Funds</u>
Assets	
Cash	<u>\$ 177,760</u>
Liabilities	
Accounts payable	\$ 526
Due to agency fund activities	<u>177,234</u>
Total liabilities	<u>\$ 177,760</u>

Bullock Creek School District
Notes to the Financial Statements
June 30, 2018

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

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

District-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as

Bullock Creek School District
Notes to the Financial Statements
June 30, 2018

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

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

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

The School District reports the following major governmental funds:

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

2015 & 2016 Capital Projects Fund – Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring busses, technology equipment, and for building and site improvements and remodeling. The funds are kept open until the purpose for which the fund was created has been accomplished.

Additionally, the School District reports the following fund types:

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

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

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

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

Assets, Liabilities and Net Position or Equity

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

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2017, the rates are as follows per \$1,000 of assessed value.

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

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

Bullock Creek School District
Notes to the Financial Statements
June 30, 2018

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

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

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

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

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

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

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

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

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

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

The liability for compensated absences reported in the district-wide financial statements consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments, and other employees who are expected to become eligible in the future to receive such payments

Bullock Creek School District
Notes to the Financial Statements
June 30, 2018

upon retirement, are included. The amount reported is salary related and includes no fringe benefits.

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

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

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

Postemployment Benefits Other Than Pensions – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee

contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

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

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

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

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

Bullock Creek School District
Notes to the Financial Statements
June 30, 2018

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

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

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

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

Use of Estimates

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

Eliminations and Reclassifications

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

Adoption of New Accounting Standards

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

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

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. The effective date is for the fiscal year ending June 30, 2018.

Upcoming Accounting and Reporting Changes

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

Bullock Creek School District
Notes to the Financial Statements
June 30, 2018

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

Statement No. 87, *Leases* increases the usefulness of the District's 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 an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related

to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

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

Note 2 – Stewardship, Compliance, and Accountability

Budgetary Information

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

Bullock Creek School District
Notes to the Financial Statements
June 30, 2018

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

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

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

Excess of Expenditures Over Appropriations

The School District did not have significant expenditure budget variances.

Compliance – Bond Proceeds

The Capital Projects Funds include project activities funded with bonds issued after May 1, 1994. The following table provides detail of the activity of the 2015 & 2016 Capital Projects Fund from the inception of the funds through the current fiscal year:

	2015 & 2016 Capital Projects Fund		
	Series III	Series I	Total
Beginning fund balance	\$ 525,561	\$ 3,087,684	\$ 3,613,245
Revenues	-	2,094	2,094
Expenditures	(276,091)	(2,590,125)	(2,866,216)
Ending fund balance	<u>\$ 249,470</u>	<u>\$ 499,653</u>	<u>\$ 749,123</u>

Note 3 – Deposits and Investments

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	<u>\$ 5,780,209</u>	<u>\$ 177,760</u>	<u>\$ 5,957,969</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 5,957,569
Petty cash and cash on hand	<u>400</u>
Total	<u>\$ 5,957,969</u>

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

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

Bullock Creek School District
Notes to the Financial Statements
June 30, 2018

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

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of yearend, \$6,045,021 of the School District's bank balance of \$6,295,021 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 – Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 212,611	\$ -	\$ -	\$ 212,611
Construction-in-progress	2,973,453	3,345	(2,973,453)	3,345
Total capital assets not being depreciated	3,186,064	3,345	(2,973,453)	215,956
Capital assets being depreciated				
Buildings and additions	29,395,381	5,562,506	-	34,957,887
Equipment and furniture	910,642	-	-	910,642
Buses and other vehicles	2,458,755	256,154	-	2,714,909
Total capital assets being depreciated	32,764,778	5,818,660	-	38,583,438
Less accumulated depreciation for				
Buildings and additions	(13,297,959)	(867,966)	-	(14,165,925)
Equipment and furniture	(396,499)	(76,455)	-	(472,954)
Buses and other vehicles	(1,621,850)	(232,083)	-	(1,853,933)
Total accumulated depreciation	(15,316,308)	(1,176,504)	-	(16,492,812)
Net capital assets being depreciated	17,448,470	4,642,156	-	22,090,626
Net capital assets	<u>\$ 20,634,534</u>	<u>\$ 4,645,501</u>	<u>\$ (2,973,453)</u>	<u>\$ 22,306,582</u>

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

Governmental activities	
Instruction	\$ 754,262
Support services	415,976
Food services	<u>6,266</u>
Total governmental activities	<u>\$ 1,176,504</u>

As of yearend, the School District had the following construction contracts in progress:

Project	Total Contract	Remaining Construction Commitment at Year End	Contract Payable at Year End
Construction project	<u>\$ 4,501,309</u>	<u>\$ 33,621</u>	<u>\$ -</u>

Note 5 – Interfund Receivables, Payables and Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
Nonmajor Governmental Funds	General Fund	\$ 11,190
General Fund	Nonmajor Governmental Funds	<u>7,285</u>
		<u>\$ 18,475</u>

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

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

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Interfund transfers consist of the following:

	Transfers Out
	General Fund
Transfers in	
Nonmajor governmental funds	\$ 5,750

These transfers were made to record funding moved to the Food Service Fund from the General Fund related to at risk funding.

Note 6 – Unearned Revenue

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

Grant, categorical aid, and food service payments received prior to meeting all eligibility requirements	\$ 209,069
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Note 7 – Leases

Capital Leases

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

<u>Year ending June 30,</u>		
2019	\$	44,061
2020		44,061
2021		44,061
2022		44,061
Total minimum lease payments		176,244
Less amount representing interest		(16,248)
Present value of minimum lease payments	\$	159,996

The assets acquired through capital leases are as follows:

Asset		
Equipment and furniture	\$	195,410
Less accumulated depreciation		(78,164)
Total	\$	117,246

Note 8 – State Aid Anticipation Note

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

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

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 3,900,000	\$ 3,600,000	\$ 3,900,000	\$ 3,600,000

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Note 9 – Long-Term Debt

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

Long-term obligation activity is summarized as follows:

	Beginning			Ending	Amount Due
	Balance	Additions	Reductions	Balance	Within One
					Year
Government obligation bonds	\$ 14,860,000	\$ -	\$ (1,825,000)	\$ 13,035,000	\$ 1,855,000
Capital lease	195,410	-	(35,414)	159,996	37,519
Compensated absences	390,461	-	(77,730)	312,731	77,730
Premium on bonds	43,429	-	(22,402)	21,027	-
Total	\$ 15,489,300	\$ -	\$ (1,960,546)	\$ 13,528,754	\$ 1,970,249

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

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

\$4,590,000 refunding bond due in annual installments of \$490,000 to \$545,000 through May 1, 2022, interest at 2.05% to 2.80%.	\$ 2,065,000
\$2,360,000 serial bond due in annual installments of \$380,000 to \$490,000 through May 1, 2022, interest at 1.85% to 2.55%.	1,830,000
\$2,545,000 refunding bond due in annual installments of \$50,000 to \$460,000 through May 1, 2026, interest at 1.45% to 3.05%.	1,980,000
\$1,775,000 refunding bond due in annual installments of \$230,000 through May 1, 2019, interest at 5.00%.	230,000
\$3,485,000 serial bond due in annual installments of \$650,000 to \$660,000 through May 1, 2021, interest at 1.25% to 1.75%.	1,960,000
\$4,970,000 serial bond due in annual installments of \$140,000 to \$905,000 through May 1, 2027, interest at 1.25% to 2.15%.	<u>4,970,000</u>
Total general obligation bonded debt	<u>\$ 13,035,000</u>

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

	Principal	Interest	Total
Year Ending June 30,			
2019	\$ 1,855,000	\$ 277,044	\$ 2,132,044
2020	1,845,000	238,488	2,083,488
2021	1,885,000	203,932	2,088,932
2022	1,565,000	164,516	1,729,516
2023	1,260,000	128,808	1,388,808
2024-2027	<u>4,625,000</u>	<u>246,562</u>	<u>4,871,562</u>
Total	<u>\$ 13,035,000</u>	<u>\$ 1,259,350</u>	<u>\$ 14,294,350</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of \$422,742 to pay this debt. Future debt and interest will be payable from future tax levies.

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Compensated Absences

Accrued compensated absences at year end, consist of accrued sick time benefits. The amount due within one year equals the current year reduction as the amount of time used annually remains relatively stable.

Deferred Amount on Refunding

The School District issued bonds in 2014 to advance refund and retire previously issued bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$374,938. This amount, less accumulated amortization, is reported in the accompanying statement of net position as a deferred inflow of resources and is being charged to activities through fiscal year 2022. The balance at June 30, 2018 is \$187,470.

The School District issued bonds in 2015 to advance refund and retire previously issued bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$180,713. This amount, less accumulated amortization, is reported in the accompanying statement of net position as a deferred inflow of resources and is being charged to activities through fiscal year 2026. The balance at June 30, 2018 is \$131,429.

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

	Beginning Balance	Additions	Reductions	Ending Balance
2014 Refunding Bonds	\$ 234,337	\$ -	\$ 46,867	\$ 187,470
2015 Refunding Bonds	147,857	-	16,428	131,429
Total	<u>\$ 382,194</u>	<u>\$ -</u>	<u>\$ 63,295</u>	<u>\$ 318,899</u>

Note 10 – Risk Management

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

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District for the year. The School District had \$0 of unemployment compensation expense for the year ended June 30, 2018. No provision has been made for possible future claims.

Note 11 – Pension Plan

Plan Description

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

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and

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vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and

retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2016 fiscal year.

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

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.03%
Member Investment Plan	3.0 - 7.0	19.03%
Pension Plus	3.0 - 6.4	18.40%
Defined Contribution	0.0	15.27%

Required contributions to the pension plan from the School District were \$2,633,126 for the year ending September 30, 2017.

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

At June 30, 2018, the School District reported a liability of \$29,091,709 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily

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required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2017, the School District's proportion was 0.001123 percent, which was a decrease of 0.0022 percent from its proportion measured as of September 30, 2016. At September 30, 2017, the total pension expense for the School District was \$3,135,840.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount to Amortize
Difference between expected and actual experience	\$ 252,827	\$ (142,747)	\$ 110,080
Changes in assumptions	3,187,228	-	3,187,228
Net difference between projected and actual earnings on pension plan investments	-	(1,390,775)	(1,390,775)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	527,000	(421,360)	105,640
School District contributions subsequent to the measurement date	<u>2,626,419</u>	<u>(1,141,191)</u>	<u>-</u>
	<u>\$ 6,593,474</u>	<u>\$ (3,096,073)</u>	<u>\$ 2,012,173</u>

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To be Recognized in Future Pension Expenses)	
Plan Year Ending September 30	Amount
2018	\$ 650,428
2019	1,096,766
2020	385,876
2021	<u>(120,897)</u>
Total	<u>\$ 2,012,173</u>

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of Return:
 - MIP and Basic Plans (Non-Hybrid): 7.5%
 - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025

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using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5188

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

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

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

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

Rate of Return

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

Discount Rate

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan

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investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage 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%
\$ 37,896,820	\$ 29,091,709	\$ 21,678,366

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

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

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

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

Note 12 – Postemployment Benefits Other Than Pensions (OPEB)

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

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

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

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

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

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

their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

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

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.00%	5.91%
Personal Healthcare Fund (PHF)	0.00%	5.69%

Required contributions to the OPEB plan from the School District were \$875,558 for the year ended September 30, 2017.

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

At June 30, 2018, the School District reported a liability of \$9,958,967 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net

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OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the School District's proportion was 0.001125 percent, which was no change from its proportion measured as of September 30, 2016. At September 30, 2017, the total OPEB expense for the School District was \$666,233.

At June 30, 2018, the School District 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	Amount to Amortize
Difference between expected and actual experience	\$ -	\$ (106,034)	\$ (106,034)
Net difference between projected and actual earnings on OPEB plan investments	-	(230,652)	(230,652)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	454	-	454
School District contributions subsequent to the measurement date	644,682	-	-
	<u>\$ 645,136</u>	<u>\$ (336,686)</u>	<u>\$ (336,232)</u>

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To be Recognized in Future OPEB Expenses)	
Plan Year Ending September 30	Amount
2018	\$ (81,259)
2019	(81,259)
2020	(81,259)
2021	(81,259)
2022	<u>(11,196)</u>
Total	<u>\$ (336,232)</u>

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of Return: 7.5%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for

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the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Other Assumptions:

- Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.4744

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

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

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

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

Rate of Return

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

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Discount Rate

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

1% Decrease 6.5%	Current Healthcare Cost Trend Rate 7.5%	1% Increase 8.5%
\$ 8,433,907	\$ 9,958,967	\$ 11,690,567

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Note 13 – Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2018.

Note 14 – Adoption of New Accounting Standards

As indicated in Note 1, the School District has adopted Government Accounting Standards Board Statement 75. This required the School District to record their proportionate share of the net OPEB liability and OPEB expense. Previously, these amounts were not recorded on the School District's statements. The standards require this change to be applied retroactively. The impact of this change is to reduce beginning net position in the statement of activities as of July 1, 2017 by \$9,559,947, restating it from (\$13,388,186) to (\$22,948,133).

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

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

1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
\$ 11,664,829	\$ 9,958,967	\$ 8,511,225

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Bullock Creek School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 1,214,640	\$ 1,205,050	\$ 1,236,158	\$ 31,108
State sources	15,655,089	16,004,886	15,982,182	(22,704)
Federal sources	684,671	321,193	228,360	(92,833)
Interdistrict sources	<u>1,067,500</u>	<u>1,053,920</u>	<u>1,058,079</u>	<u>4,159</u>
Total revenues	<u>18,621,900</u>	<u>18,585,049</u>	<u>18,504,779</u>	<u>(80,270)</u>
Expenditures				
Instruction				
Basic programs	8,732,545	8,957,135	8,946,139	(10,996)
Added needs	2,721,985	2,854,512	2,826,551	(27,961)
Adult and continuing education	306,703	142,117	138,000	(4,117)
Supporting services				
Pupil	1,082,660	1,114,679	1,104,448	(10,231)
Instructional staff	828,118	661,540	630,789	(30,751)
General administration	301,320	289,000	288,656	(344)
School administration	1,166,827	1,210,424	1,210,223	(201)
Business	395,936	393,600	393,488	(112)
Operations and maintenance	1,445,092	1,415,890	1,413,862	(2,028)
Pupil transportation services	1,023,947	1,059,000	1,057,686	(1,314)
Central	220,023	109,500	104,040	(5,460)
Athletics	234,801	246,000	245,648	(352)
Other	39,913	65,700	65,100	(600)
Capital outlay	35,408	64,235	64,221	(14)
Debt service				
Principal	65,000	35,496	35,414	(82)
Interest and fiscal charges	<u>26,908</u>	<u>9,004</u>	<u>9,004</u>	<u>-</u>
Total expenditures	<u>18,627,186</u>	<u>18,627,832</u>	<u>18,533,269</u>	<u>(94,563)</u>
Deficiency of revenues over expenditures	<u>(5,286)</u>	<u>(42,783)</u>	<u>(28,490)</u>	<u>14,293</u>

Bullock Creek School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Transfers in	\$ 25,000	\$ -	\$ -	\$ -
Transfers out	(6,710)	(6,000)	(5,750)	(250)
Total other financing sources (uses)	<u>18,290</u>	<u>(6,000)</u>	<u>(5,750)</u>	<u>(250)</u>
Net change in fund balance	13,004	(48,783)	(34,240)	14,543
Fund balance - beginning	<u>1,703,619</u>	<u>1,703,619</u>	<u>1,703,619</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,716,623</u>	<u>\$ 1,654,836</u>	<u>\$ 1,669,379</u>	<u>\$ 14,543</u>

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Reporting unit's proportion of net pension liability (%)	0.11%	0.11%	0.11%	0.11%						
B. Reporting unit's proportionate share of net pension liability	\$ 29,091,709	\$ 28,548,019	\$ 27,468,529	\$ 25,641,434						
C. Reporting unit's covered-employee payroll	\$ 9,278,784	\$ 9,780,231	\$ 9,448,595	\$ 9,297,179						
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered- employee payroll	313.53%	291.90%	290.72%	275.80%						
E. Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.20%						

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

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

	For the Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Statutorily required contributions	\$ 2,828,525	\$ 1,721,327	\$ 1,773,517	\$ 1,718,602						
B. Contributions in relation to statutorily required contributions	<u>2,828,525</u>	<u>1,721,327</u>	<u>1,773,517</u>	<u>1,718,602</u>						
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
D. Reporting unit's covered- employee payroll	\$ 9,487,017	\$ 9,336,285	\$ 9,414,968	\$ 9,362,550						
E. Contributions as a percentage of covered-employee payroll	29.8%	18.4%	18.8%	18.4%						

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Reporting unit's proportion of the net OPEB liability (%)	0.11%									
B. Reporting unit's proportionate share of the net OPEB liability	\$ 9,958,967									
C. Reporting unit's covered-employee payroll	\$ 9,278,784									
D. Reporting unit's proportionate share of the net OPEB liability as a percentage of its covered- employee payroll	107.33%									
E. Plan fiduciary net position as a percentage of total OPEB liability	36.53%									

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

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

		For the Years Ended June 30,									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A.	Statutorily required contributions	\$ 708,100									
B.	Contributions in relation to statutorily required contributions	<u>708,100</u>									
C.	Contribution deficiency (excess)	<u>\$ -</u>									
D.	Reporting unit's covered- employee payroll	\$ 9,487,017									
E.	Contributions as a percentage of covered-employee payroll	7.5%									

OTHER SUPPLEMENTARY INFORMATION

Bullock Creek School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Special	Debt Service Funds						Capital Projects Fund	Total Nonmajor Governmental Funds
	Revenue Fund	2014	2015	2010	2012	2015	2016		
	Food Service	Refunding	Refunding	Refunding	Debt	Debt	Debt		
Assets									
Cash	\$ 72,498	\$ 87,345	\$ 61,915	\$ 38,357	\$ 92,831	\$ 69,177	\$ 73,117	\$ 184,802	\$ 680,042
Due from other funds	11,190	-	-	-	-	-	-	-	11,190
Due from other governmental units	14,165	-	-	-	-	-	-	-	14,165
Total assets	\$ 97,853	\$ 87,345	\$ 61,915	\$ 38,357	\$ 92,831	\$ 69,177	\$ 73,117	\$ 184,802	\$ 705,397
Liabilities and Fund Balance									
Liabilities									
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,285	\$ 7,285
Accrued expenditures	1,388	-	-	-	-	-	-	-	1,388
Accrued salaries payable	4,181	-	-	-	-	-	-	-	4,181
Unearned revenue	228	-	-	-	-	-	-	-	228
Total liabilities	5,797	-	-	-	-	-	-	7,285	13,082
Fund Balance									
Restricted for									
Debt service	-	87,345	61,915	38,357	92,831	69,177	73,117	-	422,742
Food service	92,056	-	-	-	-	-	-	-	92,056
Assigned	-	-	-	-	-	-	-	177,517	177,517
Total fund balance	92,056	87,345	61,915	38,357	92,831	69,177	73,117	177,517	692,315
Total liabilities and fund balance	\$ 97,853	\$ 87,345	\$ 61,915	\$ 38,357	\$ 92,831	\$ 69,177	\$ 73,117	\$ 184,802	\$ 705,397

Bullock Creek School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	Special	Debt Service Funds						Capital	Total
	Revenue Fund	2014	2015	2010	2012	2015	2016	Projects	Nonmajor
	Food Service	Refunding	Refunding	Refunding	Debt	Debt	Debt	Fund	Governmental Funds
Revenues									
Local sources	\$ 255,869	\$ 578,954	\$ 175,845	\$ 178,403	\$ 617,326	\$ 294,066	\$ 76,829	\$ 34,676	\$ 2,211,968
State sources	28,191	23,235	7,048	7,158	24,777	11,783	-	-	102,192
Federal sources	523,007	-	-	-	-	-	-	-	523,007
Total revenues	<u>807,067</u>	<u>602,189</u>	<u>182,893</u>	<u>185,561</u>	<u>642,103</u>	<u>305,849</u>	<u>76,829</u>	<u>34,676</u>	<u>2,837,167</u>
Expenditures									
Current									
Education									
Supporting services	4,767	-	-	-	-	-	-	7,285	12,052
Food services	835,385	-	-	-	-	-	-	-	835,385
Debt service									
Principal	-	560,000	155,000	230,000	600,000	280,000	-	-	1,825,000
Interest and other expenditures	-	60,175	56,306	23,000	35,724	45,865	92,360	-	313,430
Total expenditures	<u>840,152</u>	<u>620,175</u>	<u>211,306</u>	<u>253,000</u>	<u>635,724</u>	<u>325,865</u>	<u>92,360</u>	<u>7,285</u>	<u>2,985,867</u>
Excess(deficiency) of revenues over expenditures	(33,085)	(17,986)	(28,413)	(67,439)	6,379	(20,016)	(15,531)	27,391	(148,700)
Other Financing Sources									
Transfers in	5,750	-	-	-	-	-	-	-	5,750
Net change in fund balance	(27,335)	(17,986)	(28,413)	(67,439)	6,379	(20,016)	(15,531)	27,391	(142,950)
Fund balance - beginning	119,391	105,331	90,328	105,796	86,452	89,193	88,648	150,126	835,265
Fund balance - ending	<u>\$ 92,056</u>	<u>\$ 87,345</u>	<u>\$ 61,915</u>	<u>\$ 38,357</u>	<u>\$ 92,831</u>	<u>\$ 69,177</u>	<u>\$ 73,117</u>	<u>\$ 177,517</u>	<u>\$ 692,315</u>

Bullock Creek School District
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash	\$ 4,340,659	\$ 4,375,085
Due from other funds	7,285	17,860
Due from agency fund activities	-	101
Due from other governmental units	2,957,293	3,234,368
Asset held for sale	223,293	209,916
Prepaid items	14,999	18,044
Total assets	<u>\$ 7,543,529</u>	<u>\$ 7,855,374</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 71,696	\$ 101,241
State aid anticipation note payable	3,600,000	3,900,000
Due to other funds	11,190	-
Payroll deductions and withholdings	-	2,073
Accrued expenditures	757,933	728,927
Accrued salaries payable	1,224,490	1,155,571
Unearned revenue	208,841	263,943
Total liabilities	<u>5,874,150</u>	<u>6,151,755</u>
Fund Balance		
Non-spendable		
Asset held for sale	223,293	209,916
Prepaid items	14,999	18,044
Committed		
Purchase of textbooks	85,000	85,000
Unassigned	1,346,087	1,390,659
Total fund balance	<u>1,669,379</u>	<u>1,703,619</u>
Total liabilities and fund balance	<u>\$ 7,543,529</u>	<u>\$ 7,855,374</u>

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Revenues
For the Years Ended June 30, 2018 and 2017

	2018	2017
Revenue from local sources		
Property tax levy	\$ 866,538	\$ 846,428
Student activities	104,349	106,242
Other local revenues	<u>265,271</u>	<u>350,272</u>
Total revenues from local sources	<u>1,236,158</u>	<u>1,302,942</u>
Revenues from state sources		
Grants - unrestricted	12,912,532	12,858,661
Grants - restricted	<u>3,069,650</u>	<u>2,706,359</u>
Total revenues from state sources	<u>15,982,182</u>	<u>15,565,020</u>
Revenues from federal sources		
Grants	<u>228,360</u>	<u>657,014</u>
Interdistrict sources		
Community service activity	209,547	262,677
ISD collected millage	<u>848,532</u>	<u>839,991</u>
Total interdistrict sources	<u>1,058,079</u>	<u>1,102,668</u>
Other financing sources		
Capital leases	-	216,057
Transfers in	<u>-</u>	<u>20,000</u>
Total other financing sources	<u>-</u>	<u>236,057</u>
Total revenue and other financing sources	<u>\$ 18,504,779</u>	<u>\$ 18,863,701</u>

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Basic program - elementary		
Salaries	\$ 2,341,396	\$ 2,405,208
Employee benefits	1,635,590	1,665,012
Purchased services	87,205	90,071
Supplies and materials	<u>55,563</u>	<u>46,473</u>
Total elementary	<u>4,119,754</u>	<u>4,206,764</u>
Basic program - middle school		
Salaries	1,144,278	1,175,241
Employee benefits	827,995	828,751
Purchased services	18,267	18,212
Supplies and materials	25,761	16,959
Other	<u>375</u>	<u>-</u>
Total middle school	<u>2,016,676</u>	<u>2,039,163</u>
Basic program - high school		
Salaries	1,466,303	1,409,694
Employee benefits	1,047,470	985,940
Purchased services	216,467	196,658
Supplies and materials	52,571	47,881
Other	<u>3,586</u>	<u>4,834</u>
Total high school	<u>2,786,397</u>	<u>2,645,007</u>
Basic program - summer school		
Salaries	17,570	16,752
Employee benefits	5,742	7,817
Purchased services	<u>-</u>	<u>2,694</u>
Total summer school	<u>23,312</u>	<u>27,263</u>
Total basic programs	<u>8,946,139</u>	<u>8,918,197</u>

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Added needs - special education		
Salaries	\$ 1,049,463	\$ 1,057,607
Employee benefits	677,348	644,503
Purchased services	370,013	395,720
Supplies and materials	<u>4,027</u>	<u>4,234</u>
Total special education	<u>2,100,851</u>	<u>2,102,064</u>
Added needs - compensatory education		
Salaries	315,823	318,605
Employee benefits	190,720	184,315
Purchased services	2,621	770
Supplies and materials	<u>23,029</u>	<u>697</u>
Total compensatory education	<u>532,193</u>	<u>504,387</u>
Added needs - career and technical education		
Salaries	95,629	95,202
Employee benefits	58,091	48,462
Purchased services	24,137	34,055
Supplies and materials	<u>15,650</u>	<u>6,051</u>
Total career and technical education	<u>193,507</u>	<u>183,770</u>
Total added needs	<u>2,826,551</u>	<u>2,790,221</u>
Adult and continuing education - secondary		
Purchased services	<u>138,000</u>	<u>300,009</u>
Pupil - truancy/absenteeism services		
Salaries	3,887	17,810
Employee benefits	<u>1,278</u>	<u>8,022</u>
Total truancy/absenteeism services	<u>5,165</u>	<u>25,832</u>

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Pupil - guidance services		
Salaries	\$ 298,045	\$ 272,727
Employee benefits	218,266	190,670
Purchased services	13,443	28,619
Supplies and materials	<u>8,619</u>	<u>3,053</u>
Total guidance services	<u>538,373</u>	<u>495,069</u>
Pupil - health services		
Purchased services	<u>26,972</u>	<u>26,604</u>
Pupil - psychological services		
Salaries	74,149	57,000
Employee benefits	46,737	38,348
Purchased services	1,363	687
Supplies and materials	<u>908</u>	<u>1,548</u>
Total psychological services	<u>123,157</u>	<u>97,583</u>
Pupil - speech and hearing services		
Salaries	150,061	137,197
Employee benefits	92,012	80,751
Purchased services	223	-
Supplies and materials	<u>1,268</u>	<u>624</u>
Total speech and hearing services	<u>243,564</u>	<u>218,572</u>
Pupil - social work services		
Salaries	58,592	55,761
Employee benefits	46,864	41,442
Purchased services	473	670
Supplies and materials	<u>182</u>	<u>17</u>
Total social work services	<u>106,111</u>	<u>97,890</u>

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Pupil - other support services		
Salaries	\$ 40,686	\$ 46,583
Employee benefits	20,420	20,653
Purchased services	-	5,800
	<u>61,106</u>	<u>73,036</u>
Total other pupil support services		
	<u>1,104,448</u>	<u>1,034,586</u>
Instructional staff - improvement of education		
Salaries	22,839	47,033
Employee benefits	14,987	29,264
Purchased services	24,506	75,181
Supplies and materials	2,290	-
	<u>64,622</u>	<u>151,478</u>
Total improvement of education		
Instructional staff - educational media services		
Salaries	115,280	117,573
Employee benefits	68,632	64,614
Purchased services	774	438
Supplies and materials	2,720	1,264
Other	4,090	4,090
	<u>191,496</u>	<u>187,979</u>
Total educational media services		

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Instructional staff - technology assisted instruction		
Salaries	\$ 93,543	\$ 93,033
Employee benefits	70,681	64,745
Purchased services	46,186	65,796
Supplies and materials	22,460	61,562
Other	<u>1,771</u>	<u>2,569</u>
Total technology assisted instruction	<u>234,641</u>	<u>287,705</u>
Instructional staff - supervision and direction of instructional staff		
Salaries	63,200	67,988
Employee benefits	33,069	34,996
Purchased services	34,011	39,583
Supplies and materials	<u>46</u>	<u>469</u>
Total supervision and direction of instructional staff	<u>130,326</u>	<u>143,036</u>
Instructional staff - academic student assessment		
Purchased services	<u>9,704</u>	<u>6,819</u>
Total instructional staff	<u>630,789</u>	<u>777,017</u>
General administration - board of education		
Purchased services	53,027	57,592
Supplies and materials	9	270
Other	<u>4,220</u>	<u>4,411</u>
Total board of education	<u>57,256</u>	<u>62,273</u>

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
General administration - executive administration		
Salaries	\$ 123,818	\$ 125,126
Employee benefits	99,324	94,920
Purchased services	4,083	2,520
Supplies and materials	2,771	1,016
Other	<u>1,404</u>	<u>1,552</u>
Total executive administration	<u>231,400</u>	<u>225,134</u>
Total general administration	<u>288,656</u>	<u>287,407</u>
School administration - office of the principal		
Salaries	669,222	643,876
Employee benefits	492,086	469,129
Purchased services	7,927	9,859
Supplies and materials	40,188	34,932
Other	<u>800</u>	<u>1,025</u>
Total office of the principal	<u>1,210,223</u>	<u>1,158,821</u>
Business - fiscal services		
Salaries	124,752	125,209
Employee benefits	119,820	117,576
Purchased services	49,565	45,057
Supplies and materials	1,442	736
Other	<u>4,250</u>	<u>3,057</u>
Total fiscal services	<u>299,829</u>	<u>291,635</u>

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2018 and 2017

	2018	2017
Business - other		
Purchased services	\$ 13,151	\$ 13,703
Other	<u>80,508</u>	<u>65,637</u>
Total other business	<u>93,659</u>	<u>79,340</u>
Total business	<u>393,488</u>	<u>370,975</u>
Operations and maintenance - operating building services		
Salaries	487,667	464,079
Employee benefits	342,105	292,185
Purchased services	93,981	81,905
Supplies and materials	484,192	529,866
Other	<u>3,177</u>	<u>4,467</u>
Total operating building services	<u>1,411,122</u>	<u>1,372,502</u>
Operations and maintenance - security services		
Purchased services	<u>2,740</u>	<u>12,377</u>
Total operations and maintenance	<u>1,413,862</u>	<u>1,384,879</u>
Pupil transportation services		
Salaries	531,429	513,505
Employee benefits	302,691	270,489
Purchased services	34,801	60,584
Supplies and materials	184,441	192,692
Other	<u>4,324</u>	<u>4,925</u>
Total transportation services	<u>1,057,686</u>	<u>1,042,195</u>
Central - communication services		
Purchased services	<u>21,373</u>	<u>20,635</u>

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Central - staff/personnel services		
Salaries	\$ 27,343	\$ 27,347
Employee benefits	20,795	22,760
Purchased services	<u>9,409</u>	<u>10,557</u>
Total staff/personnel services	<u>57,547</u>	<u>60,664</u>
Central - support services technology		
Purchased services	<u>24,532</u>	<u>21,723</u>
Central - pupil accounting		
Purchased services	<u>588</u>	<u>56,220</u>
Total central	<u>104,040</u>	<u>159,242</u>
Athletics		
Salaries	58,557	67,102
Employee benefits	29,528	27,724
Purchased services	129,765	117,853
Supplies and materials	17,032	11,723
Other	<u>10,766</u>	<u>33,020</u>
Total athletics	<u>245,648</u>	<u>257,422</u>
Other supporting services		
Purchased services	58,715	46,198
Supplies and materials	2,063	1,206
Other	<u>4,322</u>	<u>-</u>
Total other supporting services	<u>65,100</u>	<u>47,404</u>

Bullock Creek School District
Other Supplementary Information
General Fund
Schedule of Expenditures
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Capital outlay		
Added needs - career and technical education	\$ 40,436	\$ 14,942
Business - fiscal services	17,399	-
Operations and maintenance - operating building services	<u>6,386</u>	<u>256,522</u>
Total capital outlay	<u>64,221</u>	<u>271,464</u>
Debt service		
Principal	35,414	61,335
Interest and other expenditures	<u>9,004</u>	<u>-</u>
Total debt service	<u>44,418</u>	<u>61,335</u>
Other financing uses		
Transfers out	<u>5,750</u>	<u>22,957</u>
Total expenditures and other financing uses	<u>\$ 18,539,019</u>	<u>\$ 18,884,131</u>

Bullock Creek School District
Schedule of Outstanding Bonded Indebtedness - 2010 Issue
June 30, 2018

Date of issue: 2010

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

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

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity	Total Fiscal Year Requirements
		November 1st	May 1st	May 1st	
5.000	2018-19	<u>\$ 5,750</u>	<u>\$ 5,750</u>	<u>\$ 230,000</u>	<u>\$ 241,500</u>

Bullock Creek School District
Schedule of Outstanding Bonded Indebtedness - 2012 Debt
June 30, 2018

Date of issue: 2012

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

Purpose of this issue: Construction of school educational facilities

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1st	Total Fiscal Year Requirements
		November 1st	May 1st		
1.250	2018-19	\$ 14,714	\$ 14,714	\$ 650,000	\$ 679,428
1.500	2019-20	10,649	10,649	650,000	671,298
1.750	2020-21	<u>5,775</u>	<u>5,775</u>	<u>660,000</u>	<u>671,550</u>
		<u>\$ 31,138</u>	<u>\$ 31,138</u>	<u>\$ 1,960,000</u>	<u>\$ 2,022,276</u>

Bullock Creek School District
Schedule of Outstanding Bonded Indebtedness - 2014 Issue
June 30, 2018

Date of issue: 2014

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

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

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1st	Total Fiscal Year Requirements
		November 1st	May 1st		
2.050	2018-19	\$ 24,923	\$ 24,923	\$ 545,000	\$ 594,846
2.300	2019-20	19,336	19,336	525,000	563,672
2.550	2020-21	13,298	13,298	505,000	531,596
2.800	2021-22	6,860	6,860	490,000	503,720
		<u>\$ 64,417</u>	<u>\$ 64,417</u>	<u>\$ 2,065,000</u>	<u>\$ 2,193,834</u>

Bullock Creek School District
Schedule of Outstanding Bonded Indebtedness - 2015 Issue
June 30, 2018

Date of issue: 2015

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

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

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1st	Total Fiscal Year Requirements
		November 1st	May 1st		
1.450	2018-19	\$ 27,013	\$ 27,013	\$ 50,000	\$ 104,026
1.800	2019-20	26,650	26,650	50,000	103,300
2.100	2020-21	26,200	26,200	50,000	102,400
2.400	2021-22	25,675	25,675	50,000	101,350
2.600	2022-23	25,075	25,075	460,000	510,150
2.750	2023-24	19,095	19,095	460,000	498,190
2.900	2024-25	12,770	12,770	460,000	485,540
3.050	2025-26	6,100	6,100	400,000	412,200
		<u>\$ 168,578</u>	<u>\$ 168,578</u>	<u>\$ 1,980,000</u>	<u>\$ 2,317,156</u>

Bullock Creek School District
Schedule of Outstanding Bonded Indebtedness - 2015 Debt
June 30, 2018

Date of issue: 2015

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

Purpose of this issue: Construction of school educational facilities

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1st	Total Fiscal Year Requirements
		November 1st	May 1st		
1.850	2018-19	\$ 20,443	\$ 20,443	\$ 380,000	\$ 420,886
2.100	2019-20	16,928	16,928	480,000	513,856
2.350	2020-21	11,888	11,888	480,000	503,776
2.550	2021-22	6,248	6,248	490,000	502,496
		<u>\$ 55,507</u>	<u>\$ 55,507</u>	<u>\$ 1,830,000</u>	<u>\$ 1,941,014</u>

Bullock Creek School District
Schedule of Outstanding Bonded Indebtedness - 2016 Debt
June 30, 2018

Date of issue: 2016

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

Purpose of this issue: Construction of school educational facilities

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1st	Total Fiscal Year Requirements
		November 1st	May 1st		
1.250	2018-19	\$ 45,680	\$ 45,680	\$ -	\$ 91,360
1.250	2019-20	45,680	45,680	140,000	231,360
1.400	2020-21	44,805	44,805	190,000	279,610
1.550	2021-22	43,475	43,475	535,000	621,950
1.700	2022-23	39,329	39,329	800,000	878,658
1.880	2023-24	32,529	32,529	800,000	865,058
1.900	2024-25	25,329	25,329	800,000	850,658
2.000	2025-26	17,729	17,729	800,000	835,458
2.150	2026-27	9,729	9,729	905,000	924,458
		<u>\$ 304,285</u>	<u>\$ 304,285</u>	<u>\$ 4,970,000</u>	<u>\$ 5,578,570</u>

RECEIVED

By Rebecca Dean at 7:32 am, Sep 25, 2018

Bullock Creek School District

Single Audit Report

June 30, 2018



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bullock Creek School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Bullock Creek School District's basic financial statements, and have issued our report thereon dated September 18, 2018.

Internal Control Over Financial Reporting

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

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

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

identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Yeo & Yeo, P.C.

Midland, Michigan
September 18, 2018



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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bullock Creek School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Bullock Creek School District's basic financial statements. We issued our report thereon dated September 18, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Midland, Michigan
September 18, 2018

Bullock Creek School District
Schedule of Expenditures of Federal Awards
June 30, 2018

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Pass-Through Grantor's Number	Award Amount	Accrued (Unearned) Revenue July 1, 2017	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue June 30, 2018	Current Year Cash Transferred to Subrecipient
U.S. Department of Agriculture									
Passed through Michigan Department of Education									
Child Nutrition Cluster									
School Breakfast Program	10.553	171970	\$ 137,392	\$ 8,368	\$ 124,269	\$ 13,123	\$ 21,491	\$ -	\$ -
School Breakfast Program	10.553	181970	112,142	-	-	112,142	112,142	-	-
			<u>249,534</u>	<u>8,368</u>	<u>124,269</u>	<u>125,265</u>	<u>133,633</u>	<u>-</u>	<u>-</u>
National School Lunch Program	10.555	171960	389,011	20,331	355,424	33,587	53,918	-	-
National School Lunch Program - Snacks	10.555	171980	14,950	61	14,950	-	61	-	-
National School Lunch Program	10.555	181960	302,070	-	-	302,070	302,070	-	-
National School Lunch Program - Snacks	10.555	181980	242	-	-	242	242	-	-
			<u>706,273</u>	<u>20,392</u>	<u>370,374</u>	<u>335,899</u>	<u>356,291</u>	<u>-</u>	<u>-</u>
Non-cash assistance (commodities)									
National School Lunch Program - Entitlement	10.555	N/A	53,604	-	-	53,604	53,604	-	-
Summer Food Service Program for Children	10.559	170900	7,470	-	-	7,470	7,470	-	-
Summer Food Service Program for Children	10.559	171900	10,955	-	10,186	769	769	-	-
			<u>18,425</u>	<u>-</u>	<u>10,186</u>	<u>8,239</u>	<u>8,239</u>	<u>-</u>	<u>-</u>
Total Child Nutrition Cluster			<u>1,027,836</u>	<u>28,760</u>	<u>504,829</u>	<u>523,007</u>	<u>551,767</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>1,027,836</u>	<u>28,760</u>	<u>504,829</u>	<u>523,007</u>	<u>551,767</u>	<u>-</u>	<u>-</u>
U.S. Department of Education									
Passed through Michigan Department of Career Development									
Adult Education - Basic Grants to States	84.002	171120-175997	14,500	4,109	14,500	-	4,109	-	-
Adult Education - Basic Grants to States	84.002	171130-171997	225,000	65,633	225,000	-	65,633	-	-
Adult Education - Basic Grants to States	84.002	171190-171997	40,000	10,619	40,000	-	10,619	-	-
			<u>279,500</u>	<u>80,361</u>	<u>279,500</u>	<u>-</u>	<u>80,361</u>	<u>-</u>	<u>-</u>
Passed through Michigan Department of Education									
Title I Grants to Local Educational Agencies	84.010	171530	278,928	50,579	278,928	-	50,579	-	-
Title I Grants to Local Educational Agencies	84.010	181530	229,761	-	-	199,920	170,253	29,667	-
			<u>508,689</u>	<u>50,579</u>	<u>278,928</u>	<u>199,920</u>	<u>220,832</u>	<u>29,667</u>	<u>-</u>
Passed through Clare-Gladwin RESD									
Education for Homeless Children and Youth	84.196	N/A	657	-	68	589	589	-	-
Passed through Michigan Department of Education									
Supporting Effective Instruction State Grants	84.367	170520	118,739	7,302	98,518	-	7,302	-	-
Supporting Effective Instruction State Grants	84.367	180520	81,132	-	-	17,851	17,851	-	-
			<u>199,871</u>	<u>7,302</u>	<u>98,518</u>	<u>17,851</u>	<u>25,153</u>	<u>-</u>	<u>-</u>
Passed through Michigan Department of Education									
Student Support and Academic Enrichment Program	84.424	180750	10,000	-	-	10,000	10,000	-	-
Total U.S. Department of Education			<u>998,717</u>	<u>138,242</u>	<u>657,014</u>	<u>228,360</u>	<u>336,935</u>	<u>29,667</u>	<u>-</u>
Total federal awards			<u>\$ 2,026,553</u>	<u>\$ 167,002</u>	<u>\$ 1,161,843</u>	<u>\$ 751,367</u>	<u>\$ 888,702</u>	<u>\$ 29,667</u>	<u>\$ -</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Bullock Creek School District
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Bullock Creek School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Bullock Creek School District, it is not intended to and does not present the financial position and changes in financial position of Bullock Creek School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

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

Note 3 - Reconciliation to the Financial Statements

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

Note 4 - Subrecipients

No amounts were provided to subrecipients.

Note 5 - Michigan Department of Education Disclosures

The federal amounts reported on the grant auditor report are in agreement with the schedule of expenditures of federal awards with the following exception. Project # 161980, 171960 and 171980 were reduced by \$3,461, \$178 and \$5,998, respectively. The amount was returned to MDE during the year. This amount was reported on the grant auditor report, however, not shown on the schedule of expenditures of federal awards.

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

Bullock Creek School District
Schedule of Findings and Questioned Costs
June 30, 2018

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee? yes no

Section II – Government Auditing Standards Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2018.

Section III – Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2018.

**Bullock Creek School District
Summary Schedule of Prior Audit Findings
June 30, 2018**

Section IV – Prior Audit Findings

Government Auditing Standards Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2017.

Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2017.



September 18, 2018

Management and the Board of Education
Bullock Creek School District
1420 Badour Road
Midland, MI 48640

We have completed our audit of the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Bullock Creek School District as of and for the year ended June 30, 2018, and have issued our report dated September 18, 2018. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The first appendix to this letter sets forth those communications as follows:

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

In addition, we have identified an additional matter that is not required to be communicated but we believe is valuable for management:

II. Matters for Management's Consideration

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

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

Yeo & Yeo, P.C.

Midland, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 11, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 of the financial statements. The School District has adopted the new Governmental Accounting Standards Board Statements as noted in the notes to the financial statements, effective July 1, 2017.

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

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net OPEB liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

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

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

Accounting Standards and Regulatory Updates

Accounting Standards

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in Note 1 of the financial statements.

Regulatory and Other Updates

Cybersecurity Posture

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

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

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

Uniform Guidance – Implementation of Federal Grant Procurement Standards

In May 2017, the federal government granted an additional one-year delay for implementation of the procurement standards under the Uniform Guidance. The grace period now extends through December 25, 2017. Therefore entities with fiscal years beginning on or after December 26, 2017 must have procurement standards, for federal expenditures, that meet the more stringent requirements of 2 CFR 200.317 to 326. For school districts, it will apply to fiscal year 2019 and therefore, must be in place starting July 1, 2018. It is imperative that your procurement policies – whatever they are documented as – be followed. The Uniform Guidance and the old guidance in the OMB Circulars provide minimum requirements that must be covered by an entity's procurement policies. If an entity's policies are stricter than the federal rules, the entity policies still must be followed. As you adopt new procurement policies, we also recommend that you consider separate policies for federal and non-federal expenditures to ease the administrative burden of certain federal requirements.

Fiscal Year (FY) 2019 School Aid

The School Aid budget for FY 2019 was signed in June, 2018. Following are some significant highlights of the bill:

- The per pupil Foundation Grants for FY 2019 will increase by a range of \$120 to \$240 using the "2X formula." The increase will be added to the FY 2018 foundation grant resulting in the lowest foundation for FY 2018 being \$7,871 and the maximum state guaranteed foundation being \$8,409.
- The Pupil Membership Blend will remain at 90% of the current school year October count and 10% of the prior school year February count.
- The Section 31a At-Risk funding is maintained at \$499,000,000. Eligibility expanded to include grades K-12, from K-3, and shall use resources to address early literacy and numeracy through an evidence-based framework that uses data-driven problem solving through a multi-tiered system of supports. Adds language that for schools in which more than 40% of pupils are identified as At-Risk, a district may use the funds it receives to implement schoolwide reforms that are guided by the district's comprehensive needs assessment and are included in the district improvement plan. Allows for up to 5% to be used for professional development.
- The per pupil funding under Section 20f will be equal to the per pupil funding in 2017-18.
- A New Section 31m has been created as a separate account to improve mental health and support services for K-12 pupils. A deposit of \$30 million has been allocated for this purpose.
- A new Section 54d appropriates \$5 million in grant funds for intermediate districts to provide pilot programs for children from birth to 3 years of age with developmental disability and/or delay.
- Section 147c has a MPSERS rate cap funding set at \$1.03 billion, which is an increase of \$72 million. The rate cap is estimated at \$690 per pupil.
- Section 147e includes \$37.6 million allocated as a direct reimbursement for additional retirement costs for specific qualified participants due to PA 92 of 2017.

Budget Assumptions & Early Warning

Each school district that has a general fund balance less than 5% of total unrestricted general revenue for either of the 2015-2016 or 2016-2017 school fiscal years is required to submit budget assumptions to the Center for Educational Performance and Information (CEPI).

Uniform Budgeting and Accounting Act (UBAA)

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

Current Operating Expenditures (COE) for UAAL

Effective FY 2019, the percentage change in Current Operating Expenditures (COE) from one year to the next will be used to adjust the payroll on which the UAAL rate is charged. FY 2017 reported payroll will be adjusted by the percent change in COE from 2016 to 2017 to establish the FY19 adjusted payroll. The capped UAAL rate of 20.96% continues to be used in the calculation. ORS has put examples on their website to walk the school district through the calculation.

- UAAL contributions will no longer be calculated on member wages reported throughout the FY.
- This did not affect the 2018 fiscal year, but will impact the 2019 fiscal year.
- The FY 2019 payment process for contributions will be spread out over all Employer Statements in State FY 2019 (October 2018 through September 2019).

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustment identified during the audit has been communicated to management and management has posted the adjustment.

There were no uncorrected misstatements that were more than trivial.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report we had no disagreements with management during the audit.

Management Representations

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

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to

check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Emphasis of Matters in Independent Auditors' Report

Our report will include the following emphasis of matter paragraph:

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2018, the School District adopted GASB Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, schedule of the school district's OPEB contributions, and budgetary comparison information, we applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

Report on Other Supplementary Information

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

Appendix II

Matters for Management's Consideration

In planning and performing our audit of the financial statements of Bullock Creek School District as of and for the year ended June 30, 2018, we considered Bullock Creek School District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

However, during our audit we became aware of a matter for management's consideration that is an opportunity for strengthening internal controls. This letter does not affect our report dated September 18, 2018, on the financial statements of Bullock Creek School District. Our comments and recommendations regarding that matter are:

Employee Reimbursements

As a part of audit, we tested various reimbursements to employees to ensure the District's purchasing policies and procedures are being followed. We noted instances where employees are making purchases before getting approval from their supervisors. Employees should be getting supervisor approval before they make any purchases for the District. We also discovered that employees were using their personal credit cards to make purchases for the District. This resulted in them receiving cash back rewards and sometimes rebates from the vendors. These rewards and rebates were not remitted to the District.

We recommend that employees obtain the proper approval from their supervisor before making purchases for the District. We also recommend that these purchases be on a District established account or credit card to ensure the District receives the cash back rewards when possible. When purchases are made that result in rebates, those rebates should be remitted to the District. When personally obtained coupons are used, the amount reimbursed should be the discounted amount after the coupon, not the cost before the coupon was used. If an employee chooses to use a personally obtained coupon and/or rebate on a school purchase, they need to understand that they are passing those savings onto the District and should only be reimbursed the discounted amount actually spent.