

**Bullock Creek School District**  
Midland, Michigan

Financial Statements  
With Supplementary Information  
June 30, 2019



Bullock Creek School District  
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June 30, 2019

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To 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 (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the District as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2019, on our consideration of the 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in cursive script that reads "Roslund, Prestage & Company, P.C.".

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

October 8, 2019

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**



# **Bullock Creek School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2019**

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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, 2019. 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 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 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 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.

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  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019**

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**

	<b>Governmental Activities</b>		
	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>Change</b>
<b>Assets</b>			
Current assets	\$ 8,727,447	\$ 8,989,959	\$ (262,512)
Capital assets	38,309,731	38,799,394	(489,663)
Less accumulated depreciation	<u>(16,811,311)</u>	<u>(16,492,812)</u>	<u>(318,499)</u>
Capital assets			
net book value	<u>21,498,420</u>	<u>22,306,582</u>	<u>(808,162)</u>
Deferred outflows of resources	<u>11,808,538</u>	<u>7,557,509</u>	<u>4,251,029</u>
Total assets	<u>42,034,405</u>	<u>38,854,050</u>	<u>3,180,355</u>
<b>Liabilities</b>			
Current liabilities	8,224,496	5,894,615	2,329,881
Noncurrent liabilities	<u>52,436,546</u>	<u>52,579,430</u>	<u>(142,884)</u>
Total liabilities	<u>60,661,042</u>	<u>58,474,045</u>	<u>2,186,997</u>
Deferred inflows of resources	<u>6,135,524</u>	<u>3,432,759</u>	<u>2,702,765</u>
<b>Net Position</b>			
Net investment in			
capital assets	10,844,597	10,158,581	686,016
Restricted	405,881	407,269	(1,388)
Unrestricted	<u>(36,012,639)</u>	<u>(33,618,604)</u>	<u>(2,394,035)</u>
Total net position	<u>\$ (24,762,161)</u>	<u>\$ (23,052,754)</u>	<u>\$ (1,709,407)</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.

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 MPERS, 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 \$1,709,407 during the 2018-19 year. The *Summary of the Statement of Activities* (below) shows the details of this change.

**Bullock Creek School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019**

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. 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 2018-2019.

**Summary of the Statement of Activities**

	<u>Governmental Activities</u>		
	<u>Year ended 2019</u>	<u>Year ended 2018</u>	<u>Difference</u>
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 342,220	\$ 379,582	\$ (37,362)
Operating Grants/Contributions	(425,950)	4,431,019	(4,856,969)
Capital Grants/Contributions	-	60,771	(60,771)
General Revenues			
Property Taxes	3,020,630	3,635,165	(614,535)
State Foundation Allowance	16,765,984	12,622,549	4,143,435
Other	1,469,423	214,954	1,254,469
<b>Total Revenues</b>	<u>21,172,307</u>	<u>21,344,040</u>	<u>(171,733)</u>
<b>Expenses</b>			
Instruction	14,074,919	13,084,866	990,053
Support Services	7,551,693	7,150,861	400,832
Food Services	828,430	852,454	(24,024)
Other Transactions	426,672	360,480	66,192
<b>Total Expenses</b>	<u>22,881,714</u>	<u>21,448,661</u>	<u>1,433,053</u>
<b>Change in Net Position</b>	<u>\$ (1,709,407)</u>	<u>\$ (104,621)</u>	<u>\$(1,604,786)</u>

Approximately 73% 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.

**The School District's Funds**

At June 30, 2019, the District's governmental funds reported a combined fund balance of \$2,450,792, which is a decrease of \$660,025 from last year. The primary reasons for the decrease are:

- In the General Fund, our principal operating fund, the fund balance decreased by \$16,893. This is a much smaller decrease in fund balance than was budgeted for. The district experienced higher operational costs due to the difficult winter season along with unexpected damages and repairs from a broken HVAC Univent at our Middle School. However, as the result of conservative spending in the areas of supplies, textbooks and purchased services, the deficit was significantly reduced. The reserves and designations of



**Bullock Creek School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019**

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fund balance are identified on page 3. 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 2018-19, a total of \$234,785 of the bond proceeds remain in the fund balance to be spent in 2019-20 on the purchase of new buses, technology equipment and building improvements throughout the district.
- In the Special Revenue Funds, the Food Service fund balance increased by \$5,250. This was due to a decrease 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 saw an increase in the amount reimbursed at the Federal level for meals served causing an increase in federal revenues.

**Per Student Foundation Allowance**

Annually, the State of Michigan establishes the per student foundation allowance. In 2018-19 the State was able to fully fund the Bullock Creek School District foundation allowance of \$7,871 per pupil.

**Student Enrollment**

The District's student enrollment for the fall count of 2018-2019 was 1,827 students. This is an increase of 11 students from the previous September. While the District has seen an overall decrease in students in previous years, 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
2018-2019	1827	11
2017-2018	1816	-2
2016-2017	1,818	-32
2015-2016	1,850	-14
2014-2015	1,864	-69

Preliminary student enrollment projections for 2019-2020 indicate that enrollments are likely to decrease slightly compared to 2018-2019. 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, 2019**

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**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**

Year	Local Property Tax Revenue	% of General Fund Revenue
2018-2019	\$ 1,002,451	5.1%
2017-2018	\$ 866,538	4.6%
2016-2017	\$ 846,428	4.5%
2015-2016	\$ 868,740	4.8%
2014-2015	\$ 861,934	4.9%

**Capital Assets**

At June 30, 2019, the District had \$21,498,420 invested in capital assets including land, construction in progress, buildings, furniture, and equipment.

Assets	Governmental Activities	
	2019	2018
Land and construction in progress	\$ 252,145	\$ 215,956
Buildings and additions	34,985,247	34,957,887
Equipment and furniture	950,723	910,642
Buses and other vehicles	2,121,616	2,714,909
Subtotal	38,309,731	38,799,394
Less accumulated depreciation	(16,811,311)	(16,492,812)
<b>Total</b>	<b>\$ 21,498,420</b>	<b>\$ 22,306,582</b>

**Debt Administration**

At June 30, 2019, the District had \$11,180,000 in general obligation bonds outstanding for capital projects. During the 2018-2019 fiscal year, the District levied a debt millage of 7.0 mills that generated revenue of \$1,932,821 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.

**Bullock Creek School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019**

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For more detailed information on debt, please see the accompanying Notes to the Financial Statements.

**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 2018-2019 was approved on June 25, 2018 and amended in February and June of 2019.

**General Fund Revenues**

Total Revenues Revised Budget	\$19,608,167
Total Revenues Original Budget	<u>\$18,940,883</u>
Change	<u>\$667,284</u>

The District's actual general fund revenues were slightly less than the revised budget by \$9,722, a variance of less than one percent or .04%.

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

- An increase in State Section 107 Adult Education funding - The District contracts with Education Training & Connection to provide adult education services to Midland County, and expanded that to include the City of Saginaw Public Schools in 2018-19. This increased revenues by \$271,788.
- An increase in overall student enrollment – The budget was originally based on the same number of students as in 2017-18 when the District gained 11 students by the end of the 2018-19 year. Other smaller categorical increases in items such as Special Education, Vocational Education and Equipment made up the remaining increase in revenues.

**General Fund Expenditures**

Total Expenditures Revised Budget	\$19,665,280
Total Expenditures Original Budget	<u>\$18,940,883</u>
Change	<u>\$724,397</u>

The District's actual general fund expenditures were less than the revised budget by \$49,942, a variance of less than one percent or .20%.

The significant expenditure budget adjustment for the year includes:

- An increase to expenditures to match the increase in State revenues for the adult education programs.
- Adjustments to At Risk expenditures to match the increase in State grant revenue and spending down carryover funds from the previous year.
- Addition of a Kindergarten and 3<sup>rd</sup> grade classroom at Floyd Elementary

**Bullock Creek School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019**

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- 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, 2018. The District's initial budget was based on a per pupil foundation allowance of \$7,831 and a count of 1,816 students.

**Requests for Information**

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

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**



Bullock Creek School District  
Statement of Net Position  
June 30, 2019

**Assets**

Current assets	
Cash and cash equivalents	\$ 5,300,419
Accounts receivable, net	33,992
Due from other governmental units	3,096,396
Asset held for sale	283,296
Other current assets	13,344
Total current assets	8,727,447
Noncurrent assets	
Capital assets not being depreciated	252,145
Capital assets being depreciated, net	21,246,275
Total noncurrent assets	21,498,420
Total assets	30,225,867

**Deferred outflows of resources**

Deferred outflow - related to debt refunding	255,604
Deferred outflow - related to pension	10,213,095
Deferred outflow - related to other post-employment benefits	1,339,839
Total deferred outflows of resources	11,808,538

**Liabilities**

Current liabilities	
Accounts payable	145,401
State aid loan payable	3,900,000
Accrued expenses	2,170,663
Unearned revenue	60,591
Accrued interest	12,465
Compensated absences due within one year	51,383
Long-term obligations due within one year	1,845,000
Capital lease due within one year	38,993
Total current liabilities	8,224,496
Noncurrent liabilities	
Compensated absences due beyond one year	291,171
Long-term obligations due beyond one year	9,335,000
Capital lease due beyond one year	82,859
Net pension liability	33,747,154
Net other post-employment benefit liability	8,980,362
Total noncurrent liabilities	52,436,546
Total liabilities	60,661,042

**Deferred inflows of resources**

Deferred inflow - related to pension	2,869,520
Deferred inflow - related to other post-employment benefits	2,018,462
Deferred inflow - 147c allocation	1,247,542
Total deferred inflows of resources	6,135,524

**Net position**

Net investment in capital assets	10,844,597
Restricted for Food Service	97,306
Restricted for Debt Service	308,575
Unrestricted	(36,012,639)
Total net position	\$ (24,762,161)

The notes are an integral part of these financial statements.

Bullock Creek School District  
Statement of Activities  
For the Year Ended June 30, 2019

Functions / Programs	Expenses	Program Revenues		Change in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction	\$ 14,074,919	\$ -	\$ (982,866)	\$ (15,057,785)
Support services	7,551,693	106,895	-	(7,444,798)
Food Service	828,430	235,325	556,916	(36,189)
Building improvement services	104,091	-	-	(104,091)
Interest and fees	322,581	-	-	(322,581)
Total governmental activities	<u>\$ 22,881,714</u>	<u>\$ 342,220</u>	<u>\$ (425,950)</u>	<u>(22,965,444)</u>
<b>General revenues:</b>				
Property taxes				3,020,630
State aid not restricted to specific purposes				16,765,984
Intermediate sources				1,108,205
Interest and investment earnings				18,793
Other revenues				342,425
Total general revenues				<u>21,256,037</u>
<b>Change in net position</b>				(1,709,407)
<b>Net position - beginning</b>				<u>(23,052,754)</u>
<b>Net position - ending</b>				<u>\$ (24,762,161)</u>

## FUND FINANCIAL STATEMENTS





Bullock Creek School District  
Balance Sheet - Governmental Funds  
June 30, 2019

	General	Total Nonmajor Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 4,499,199	\$ 801,220	\$ 5,300,419
Accounts receivable, net	33,992	-	33,992
Due from other funds	6	-	6
Due from other governmental units	3,093,180	3,216	3,096,396
Asset held for sale	283,296	-	283,296
Other current assets	13,344	-	13,344
Total assets	<u>\$ 7,923,017</u>	<u>\$ 804,436</u>	<u>\$ 8,727,453</u>
<b>Liabilities</b>			
Accounts payable	\$ 145,401	\$ -	\$ 145,401
State aid loan payable	3,900,000	-	3,900,000
Due to other funds	-	6	6
Accrued expenses	2,164,539	6,124	2,170,663
Unearned revenue	60,591	-	60,591
Total liabilities	<u>6,270,531</u>	<u>6,130</u>	<u>6,276,661</u>
<b>Fund balance</b>			
Nonspendable	227,959	-	227,959
Restricted	-	640,666	640,666
Committed	85,000	-	85,000
Assigned	-	157,640	157,640
Unassigned	1,339,527	-	1,339,527
Total fund balances	<u>1,652,486</u>	<u>798,306</u>	<u>2,450,792</u>
Total liabilities and fund balances	<u>\$ 7,923,017</u>	<u>\$ 804,436</u>	<u>\$ 8,727,453</u>

Bullock Creek School District  
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds  
to the Net Position of Governmental Activities on the Statement of Net Position  
June 30, 2019

Total fund balance - governmental funds	\$	2,450,792
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add:	Cost of capital assets	38,309,731
Deduct:	Accumulated depreciation	(16,811,311)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Deduct:	2010 Bonds	-
Deduct:	2012 Bonds	(1,310,000)
Deduct:	2014 Refunding Bonds	(1,520,000)
Deduct:	2015 Bonds	(1,450,000)
Deduct:	2015 Refunding Bonds	(1,930,000)
Deduct:	2016 Bonds	(4,970,000)
Deduct:	Capital lease	(121,852)
Deduct:	Premium on bonds	-

Other amounts reported in the statement of activities that do not require current financial resources consist of:

Add:	Deferred outflow - related to 2014 refunding bonds	140,603
Add:	Deferred outflow - related to 2015 refunding bonds	115,001
Add:	Deferred outflow - related to pension	10,213,095
Add:	Deferred outflow - related to other post-employment benefits	1,339,839
Deduct:	Net pension liability	(33,747,154)
Deduct:	Net other post-employment benefit liability	(8,980,362)
Deduct:	Deferred inflow - related to pension	(2,869,520)
Deduct:	Deferred inflow - related to other post-employment benefits	(2,018,462)
Deduct:	Deferred inflow - 147c allocation	(1,247,542)
Deduct:	Compensated absences payable	(342,554)
Deduct:	Accrued interest on long-term liabilities	(12,465)

Total net position - governmental activities	\$	<u>(24,762,161)</u>
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Bullock Creek School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2019

	General	Total Nonmajor Funds	Total
<b>Revenues</b>			
Local sources	\$ 1,465,222	\$ 2,173,587	\$ 3,638,809
State sources	16,760,342	90,901	16,851,243
Federal sources	264,676	556,916	821,592
Other sources	1,108,205	-	1,108,205
Total revenues	<u>19,598,445</u>	<u>2,821,404</u>	<u>22,419,849</u>
<b>Expenditures</b>			
Instruction			
Basic programs	9,204,388	-	9,204,388
Added needs	3,232,542	-	3,232,542
Continuing education	202,175	-	202,175
Total instruction	<u>12,639,105</u>	<u>-</u>	<u>12,639,105</u>
Support services			
Pupil services	1,118,639	-	1,118,639
Instructional staff	669,106	-	669,106
General administration	316,876	-	316,876
School administration	1,299,790	-	1,299,790
Business	431,081	-	431,081
Operation and maintenance	1,547,698	-	1,547,698
Pupil transportation	1,075,859	-	1,075,859
Central	110,028	1,750	111,778
Athletics and auditorium	337,075	-	337,075
Total support services	<u>6,906,152</u>	<u>1,750</u>	<u>6,907,902</u>
Food service	-	798,661	798,661
Capital Outlay	-	557,741	557,741
Debt service			
Principal	38,144	1,855,000	1,893,144
Interest, fees and other	6,281	277,040	283,321
Total expenditures	<u>19,589,682</u>	<u>3,490,192</u>	<u>23,079,874</u>
<b>Revenues over (under) expenditures</b>	8,763	(668,788)	(660,025)
<b>Other financing sources (uses)</b>			
Transfers in	-	25,656	25,656
Transfers out	(25,656)	-	(25,656)
<b>Net change in fund balances</b>	(16,893)	(643,132)	(660,025)
<b>Fund balances - beginning</b>	<u>1,669,379</u>	<u>1,441,438</u>	<u>3,110,817</u>
<b>Fund balances - ending</b>	<u>\$ 1,652,486</u>	<u>\$ 798,306</u>	<u>\$ 2,450,792</u>

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, 2019

Net change in fund balances - total governmental funds \$ (660,025)

Amounts reported for governmental activities in the statement of activities are 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 as depreciation expense.

Add:	Capital outlay	453,650
Deduct:	Depreciation expense	(1,261,812)

Long-term debt proceeds are reported as other financing sources in the governmental funds, thereby increasing fund balances. In the statement of net position, however, issuing long-term debt increases liabilities and has no effect on net position. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Add:	Payment of 2010 Bonds	230,000
Add:	Payment of 2012 Bonds	650,000
Add:	Payment of 2014 Refunding Bonds	545,000
Add:	Payment of 2015 Bonds	380,000
Add:	Payment of 2015 Refunding Bonds	50,000
Deduct:	Payment of 2016 Bonds	-
Add:	Payment of Capital lease	38,144
Add:	Premium amortization on 2010 Bonds	21,027

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct:	Change in deferred outflow - related to 2014 refunding bonds	(46,867)
Deduct:	Change in deferred outflow - related to 2015 refunding bonds	(16,428)
Add:	Change in deferred outflow - related to pension	3,619,621
Add:	Change in deferred outflow - related to other post-employment benefits	694,703
Deduct:	Change in net pension liability	(4,655,445)
Add:	Change in net other post-employment benefit liability	978,605
Add:	Change in deferred inflow - related to pension	226,553
Deduct:	Change in deferred inflow - related to other post-employment benefits	(1,681,776)
Deduct:	Change in accrual for compensated absences	(29,823)
Add:	Change in interest on long-term debt	3,008

Revenue in support of pension contribution made subsequent to the measurement date.

Deduct:	Change in deferred inflow - 147c allocation	(1,247,542)
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Net change in net position - governmental activities \$ (1,709,407)

Bullock Creek School District  
Statement of Fiduciary Net Position  
June 30, 2019

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	<u>Agency Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 173,864
<b>Liabilities</b>	
Accounts payable	1,767
Due to student groups	<u>172,097</u>
<b>Net position</b>	
Restricted	<u>\$ -</u>

**NOTES TO THE FINANCIAL STATEMENTS**



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

The accounting policies of the Bullock Creek School District (the District) conform to generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the District. All amounts shown are in dollars.

**Reporting Entity**

The District is governed by Board of Education members which have the responsibility and control over all activities related to public school education within the District. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The District receives funding from local, state and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America.

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 District's reporting entity, and which organizations are legally separate, component units of the District. Based on the application of the criteria, the District does not contain any component units.

**Basis of Presentation - Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds. Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following major governmental funds:

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

The District reports the following non-major governmental funds:

- The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service activity in the special revenue funds.
- The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District accounts for the 2012 Debt activity, 2016 Debt activity, 2015 Debt activity, 2014 Refunding activity, 2015 Refunding activity, and 2010 Refunding activity in the debt service funds.
- The *capital projects funds* account for the receipt of bond proceeds, transfers from the general fund (as applicable), and the acquisition of fixed assets or construction of capital projects. The District accounts for the Capital Projects activity and the 2015 & 2016 Capital Projects activity in the capital projects funds.

The District reports the following fiduciary funds:

- The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities). These funds are not reported in the District's government-wide financial statements.

### **Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

### **Budgetary Basis of Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

- The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
- Transfers may be made for budgeted amounts between major expenditure functions within any fund;



Bullock Creek School District  
Notes to the Financial Statements  
June 30, 2019

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however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

- The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30. The District does not consider these amendments to be significant.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity.

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

Prepaid expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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.

Due from/to other funds

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

Bullock Creek School District  
Notes to the Financial Statements  
June 30, 2019

Land and construction in progress if any are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land	Not Depreciated
Construction in process	Not Depreciated
Buildings and improvements	7 - 50
Capital lease	5
Furniture and equipment	5 - 20
Vehicles	6 - 7

The District reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a related expense is recognized in the current year.

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has the following items that qualify for reporting in this category:

- Related to debt refunding - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Related to pension - A deferred outflow is recognized for pension related items. These amounts are expensed in the plan year in which they apply.
- Related to other post-employment benefits - A deferred outflow is recognized for other post-employment benefits related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Related to pension - Future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary.
- Related to other post-employment benefits - Future resources yet to be recognized in relation to the OPEB actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the OPEB liability and the actual results. The amounts are amortized over a period determined by the actuary.
- 147c allocation - Restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period.

Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the fund financial statements and Government-wide financial statements, and revenue is recognized.

#### Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

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

#### 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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

#### Net Position and Fund Balances

Restricted net position shown in the Government-wide financial statements will generally be different from amounts reported as reserved/designated fund balances in the governmental fund financial statements. This occurs because of differences in the measurement focus and basis of accounting used in the government-wide and fund financial statements and because of the use of funds to imply that restrictions exist.

#### Net Position – Restrictions

Net position in the government-wide financial statements are reported as restricted when constraints placed on net position use is either:

- Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

#### Fund Balance

The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* - amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.
- *Committed fund balance* - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint.
- *Assigned fund balance* - amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.
- *Unassigned fund balance* - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Bullock Creek School District  
Notes to the Financial Statements  
June 30, 2019

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Property Tax Revenue

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

The District levied the following amounts per \$1,000 of assessed valuation. The District levied 18.00 mills for school general operations on the non-homestead taxable value. The District also levied an additional 7.00 mills on all property in the District for the purpose of debt service.

State Aid Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the Foundation is provided primarily by a state education property tax millage of 6.00 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18.00 mills as well as 6.00 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

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 at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

At June 30<sup>th</sup>, the carrying amount of the District's cash, cash equivalents and investments were as follows:

Description	Amount
Petty Cash	920
Checking, Savings, & Money Market Accounts	5,299,499
Total	5,300,419

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

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

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

Bullock Creek School District  
Notes to the Financial Statements  
June 30, 2019

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Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2019, \$5,087,244 of the District's bank balance of \$5,337,244 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts. The fiduciary fund balances are not included in the above balances.

**NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES**

The amounts of interfund receivable and payable shown on the fund financial statements as of June 30<sup>th</sup>, are as follows:

Description	Due from Other Funds	Due to Other Funds
General Fund	6	-
Food Service	-	6
Total	6	6

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

**NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS**

As of June 30<sup>th</sup>, due from other governmental units is comprised of the following amounts:

Description	Amount
State aid	2,900,521
Federal grants and other pass-through agencies	195,875
Total	3,096,396

No allowance for doubtful accounts is considered necessary.

Bullock Creek School District  
Notes to the Financial Statements  
June 30, 2019

**NOTE 5 - CAPITAL ASSETS**

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated					
Land	212,611	39,534	-	-	252,145
Construction in process	3,345	-	-	(3,345)	-
Total capital assets not being depr.	215,956	39,534	-	(3,345)	252,145
Capital assets being depreciated					
Buildings and improvements	34,957,887	24,015	-	3,345	34,985,247
Capital lease	195,410	-	-	-	195,410
Furniture and equipment	715,232	40,081	-	-	755,313
Vehicles	2,714,909	350,020	(943,313)	-	2,121,616
Total capital assets being depr.	38,583,438	414,116	(943,313)	3,345	38,057,586
Accumulated depreciation					
Buildings and improvements	(14,165,925)	(895,977)	-	-	(15,061,902)
Capital lease	(78,164)	(39,082)	-	-	(117,246)
Furniture and equipment	(394,790)	(49,713)	-	-	(444,503)
Vehicles	(1,853,933)	(277,040)	943,313	-	(1,187,660)
Total accumulated depreciation	(16,492,812)	(1,261,812)	943,313	-	(16,811,311)
Net capital assets being depreciated	22,090,626	(847,696)	-	3,345	21,246,275
Net capital assets	22,306,582	(808,162)	-	-	21,498,420

Depreciation for the year ended June 30, 2019<sup>th</sup> totaled \$1,261,812 and was allocated as follows:

Governmental Activities	Amount
Instruction	843,632
Support services	408,037
Food services	10,143
Total depreciation	1,261,812

**NOTE 6 - ACCRUED EXPENSES**

Accrued expenses as of year-end include amounts due for accrued wages, retirement, FICA, employee benefit insurances, and termination benefits (if any). Accrued wages represent the remaining balance on teacher contracts to be paid during the summer and other salaries and wages earned as of June 30<sup>th</sup>.

**NOTE 7 - DEBT**

Short-term debt

On August 20, 2018, the District borrowed \$3,900,000 from the Michigan Finance Authority in the form of a State Aid Anticipation note for the purpose of providing funds for school operations. The interest rate is stated at 2.29% and is payable on August 20, 2019. In an event of a default on the note, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms.

On August 20, 2019 (after the end of the fiscal year), the District borrowed \$3,580,000 from the Michigan Finance Authority in the form of a State Aid Anticipation note for the purpose of providing funds for school operations. The

Bullock Creek School District  
Notes to the Financial Statements  
June 30, 2019

interest rate is stated at 1.87% and is payable on August 20, 2020. This loan was acquired after the end of the fiscal year and, therefore, is not shown as a current liability.

	Beginning Balance	Additions	(Deletions)	Ending Balance
State Aid Note	3,600,000	3,900,000	(3,600,000)	3,900,000

Premiums and Discounts

Debt may be issued at par value, with a premium (applicable to debt issued in excess of par value) or at a discount (applicable to debt issued at amounts less than the par value). Premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

The changes in premium and discounts during the fiscal year are as follows:

	Beginning Balance	Additions	(Deletions)	Ending Balance
Premium on long-term debt	21,027	-	(21,027)	-

Deferred charge on refunding

The 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, 2019 is \$140,603.

The 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 \$115,001.

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

Deferred outflow related to refunding	Beginning Balance	Additions	(Deletions)	Ending Balance
Related to 2014 refunding bonds	187,470	-	(46,867)	140,603
Related to 2015 refunding bonds	131,429	-	(16,428)	115,001
Total	318,899	-	(63,295)	255,604

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Long-term debt

General obligation bonds:	Amount
2012 building and site bonds due in annual installments of \$650,000 to \$660,000 through May 1, 2021 with an interest rate from 1.25% to 1.75%	1,310,000
2014 refunding bonds due in annual installments of \$490,000 to \$545,000 through May 1, 2022 with an interest rate from 2.05% to 2.80%	1,520,000
2015 building and site bonds due in annual installments of \$380,000 to \$490,000 through May 1, 2022 with an interest rate from 1.85% to 2.55%	1,450,000
2015 refunding bonds due in annual installments of \$50,000 to \$460,000 through May 1, 2026 with an interest rate from 1.45% to 3.05%	1,930,000
2016 building and site bonds due in annual installments of \$140,000 to \$905,000 through May 1, 2027 with an interest rate from 1.25% to 2.15%	4,970,000
<b>Total general obligation bonds:</b>	<b>11,180,000</b>

Direct borrowings and direct placements:

Capital lease due in monthly installments of \$3,671.74 through June 2022 with an interest rate of 4.83%	121,852
<b>Total direct borrowings and direct placements:</b>	<b>121,852</b>

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$121,852 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

Capital lease

The District entered into a lease agreement as lessee for financing the acquisition of copiers valued at \$195,410. The copiers have a 5 year estimated useful life. This year, \$39,082 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

**Summary of Long-Term Debt**

The changes in long-term debt during the fiscal year are as follows:

	Beginning Balance	Additions	(Deletions)	Ending Balance	Due within one year
Long-term debt					
Compensated absences	312,731	107,553	(77,730)	342,554	51,383
General obligation bonds	13,035,000	-	(1,855,000)	11,180,000	1,845,000
Direct borrowings and direct placements	159,996	-	(38,144)	121,852	38,993
<b>Total long-term debt</b>	<b>13,507,727</b>	<b>107,553</b>	<b>(1,970,874)</b>	<b>11,644,406</b>	<b>1,935,376</b>



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The requirements to pay principal and interest on the long-term debt outstanding at June 30, 2019, are shown below:

Year Ended June 30	General Obligation Bonds		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2020	1,845,000	238,488	38,993	5,068
2021	1,885,000	203,933	40,918	3,413
2022	1,565,000	164,515	41,941	1,123
2023	1,260,000	128,808	-	-
2024	1,260,000	103,248	-	-
2025-2029	3,365,000	143,313	-	-
Total long-term debt	11,180,000	982,305	121,852	9,604

**NOTE 8 - NET INVESTMENT IN CAPITAL ASSETS**

As of June 30<sup>th</sup>, the composition of net investment in capital assets was comprised of the following:

Net investment in capital assets	Amount
Capital assets not being depreciated	252,145
Capital asset being depreciated, net	21,246,275
Deferred amount on debt refunding	255,604
Capital related general obligation bonds	(11,180,000)
Capital lease	(121,852)
Unspent bond proceeds held in the capital projects fund	392,425
Net investment in capital assets	10,844,597

**NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District participates in the MESSA risk pool for claims relating to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The District has purchased commercial insurance for medical claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. There was no reduction in coverage obtained through commercial insurance during the past year.

**NOTE 10 - RETIREMENT BENEFITS**

**Plan Description**

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

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

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

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The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Benefits Provided**

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. 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, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2018.

Benefit Structure	Member	District
Basic	0.0 - 4.0%	17.89%
Member Investment Plan	3.0 - 7.0%	17.89%
Pension Plus	3.0 - 6.4%	16.61%
Pension Plus 2	6.2%	19.74%
Defined Contribution	0.0%	13.54%

Required contributions to the pension plan from the District were \$3,056,843 for the year ended September 30, 2018.

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

At June 30, 2019, the District reported a liability of \$33,747,154 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. The Districts' proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018, the Districts' proportion was 0.11225920%, which was a decrease of -0.00000220% from its proportion measured as of September 30, 2017.

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For the year ending June 30, 2019, the District recognized pension expense of \$4,347,554. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	156,593	245,235
Changes of Assumptions	7,815,813	-
Net difference between projected and actual earnings on pension plan investments	-	2,307,448
Changes in proportion and differences between District contributions and proportionate share of contributions	273,473	316,837
District contributions subsequent to the measurement date	1,967,216	-
<b>Total</b>	<b>10,213,095</b>	<b>2,869,520</b>

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 ending June 30, 2020. 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)	
2019	2,283,502
2020	1,572,623
2021	1,065,860
2022	454,374

**Actuarial Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District 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 District 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, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	7.05%
- Pension Plus Plan:	7.00%
- Pension Plus Plan 2:	6.00%
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	

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- Retirees RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Active Members P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

**Notes:**

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, 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: 4.5304
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.7%
Private Equity Pools	18.0	9.2
International Equity Pools	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	0.0
Total	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, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. 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 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 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 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.0% for the Hybrid Plan), as well as what 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 6.05% / 6.0% / 5.0%	Current Single Discount Rate Assumption 7.05% / 7.0% / 6.0%	1% Increase 8.05% / 8.0% / 7.0%
44,307,407	33,747,154	24,973,301
* Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus and Pension Plus 2 plans. University employers provide only the Basic and MIP plans.		

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

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

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

At year end the District is current on all required pension plan payments. At June 30, 2019, the District reported a payable of \$482,402 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019, consisting of pension contribution payable plus any other amounts owed to the pension plan including the UAAL payments for July and August 2019.

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (RETIREE HEALTH CARE)**

**Plan Description**

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

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

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System. The System’s financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Benefits Provided**

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

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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, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2018.

Benefit Structure	Member	Employer
Premium Subsidy	3.00%	6.44%
Personal Healthcare Fund (PHF)	0.00%	6.13%

Required contributions to the OPEB plan from the District were \$733,319 for the year ended September 30, 2018.

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

At June 30, 2019, the District reported a liability of \$8,980,362 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. The 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, 2018, the district's proportion was 0.11297540%, which was an increase of 0.00051420% from its proportion measured as of October 1, 2017.

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For the year ending June 30, 2019, the District recognized OPEB expense of \$446,473. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	-	1,671,476
Changes of Assumptions	951,025	-
Net difference between projected and actual earnings on OPEB plan investments	-	345,137
Changes in proportion and differences between employer contributions and proportionate share of contributions	39,026	1,849
Employer contributions subsequent to the measurement date	349,788	-
<b>Total</b>	<b>1,339,839</b>	<b>2,018,462</b>

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, 2020. 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)	
2019	(255,053)
2020	(255,053)
2021	(255,053)
2022	(184,669)
2023	(78,583)

**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, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	7.15%
Projected Salary Increases:	2.75 – 11.5%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.0% Year 12
Mortality:	
- Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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- Active Members: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP- 2017 from 2006.

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.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, 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: 5.6018 for non-university employers.
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2018 MPERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.7%
Private Equity Pools	18.0	9.2
International Equity Pools	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	0.0
Total	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, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. 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 7.15% 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 7.15%. 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



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employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
10,780,742	8,980,362	7,466,022

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

The following presents the District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the 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:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
7,386,249	8,980,362	10,809,135

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payables to the OPEB Plan**

The District reported payables to the defined benefit OPEB plan in the amount of \$103,467 as of June 30, 2019.

**NOTE 12 - TRANSFERS**

During the year the following transfers were made between funds:

- The transfer of \$6,000 from the general fund to the food service fund was for the required At-Risk school breakfast program supplement. Districts operating a school breakfast program are required to use up to \$10 per student for the costs associated with the operation of the breakfast program.
- The transfer of \$19,656 from the general fund to the capital projects fund was due to the net profit made on the sale of the 2017-18 Building Trades home. The transfer was used to offset the purchase of two future building lots for the program.

**NOTE 13 – CONTINGENT LIABILITIES**

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

**NOTE 14 – ECONOMIC DEPENDENCE**

The District receives over 80% of its General Fund revenues from the Michigan Department of Education. Due to the significance of this revenue source, the District is considered to be economically dependent.

**NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

*GASB Statement No. 84, Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District's 2019-2020 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the

Bullock Creek School District  
Notes to the Financial Statements  
June 30, 2019

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beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

*GASB Statement No. 87, Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2020-2021 fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

**REQUIRED SUPPLEMENTARY INFORMATION**



Bullock Creek School District  
 Budgetary Comparison Schedule for the General Fund  
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with final budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 1,241,129	\$ 1,449,775	\$ 1,465,222	\$ 15,447
State sources	16,362,686	16,785,388	16,760,342	(25,046)
Federal sources	311,068	264,809	264,676	(133)
Other sources	1,026,000	1,108,195	1,108,205	10
Total revenues	<u>18,940,883</u>	<u>19,608,167</u>	<u>19,598,445</u>	<u>(9,722)</u>
<b>Expenditures</b>				
Instruction				
Basic programs	9,108,714	9,215,908	9,204,388	11,520
Added needs	2,946,670	3,247,422	3,232,542	14,880
Continuing education	136,008	212,200	202,175	10,025
Total instruction	<u>12,191,392</u>	<u>12,675,530</u>	<u>12,639,105</u>	<u>36,425</u>
Support services				
Pupil services	1,138,264	1,120,880	1,118,639	2,241
Instructional staff	678,253	670,133	669,106	1,027
General administration	296,097	316,977	316,876	101
School administration	1,223,539	1,299,910	1,299,790	120
Business	418,053	431,859	431,081	778
Operation and maintenance	1,440,028	1,547,860	1,547,698	162
Pupil transportation	1,065,594	1,078,011	1,075,859	2,152
Central	119,307	115,011	110,028	4,983
Athletics and auditorium	317,659	339,035	337,075	1,960
Total support services	<u>6,696,794</u>	<u>6,919,676</u>	<u>6,906,152</u>	<u>13,524</u>
Debt service	46,697	44,418	44,425	(7)
Total expenditures	<u>18,934,883</u>	<u>19,639,624</u>	<u>19,589,682</u>	<u>49,942</u>
<b>Other financing sources (uses)</b>				
Transfers in (out)	<u>(6,000)</u>	<u>(25,656)</u>	<u>(25,656)</u>	<u>-</u>
<b>Revenues over (under) expenditures</b>	-	(57,113)	(16,893)	40,220
<b>Fund balance - beginning</b>	<u>1,669,379</u>	<u>1,669,379</u>	<u>1,669,379</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 1,669,379</u>	<u>\$ 1,612,266</u>	<u>\$ 1,652,486</u>	<u>\$ 40,220</u>

Bullock Creek School District  
Required Supplemental Information  
Michigan Public School Employees Retirement Plan  
Prospective 10-year trend information - Pension

<b>Schedule of the District's Proportionate Share of the Net Pension Liability</b>	<b>Plan year Sept 30, 2018</b>	<b>Plan year Sept 30, 2017</b>	<b>Plan year Sept 30, 2016</b>	<b>Plan year Sept 30, 2015</b>	<b>Plan year Sept 30, 2014</b>
District's proportion of net pension liability (%)	0.11225920%	0.11226140%	0.11442470%	0.11246060%	0.1094264%
District's proportionate share of net pension liability	\$ 33,747,154	\$ 29,091,709	\$ 28,548,019	\$ 27,468,529	\$ 24,102,818
District's covered employee payroll	\$ 9,570,028	\$ 9,278,784	\$ 9,780,231	\$ 9,448,595	\$ 9,297,179
District's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	352.63%	313.53%	291.90%	290.72%	259.25%
Plan fiduciary net position as a percentage of total pension	62.36%	64.21%	63.27%	63.17%	66.20%

*Note: Amounts were determined as of 9/30 of each fiscal year.*

<b>Schedule of the District's Pension Contributions</b>	<b>Fiscal year June 30, 2019</b>	<b>Fiscal year June 30, 2018</b>	<b>Fiscal year June 30, 2017</b>	<b>Fiscal year June 30, 2016</b>	<b>Fiscal year June 30, 2015</b>
Statutorily required pension contributions	\$ 2,161,330	\$ 2,097,641	\$ 1,721,327	\$ 1,773,517	\$ 1,718,602
Contributions in relation to statutorily required pension contributions	2,161,330	2,097,641	1,721,327	1,773,517	1,718,602
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 9,841,974	\$ 9,487,017	\$ 9,336,285	\$ 9,414,968	\$ 9,362,550
Contributions as a percentage of covered-employee payroll	21.96%	22.11%	18.44%	18.84%	18.36%

*Note: Amounts were determined as of 6/30 of each year.*

**Notes to Required Supplementary Information**

Changes of benefit terms: There were no changes of benefit terms

Changes of assumptions: There were no changes of benefit assumptions

Bullock Creek School District  
 Required Supplemental Information  
 Michigan Public School Employees Retirement Plan  
 Prospective 10-year trend information - OPEB

<b>Schedule of the District's Proportionate Share of the Net OPEB Liability</b>	<b>Plan year Sept 30, 2018</b>	<b>Plan year Sept 30, 2017</b>
District's proportion of net OPEB liability (%)	0.11297540%	0.11246120%
District's proportionate share of net OPEB liability	\$ 8,980,362	\$ 9,958,967
District's covered employee payroll	\$ 9,570,028	\$ 9,278,784
District's proportionate share of net OPEB liability as a percentage of its covered employee payroll (%)	93.84%	107.33%
Plan fiduciary net position as a percentage of total OPEB liability	42.95%	36.39%

*Note: Amounts were determined as of 9/30 of each fiscal year.*

<b>Schedule of the District's OPEB Contributions</b>	<b>Fiscal year June 30, 2019</b>	<b>Fiscal year June 30, 2018</b>
Statutorily required OPEB contributions	\$ 436,026	\$ 337,227
Contributions in relation to statutorily required OPEB contributions	436,026	337,227
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 9,841,974	\$ 9,487,017
Contributions as a percentage of covered-employee payroll	4.43%	3.55%

*Note: Amounts were determined as of 6/30 of each year.*

**Notes to Required Supplementary Information**

Changes of benefit terms: There were no changes of benefit terms  
 Changes of assumptions: There were no changes of benefit assumptions

**OTHER SUPPLEMENTARY INFORMATION**



Bullock Creek School District  
Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2019

	Debt Service Funds						Capital Project Funds		Total Nonmajor Funds	
	Food Service	2012 Debt	2016 Debt	2015 Debt	2014 Refunding	2015 Refunding	2010 Refunding	Capital Projects Fund		2015 & 2016 Capital Projects Fund
<b>Assets</b>										
Cash and cash equivalents	\$ 100,220	\$ 97,233	\$ 8,885	\$ 52,545	\$ 86,691	\$ 26,862	\$ 36,359	\$ 157,640	\$ 234,785	\$ 801,220
Due from other governmental units	3,216	-	-	-	-	-	-	-	-	3,216
Total assets	<u>\$ 103,436</u>	<u>\$ 97,233</u>	<u>\$ 8,885</u>	<u>\$ 52,545</u>	<u>\$ 86,691</u>	<u>\$ 26,862</u>	<u>\$ 36,359</u>	<u>\$ 157,640</u>	<u>\$ 234,785</u>	<u>\$ 804,436</u>
<b>Liabilities</b>										
Due to other funds	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6
Accrued expenses	6,124	-	-	-	-	-	-	-	-	6,124
Total liabilities	<u>6,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,130</u>
<b>Fund balance</b>										
Restricted	97,306	97,233	8,885	52,545	86,691	26,862	36,359	-	234,785	640,666
Assigned for capital projects	-	-	-	-	-	-	-	157,640	-	157,640
Total fund balances	<u>97,306</u>	<u>97,233</u>	<u>8,885</u>	<u>52,545</u>	<u>86,691</u>	<u>26,862</u>	<u>36,359</u>	<u>157,640</u>	<u>234,785</u>	<u>798,306</u>
Total liabilities and fund balances	<u>\$ 103,436</u>	<u>\$ 97,233</u>	<u>\$ 8,885</u>	<u>\$ 52,545</u>	<u>\$ 86,691</u>	<u>\$ 26,862</u>	<u>\$ 36,359</u>	<u>\$ 157,640</u>	<u>\$ 234,785</u>	<u>\$ 804,436</u>

The notes are an integral part of these financial statements.



Bullock Creek School District  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds  
For the Year Ended June 30, 2019

	Debt Service Funds						Capital Project Funds		Total Nonmajor Funds	
	Food Service	2012 Debt	2016 Debt	2015 Debt	2014 Refunding	2015 Refunding	2010 Refunding	Capital Projects Fund		2015 & 2016 Capital Projects Fund
<b>Revenues</b>										
Local sources	\$ 235,353	\$ 654,541	\$ 27,629	\$ 387,454	\$ 568,988	\$ 66,505	\$ 229,247	\$ -	\$ 3,870	\$ 2,173,587
State sources	5,642	29,284	-	17,299	25,454	2,966	10,256	-	-	90,901
Federal sources	556,916	-	-	-	-	-	-	-	-	556,916
Total revenues	797,911	683,825	27,629	404,753	594,442	69,471	239,503	-	3,870	2,821,404
<b>Expenditures</b>										
Support services										
Central	-	-	500	500	250	500	-	-	-	1,750
Total support services	-	-	500	500	250	500	-	-	-	1,750
Food service	798,661	-	-	-	-	-	-	-	-	798,661
Capital outlay	-	-	-	-	-	-	-	39,533	518,208	557,741
Debt service										
Principal	-	650,000	-	380,000	545,000	50,000	230,000	-	-	1,855,000
Interest, fees and other	-	29,423	91,361	40,885	49,846	54,024	11,501	-	-	277,040
Total expenditures	798,661	679,423	91,861	421,385	595,096	104,524	241,501	39,533	518,208	3,490,192
<b>Revenues over (under) expenditures</b>	(750)	4,402	(64,232)	(16,632)	(654)	(35,053)	(1,998)	(39,533)	(514,338)	(668,788)
<b>Other financing sources (uses)</b>										
Transfers in	6,000	-	-	-	-	-	-	19,656	-	25,656
<b>Net change in fund balance</b>	5,250	4,402	(64,232)	(16,632)	(654)	(35,053)	(1,998)	(19,877)	(514,338)	(643,132)
<b>Fund balances - beginning</b>	92,056	92,831	73,117	69,177	87,345	61,915	38,357	177,517	749,123	1,441,438
<b>Fund balances - ending</b>	\$ 97,306	\$ 97,233	\$ 8,885	\$ 52,545	\$ 86,691	\$ 26,862	\$ 36,359	\$ 157,640	\$ 234,785	\$ 798,306

**Bullock Creek School District**

Federal Awards  
(Supplementary Information  
to Financial Statements)  
*June 30, 2019*



Bullock Creek School District  
Federal Awards  
Supplementary Information to Financial Statements  
June 30, 2019

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

To the Board of Education  
Bullock Creek School District

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 (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 8, 2019.

**Internal Control over Financial Reporting**

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

A handwritten signature in black ink that reads "Roslund, Prestage &amp; Company, P.C." in a cursive script.

Roslund, Prestage & Company, P.C.  
Certified Public Accountants  
October 8, 2019



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

To the Board of Education  
Bullock Creek School District

### **Report on Compliance for Each Major Federal Program**

We have audited Bullock Creek School District's (the 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 the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

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

Our responsibility is to express an opinion on compliance for each of the 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 the 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 the District's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, the 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, 2019.

#### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, 2019-003 and 2019-004. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control over Compliance

Management of the 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 the 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 the 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. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, 2019-003, and 2019-004 that we consider to be significant deficiencies.

The District's response to internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 8, 2019, 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.

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.



Roslund, Prestage & Company, P.C.  
Certified Public Accountants  
October 15, 2019

**Bullock Creek School District**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2019**

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Grant / Project Number	Award Amount	Accrued (Deferred) Revenue July 1, 2018	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Deferred) Revenue June 30, 2019	Amounts Transferred to Subrecipients
<b>U.S. Department of Agriculture</b>									
Passed through Michigan Department of Education									
Child Nutrition Cluster									
School Breakfast Program	10.553	191970	\$ 142,808	\$ -	\$ 125,265	\$ 142,808	\$ 142,808	\$ -	\$ -
Summer Food Service Program for Children	10.559	171900	-	-	8,239	-	-	-	-
National School Lunch Program	10.555	191960	359,675	-	335,657	359,675	359,675	-	-
National School Lunch Program - Snacks	10.555	191980	956	-	242	956	956	-	-
			360,631	-	335,899	360,631	360,631	-	-
Non-cash assistance (commodities)									
National School Lunch Program	10.555	N/A	53,477	-	53,604	53,477	53,477	-	-
Total CFDA #10.555			414,108	-	389,503	414,108	414,108	-	-
Total Child Nutrition Cluster			556,916	-	523,007	556,916	556,916	-	-
Total U.S. Department of Agriculture			556,916	-	523,007	556,916	556,916	-	-
<b>U.S. Department of Education</b>									
Passed through Michigan Department of Education									
Title I Grants to Local Educational Agencies	84.010	181530	229,761	29,667	-	-	29,667	-	-
Title I Grants to Local Educational Agencies	84.010	191530	198,611	-	199,920	202,005	200,764	1,241	-
Total CFDA #84.010			428,372	29,667	199,920	202,005	230,431	1,241	-
Passed through Michigan Department of Education									
Student Support and Academic Enrichment Program	84.424	190750	15,618	-	10,000	15,618	15,618	-	-
Passed through Clare-Gladwin RESD									
Education for Homeless Children and Youth	84.196	N/A	664	-	589	664	664	-	-
Passed through Michigan Department of Education									
Supporting Effective Instruction State Grants	84.367	190520	59,207	-	17,851	46,389	44,748	1,641	-
Total U.S. Department of Education			503,861	29,667	228,360	264,676	291,461	2,882	-
Total federal awards			\$ 1,060,777	\$ 29,667	\$ 751,367	\$ 821,592	\$ 848,377	\$ 2,882	\$ -

See accompanying notes to the schedule of expenditures of federal awards.

Bullock Creek School District  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

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**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, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 its financial position or changes in net position of Bullock Creek School District.

Management has utilized the Cash Management System (CMS) and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District does not pass through federal funds.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Bullock Creek School District has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 3 – RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS**

Federal expenditures are reported as revenues in the following funds in the financial statements of Bullock Creek School District:

Fund	Amount
General Fund	264,676
Food Service Fund	556,916
Total	821,592



Bullock Creek School District  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2019

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported
- Noncompliance material to financial statements noted?  Yes  No

FEDERAL AWARDS

Internal control over major program:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster

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

• Auditee qualified as low-risk auditee?  Yes  No

Bullock Creek School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2019-001 - ELIGIBILITY**

Type: Internal Control over Compliance / Immaterial Noncompliance

Program: CFDA #10.553 and #10.555

Condition: Information was incorrectly entered into the software from a paper application for a family of one student which incorrectly identified the student as eligible for free lunch. However, the paper application correctly indicated that, based on recalculation of income, the family did not meet the income guidelines for free benefits and should have been declined from participating in the program.

Criteria: The Child Nutrition Cluster requires that students receiving free or reduced rate meals meet certain income guidelines, unless they are categorically eligible by being homeless, a migrant, or a runaway. Eligibility determinations are to be made in accordance with income eligibility guidelines. Student applications are to be reviewed, and eligibility is to be determined by the District.

Cause: This condition was caused by an insufficient process for review of eligibility determinations entered into the food service software.

Effect: Based on our review of the meal history for the student, it was determined that the District received approximately \$745 in federal funds for the student to which it was not entitled.

Recommendation: We recommend that the District review their process of eligibility determinations and implement new procedures that will allow for proper review of applications for free and reduced lunch.

Management's Resp: We are in agreement with this finding.

**2019-002 – ON SITE REVIEWS**

Type: Internal Control over Compliance / Immaterial Noncompliance

Program: CFDA #10.553 and #10.555

Condition: The District did not perform the required annual on-site reviews related to the School Breakfast Program, the School Lunch Program, or the After-School Snack program.

Criteria: Per the National School Lunch Program (NSLP) regulations, a complete on-site review must be completed by the District annually for each participating site prior to February 1 each year. Also, per the School Breakfast Program (SBP) regulations, a complete on-site review must be conducted by the District annually for 50% of the participating sites prior to February 1 each year. Additionally, per the After-School Snack regulations, one review per building must be completed twice per school year. The first review must be completed within the first four weeks of the school year and the second review in the second half of the school year.

Bullock Creek School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

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**Cause:** The District's Food Service Director failed to ensure that the reviews required by NSLP, SBP and the After-School Snack regulations were completed, documented, and retained for audit purposes.

**Effect:** The District was not in compliance with applicable Michigan Department of Education requirements.

**Recommendation:** We recommend the District perform annual on-site reviews in accordance with federal regulations and retain copies of the documentation when those reviews are performed.

**Management's Resp:** We are in agreement with this finding.

**2019-003 – CASH MANAGEMENT**

**Type:** Internal Control over Compliance / Immaterial Noncompliance

**Program:** CFDA #10.553 and #10.555

**Condition:** The District did not maintain the required documentation for monthly meal claims, including an exception report used in the determination of proper meal counts. The ISD was able to recreate meals served reports to assist in the audit process, but was not able to recreate the exception report.

**Criteria:** The District is required to maintain records of meals served daily by building. This information must be derived from a count of meals served at the point of service and must be maintained by category (i.e.: free, reduced, and paid).

**Cause:** This condition was caused by an insufficient internal control process designed to ensure proper documentation is maintained for meal claims.

**Effect:** The District was unable to provide all supporting documentation for meals served.

**Recommendation:** We recommend that the District make necessary changes to ensure that proper documentation to support meals claimed is maintained at the district.

**Management's Resp:** We are in agreement with this finding.

**2019-004 – CASH MANAGEMENT**

**Type:** Internal Control over Compliance / Immaterial Noncompliance

**Program:** CFDA #10.553 and #10.555

**Condition:** Meals claimed by category did not agree with monthly meals served reports.

**Criteria:** The District is required to claim meals served, by category, based on reports provided from the point of sale system.

**Cause:** This condition was caused by an insufficient process for review of claims to supporting documentation.

**Effect:** Based on a comparison of meals claimed to recreated meals served reports, the district has under claimed reimbursement for the year by \$5,847.

Bullock Creek School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

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Recommendation: We recommend that the District review their process of meal claims and make necessary changes to ensure that all meals claimed, by category, agree to supporting documentation.

Management's Resp: We are in agreement with this finding.

Bullock Creek School District  
Schedule of Prior Audit Findings  
For the Year Ended June 30, 2019

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There were no audit findings in the prior year.



Schedule of Findings and Questioned Costs

**Corrective Action Plan For: 2019-001-ELIGIBILITY**

**Condition:** Information was incorrectly entered into the software from a paper application for a family of one student, which incorrectly identified the student as eligible for free lunch. However, the paper application correctly indicated that, based on recalculation of income, the family did not meet tin income guidelines for free benefits and should have been declined from participating in the program. This resulted in the District receiving approximately \$745 in federal funds for the student to which it was not entitled.

**Corrective Action To Be Taken:** The District was implementing a new Point Of Sale/Food Service Management Program in 2018-19. We decided to use the platform our current student database, Skyward, had for this purpose. Skyward tracks changes that occur to a student record, and when looking at the student in question, it was found that the paper application was entered correctly, but then the student was changed to eligible for free lunch. It is believed that the child's name showed up on an Exception Message that Skyward automatically generates when a student's status appears to conflict with either a direct certification or entered application. It is now understood that these Exception Messages need to be thoroughly investigated before the automatic recommendation offered by the software is accepted. The Food Service Director will verify each student appearing in these Exception Messages to be sure the correct status is marked on the student record.

**Responsible Parties for Implementation of Corrective Action:** Food Service Director with follow up by the Director of Business Services

**Date of Anticipated Completion of Corrective Action:** The corrective action plan was immediately implemented.



Schedule of Findings and Questioned Costs

**Corrective Action Plan For: 2019-002 – ON-SITE REVIEWS**

**Condition:** The District did not perform the required annual on-site reviews related to the School Breakfast Program or the School Lunch Program.

**Corrective Action To Be Taken:** The Food Service Director has made contact with staff from the Food and Nutrition Programs at the State of Michigan and has copies of all the required annual on-site reviews along with a timeline/checklist to track when reviews are due to be completed.

**Responsible Parties for Implementation of Corrective Action:** Food Service Director with follow up by the Director of Business Services

**Date of Anticipated Completion of Corrective Action:** The corrective action plan was immediately implemented.

Schedule of Findings and Questioned Costs

**Corrective Action Plan For: 2019-003 – CASH MANAGEMENT**

**Condition:** The District did not maintain the required documentation for monthly meal claims, including an exception report used in the determination of proper meal counts. The ISD was able to recreate meals served reports to assist in the audit process, but was not able to recreate the exception report.

**Corrective Action To Be Taken:** With the implementation of the new Point Of Sale/Food Service Management Skyward Program, the Food Service Director and staff were learning the different reports and saving process in Skyward. It appeared that Skyward was saving the monthly Acu-Claim reports used to report the number and types of meals served every month at each building. The Food Service Director was viewing the reports on the screen and transferring information onto a summary sheet for Administration to use to enter the claim in the School Nutrition System. Also, the Food Service Director was viewing exception reports for students that appeared to have issues with free or reduced statuses. To be conservative while learning a new system, adjustments were made to the numbers on the Acu-Claim report to remove the questionable students from the count. Again, it appeared that these exception reports were being saved on the District's server. However, it was discovered by the District's Technology Director that in the year-end close out process, all saved reports are erased so queues are ready for new year reports. Saginaw ISD was able to reload reports from a back up done prior to the close out process in order to get the Acu-Claim reports. However, the exception reports viewed on the screen could not be recreated because those are actually messages and not reports in Skyward. Therefore, they disappear completely once viewed and a certain amount of time has passed. The Food Service Director now physically prints a copy of the monthly Acu-Claim report and turns that into Administration to use to enter claim information into the School Nutrition System for meal reimbursement – no summary sheet is used. Also, exception messages are addressed immediately before the Acu-claim report is ran for the month to be sure any corrections are taken into account and the Acu-claim report is up to date and shows an accurate accounting for meals served for the month. The Food Service Director also saves a PDF of the monthly Acu-claim report on the District's server in the Food Service directory. The Director of Business Services will also be reviewing each month's claim before it is submitted in the School Nutrition System.

**Responsible Parties for Implementation of Corrective Action:** Food Service Director with follow up by the Director of Business Services

**Date of Anticipated Completion of Corrective Action:** The corrective action plan was immediately implemented with the September 2019 claim.





Schedule of Findings and Questioned Costs

**Corrective Action Plan For: 2019-004 – CASH MANAGEMENT**

**Condition:** Meals claimed by category did not agree with monthly meals served reports.

**Corrective Action To Be Taken:** The Food Service Director was viewing reports on the computer screen and not printing copies to work from. Transposition and other clerical errors were made when completing the summary sheet that Administration used to enter the claims into the School Nutrition System. The Food Service Director will physically print a copy of the monthly Acu-Claim report and turn that into Administration to use to enter claim information into the School Nutrition System for meal reimbursement – no summary sheet will be used. The Acu-Claim report layout and how the School Nutrition System auto fills certain fields allows for multiple checks and balances against numbers entered for free, reduced, paid and total breakfast and lunches served. These checks and balances will be reviewed by the Administrative Assistant to the Superintendent who enters the data and again by the Director of Business Services before the claim is submitted.

**Responsible Parties for Implementation of Corrective Action:** Food Service Director with follow up by the Director of Business Services

**Date of Anticipated Completion of Corrective Action:** The corrective action plan was immediately implemented for the September 2019 claim.