

**BOYNE CITY PUBLIC SCHOOLS**

**BOYNE CITY, MICHIGAN**

**JUNE 30, 2018**



**Baird, Cotter & Bishop, P.C.**  
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS  
134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749  
[www.bcbcpa.com](http://www.bcbcpa.com)



BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

	<u>PAGES</u>
<b>Independent Auditor's Report</b>	i-iii
<b>Management's Discussion and Analysis</b>	iv-x
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Position	1-2
Statement of Activities	3
Fund Financial Statements	
Balance Sheet – Governmental Funds	4
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	5
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Fiduciary Funds	
Statement of Fiduciary Net Position	8
Notes to Financial Statements	9-37
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund	38
Schedule of Proportionate Share of the Net Pension Liability – Michigan Public School Employees' Retirement System	39
Schedule of Pension Contributions – Michigan Public School Employees' Retirement System	40
Schedule of Proportionate Share of the Net Other Postemployment Benefit Liability– Michigan Public School Employees' Retirement System	41
Schedule of Other Postemployment Benefit Contributions – Michigan Public School Employees' Retirement System	42
Notes to Required Supplementary Information	43
<b>Combining and Individual Fund Financial Statements</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	45
Financial Statements of Individual Funds	
General Fund	
Comparative Statement of Revenues	46
Comparative Statement of Expenditures	47-52
<b>Other Information</b>	
Schedule of Bonded Indebtedness	53





# Baird, Cotter & Bishop, P.C.

SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749

www.bcbcpa.com

August 15, 2018

## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Boyne City Public Schools, Boyne City, Michigan as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter – Change in Accounting Principle***

As discussed in Note 2.S to the financial statements, Boyne City Public Schools implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages iv-x and 38-43 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 Boyne City Public Schools' basic financial statements. The combining, individual fund financial statements, and other information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Other Information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2018, on our consideration of Boyne City Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Boyne City Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boyne City Public Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

BOYNE CITY PUBLIC SCHOOLS

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

This section of Boyne City Public Schools’ (the “District”) annual report presents our discussion and analysis of the District’s financial performance during the year ended June 30, 2018. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The basic financial statements consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements.

**A. Government-Wide Financial Statements**

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District’s assets, deferred outflows of resources, deferred inflows of resources, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents the information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods.

Both of the government-wide statements distinguish functions of the District that are principally supported by state aid and property taxes (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, supporting services, food service activities, athletic activities, community services, interest and other transactions.

**B. Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories, governmental funds and fiduciary funds.

***Governmental Funds*** Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing



BOYNE CITY PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

***Fiduciary Funds*** The District is a trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

**Notes to Financial Statements**

The notes provide additional information that is necessary to acquire a full understanding of the data provided in both the government-wide and the fund financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**C. Summary of Net Position**

The following schedule summarizes the net position at fiscal year ended June 30. The prior year has not been restated to include the new GASB No. 75 Standards—*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*:

	<u>2018</u>	<u>2017</u>
<b>Assets and Deferred Outflows of Resources</b>		
<b>Assets</b>		
Current Assets	\$ 7,753,439	\$ 10,613,823
Non Current Assets	<u>22,793,098</u>	<u>21,227,647</u>
Total Assets	30,546,537	31,841,470
<b>Deferred Outflows of Resources</b>	<u>4,916,665</u>	<u>2,444,339</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 35,463,202</u></u>	<u><u>\$ 34,285,809</u></u>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Liabilities</b>		
Current Liabilities	\$ 3,369,971	\$ 4,438,146
Non Current Liabilities	<u>33,338,781</u>	<u>26,888,610</u>
Total Liabilities	<u>36,708,752</u>	<u>31,326,756</u>

BOYNE CITY PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>
<b>Deferred Inflows of Resources</b>	<u>2,201,338</u>	<u>838,922</u>
<b>Net Position</b>		
Net Investment in Capital Assets	16,930,139	15,900,000
Restricted for Debt Service	193,601	224,064
Unrestricted (Deficit)	<u>(20,570,628)</u>	<u>(14,003,933)</u>
 Total Net Position (Deficit)	<u>(3,446,888)</u>	<u>2,120,131</u>
 Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 35,463,202</u>	<u>\$ 34,285,809</u>

**D. Analysis of Financial Position**

During the fiscal year ended June 30, 2018, the District's net position increased \$1,063,054. A few of the more significant factors affecting net position during the year are discussed below:

**1. Depreciation Expense**

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2018, \$1,039,324 was recorded for depreciation expense.

**2. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2018, \$2,604,775 of expenditures for equipment, vehicles, and building project in progress were capitalized and recorded as assets of the District. Additions to the District's capital assets are depreciated over time as explained above. The District also disposed of assets in the amount of \$221,332 that carried prior depreciation of \$221,332. The net effect of these disposals was a decrease to capital assets of \$0.

The net effect of the new capital assets, the current year's depreciation and current year disposal of capital assets is an increase to capital assets in the amount of \$1,565,451 for the fiscal year ended June 30, 2018.

**3. Pension and Other Postemployment Benefits Expense**

GASB 68 and 75 now require the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in

BOYNE CITY PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension and OPEB liability increases or decreases in any given year. For the year ended June 30, 2018, the District reported an increase in net position related to GASB 68 and 75 in the amount of \$5,755.

**E. Results of Operations**

The following schedule summarizes the results of operations, on a district-wide basis, for the fiscal year ended June 30. The prior year has not been restated to include the new GASB No. 75 Standards—*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*:

	<u>2018</u>	<u>2017</u>
<b>Program Revenues</b>		
Charges for Services	\$ 719,137	\$ 679,686
Operating Grants	<u>3,093,799</u>	<u>2,746,589</u>
Total Program Revenues	<u>3,812,936</u>	<u>3,426,275</u>
<b>General Revenues</b>		
Property Taxes	7,930,952	7,695,975
State School Aid	4,336,200	4,419,259
Investment Earnings	60,665	58,074
Other	<u>179,867</u>	<u>373,202</u>
Total General Revenues	<u>12,507,684</u>	<u>12,546,510</u>
Total Revenues	<u>16,320,620</u>	<u>15,972,785</u>
<b>Functions/Program Expenses</b>		
Instruction	8,801,858	8,310,789
Supporting Services	4,841,009	4,324,442
Community Services	5,978	7,205
Food Service	384,144	543,238
Interest on Long-Term Debt	185,253	226,947
Unallocated Depreciation	<u>1,039,324</u>	<u>1,062,508</u>
Total Expenses	<u>15,257,566</u>	<u>14,475,129</u>
Changes in Net Position	<u>\$ 1,063,054</u>	<u>\$ 1,497,656</u>

BOYNE CITY PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

**F. Financial Analysis of the District's Funds**

The financial performance of the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
<b>Major Funds</b>			
General Fund	\$ 2,502,900	\$ 2,423,607	\$ 79,293
2016 Capital Projects Fund	2,732,428	5,030,288	(2,297,860)
<b>Nonmajor Funds</b>			
Food Service	157,078	102,597	54,481
2011 Debt Service Fund	0	137,085	(137,085)
2016 Debt Service Fund	220,600	122,525	98,075
Capital Projects Fund	<u>62,461</u>	<u>135,121</u>	<u>(72,660)</u>
Total Governmental Funds	<u>\$ 5,675,467</u>	<u>\$ 7,951,223</u>	<u>\$ (2,275,756)</u>

The General Fund had an increase in its fund balance for the year due to revenues exceeding operating costs. Of the fund balance of \$2,502,900, \$231,467 is nonspendable for inventory and construction in progress, \$276,770 is assigned for a subsequent year shortfall and the remainder of \$1,994,663 is unassigned.

The 2016 Capital Projects Fund decreased its fund balance due to incurring expenditures for improvements throughout the District. The entire fund balance of \$2,732,428 is restricted for capital projects.

The Food Service Fund increased its fund balance for the year due to revenues exceeding operating costs. Of the fund balance of \$157,078, \$800 is nonspendable for inventory, and the remainder of \$156,278 is restricted for food service.

The 2011 Debt Service Fund decreased its fund balance for the year due to the debt being paid off and remaining funds transferred to 2016 Debt Service Fund.

The 2016 Debt Service Fund increased its fund balance for the year due to additional local property tax revenue. The entire fund balance of \$220,600 is restricted for debt service.

The Capital Projects Fund decreased its fund balance for the year due to an outgoing transfer to the General Fund. The entire fund balance of \$62,461 is committed for capital projects.

BOYNE CITY PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

**G. General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>	\$ 13,447,249	\$ 14,000,299	\$ 13,791,759
<u>EXPENDITURES</u>			
Instruction	\$ 8,974,732	\$ 9,564,457	\$ 9,216,090
Supporting Services	4,393,937	4,837,417	4,588,290
Community Activities	13,458	13,953	5,978
Total Expenditures	\$ 13,382,127	\$ 14,415,827	\$ 13,810,358

The revenue budget was amended as it became clearer on the amounts the District would receive for State Funding, as well as funding from the Intermediate School District. The expenditures were amended because many of the expenditures are revenue driven and once the revenue picture became clearer, the District was able to allocate additional funds for expenditures it hadn't allocated for in its original budget.

The revenue variance between budget and actual was due to less interdistrict revenues than anticipated. The expenditure variance was due the District's continuing efforts to reduce costs throughout the District and expenditures being below budget for each function.

**H. Capital Asset and Debt Administration**

**1. Capital Assets**

At June 30, 2018, the District has \$40,211,642 in a broad range of capital assets, including school buildings and facilities and various types of equipment. Depreciation expense for the year amounted to \$1,039,324, bringing the accumulated depreciation to \$17,418,544 as of June 30, 2018.

Major capital assets additions for the 2017-2018 school year include:

- Building Improvements in the amount of \$104,863
- Equipment in the amount of \$6,659
- Buses in the amount of \$162,892.
- Construction in Progress for various school improvements related to the 2016 bonds in the amount of \$2,330,361.

As of June 30, 2018, the District has committed to additional construction projects related to the \$2,732,428 in remaining bond proceeds in the Capital Projects Fund. Additional information on the District's capital assets can be found in the notes to this report.

BOYNE CITY PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

**2. Long-Term Debt**

At June 30, 2018, the District had \$8,415,000 in bonded debt outstanding. This represents a decrease of \$1,740,000 from the amount outstanding at the close of the prior fiscal year. Other long-term debt includes the net pension liability of \$19,369,952, net other postemployment benefit liability of \$6,600,027 and compensated absences of \$38,415.

Additional information on the District's long-term debt can be found in the notes to this report.

**I. Factors Bearing on the District's Future**

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- Lawmakers continue to work to determine the amount of per pupil funding that each District would receive, leaving uncertainty surrounding the largest revenue stream of the District.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly health insurance and retirement.

**J. Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact Boyne City Public Schools, 321 S. Park Street, Boyne City, MI 49712.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2018

ASSETS

CURRENT ASSETS

Cash	\$ 2,925,076
Investments	724,080
Restricted Investments	2,743,862
Accounts Receivable	850
Due from Other Governments	1,127,304
Inventory	40,115
Construction in Progress - Building Trades	<u>192,152</u>

Total Current Assets 7,753,439

NON CURRENT ASSETS

Capital Assets	40,211,642
Less Accumulated Depreciation	<u>(17,418,544)</u>

Total Non Current Assets 22,793,098

TOTAL ASSETS 30,546,537

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources Related to Pensions	4,456,049
Deferred Outflows of Resources Related to Other Postemployment Benefits	<u>460,616</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES 4,916,665

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	37,273
Accrued Salaries and Fringes	1,186,806
Accrued Interest	26,999
Unearned Revenue	853,372
Due to External Parties (Fiduciary Fund)	521
Bonds Payable - Due within One Year	<u>1,265,000</u>

Total Current Liabilities 3,369,971

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

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2018

<u>NON CURRENT LIABILITIES</u>	
Bonds Payable - Net of Current Portion	7,330,387
Compensated Absences	38,415
Net Pension Liability	19,369,952
Net Other Postemployment Benefit Liability	<u>6,600,027</u>
 Total Non Current Liabilities	 <u>33,338,781</u>
 TOTAL LIABILITIES	 <u>36,708,752</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows of Resources Related to Pensions	1,978,209
Deferred Inflows of Resources Related to Other Post Employment Benefits	<u>223,129</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>2,201,338</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets	16,930,139
Restricted for Debt Service	193,601
Unrestricted (Deficit)	<u>(20,570,628)</u>
 TOTAL NET POSITION (DEFICIT)	 <u><u>\$ (3,446,888)</u></u>

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



BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

		<u>PROGRAM REVENUES</u>		<u>CHARGE IN</u>
<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>CHARGES FOR</u>	<u>OPERATING</u>	<u>NET POSITION</u>
<u>GOVERNMENTAL ACTIVITIES</u>		<u>SERVICES</u>	<u>GRANTS</u>	<u>NET (EXPENSES)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				<u>REVENUES AND</u>
Instruction	\$ 8,801,858	\$ 272,742	\$ 2,059,856	\$ (6,469,260)
Supporting Services	4,841,009	219,415	681,761	(3,939,833)
Community Services	5,978	0	0	(5,978)
Food Service	384,144	226,980	352,182	195,018
Interest on Long-Term Debt	185,253	0	0	(185,253)
Unallocated Depreciation	1,039,324	0	0	(1,039,324)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 15,257,566</b>	<b>\$ 719,137</b>	<b>\$ 3,093,799</b>	<b>(11,444,630)</b>
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				6,032,622
Property Taxes - Debt Service				1,898,330
State of Michigan Aid - Unrestricted				4,336,200
Investment Earnings				60,665
Other				179,867
<b>Total General Revenues</b>				<b>12,507,684</b>
<b>Change in Net Position</b>				<b>1,063,054</b>
<u>NET POSITION - Beginning of Year - (Deficit) - (As Restated)</u>				<u>(4,509,942)</u>
<u>NET POSITION - End of Year (Deficit)</u>				<u>\$ (3,446,888)</u>

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

BOYNE CITY PUBLIC SCHOOLS

BOYNE CITY, MICHIGAN

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2018

	GENERAL	2016	OTHER	TOTAL
	FUND	CAPITAL	NONMAJOR	GOVERNMENTAL
		PROJECTS	GOVERNMENTAL	FUNDS
		FUND	FUNDS	FUNDS
<u>ASSETS</u>				
Cash	\$ 2,517,743	\$ 0	\$ 407,333	\$ 2,925,076
Investments	724,080	0	0	724,080
Restricted Investments	0	2,743,862	0	2,743,862
Accounts Receivable	850	0	0	850
Due from Other Governmental Units	1,124,313	0	2,991	1,127,304
Due from Other Funds	0	0	37,455	37,455
Inventory	39,315	0	800	40,115
Construction in Progress - Building Trades	192,152	0	0	192,152
TOTAL ASSETS	<u>\$ 4,598,453</u>	<u>\$ 2,743,862</u>	<u>\$ 448,579</u>	<u>\$ 7,790,894</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 25,839	\$ 11,434	\$ 0	\$ 37,273
Accrued Salaries and Fringes	1,184,828	0	1,978	1,186,806
Unearned Revenue	846,910	0	6,462	853,372
Due to Other Funds	37,976	0	0	37,976
Total Liabilities	<u>2,095,553</u>	<u>11,434</u>	<u>8,440</u>	<u>2,115,427</u>
<u>FUND BALANCES</u>				
Nonspendable, Inventory	39,315	0	800	40,115
Nonspendable, Construction in Progress	192,152	0	0	192,152
Restricted for Debt Service	0	0	220,600	220,600
Restricted for Capital Projects	0	2,732,428	0	2,732,428
Restricted for Food Service	0	0	156,278	156,278
Committed for Capital Projects	0	0	62,461	62,461
Assigned for Subsequent Year Shortfall	276,770	0	0	276,770
Unassigned	1,994,663	0	0	1,994,663
Total Fund Balances	<u>2,502,900</u>	<u>2,732,428</u>	<u>440,139</u>	<u>5,675,467</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,598,453</u>	<u>\$ 2,743,862</u>	<u>\$ 448,579</u>	<u>\$ 7,790,894</u>

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

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION

JUNE 30, 2018

Total Governmental Fund Balances	\$ 5,675,467
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is	\$ 40,211,642
Accumulated depreciation is	<u>(17,418,544)</u>
	22,793,098
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. These assets consist of:	
Bond Discount (Premium)	(180,387)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Bonds Payable	(8,415,000)
Compensated Absences	(38,415)
Some liabilities, including net pension and other postemployment benefit obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	
Net Pension Liability	(19,369,952)
Net Other Postemployment Benefit Liability	(6,600,027)
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Deferred Outflows of Resources Related to Pensions	4,456,049
Deferred Inflows of Resources Related to Pensions	(1,978,209)
Deferred Outflows of Resources Related to Other Postemployment Benefits	460,616
Deferred Inflows of Resources Related to Other Postemployment Benefits	(223,129)
Accrued interest is not included as a liability in government funds; it is recorded when paid.	<u>(26,999)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (3,446,888)</u>

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

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

	GENERAL FUND	2016 CAPITAL PROJECT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$ 6,570,181	\$ 47,138	\$ 2,127,142	\$ 8,744,461
State Sources	6,281,973	0	34,855	6,316,828
Federal Sources	256,834	0	334,981	591,815
Interdistrict Sources	682,771	0	0	682,771
Total Revenues	13,791,759	47,138	2,496,978	16,335,875
<u>EXPENDITURES</u>				
Instruction	9,216,090	0	0	9,216,090
Support Services	4,588,290	0	0	4,588,290
Community Services	5,978	0	0	5,978
Food Service	0	0	499,927	499,927
Capital Outlay	0	2,344,998	0	2,344,998
Debt Service	0	0	1,956,348	1,956,348
Total Expenditures	13,810,358	2,344,998	2,456,275	18,611,631
Excess (Deficiency) of Revenues Over Expenditures	(18,599)	(2,297,860)	40,703	(2,275,756)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	97,892	0	6,727	104,619
Transfers Out	0	0	(104,619)	(104,619)
Total Other Financing Sources (Uses)	97,892	0	(97,892)	0
Net Change in Fund Balance	79,293	(2,297,860)	(57,189)	(2,275,756)
<u>FUND BALANCE</u> - Beginning of Year	2,423,607	5,030,288	497,328	7,951,223
<u>FUND BALANCE</u> - End of Year	\$ 2,502,900	\$ 2,732,428	\$ 440,139	\$ 5,675,467

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

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances Total Governmental Funds \$ (2,275,756)

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures; in the Statement of Activities

these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(1,039,324)
Capital Outlay	2,604,775

Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	35,546
Accrued Interest Payable - End of Year	(26,999)

The issuance of Long-Term Debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Repayment of principal on Long-Term Debt	1,740,000
Amortization of Deferred Charges	22,548

Employees Compensated Absences are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absences - Beginning of Year	34,924
Compensated Absences - End of Year	(38,415)

Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.

Changes in Pension Related Items	(38,698)
Changes in Other Postemployment Benefits Related Items	59,708

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to Section 147 C pension and other postemployment benefit contributions subsequent to the measurement date.

Change in State Aid Funding for Pension and Other Postemployment Benefits	(15,255)
---	----------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 1,063,054
---	--------------

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

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

JUNE 30, 2018

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 381,486
Due From Other Funds	<u>521</u>
 TOTAL ASSETS	 382,007
 <u>LIABILITIES</u>	
Due to Groups and Organizations	<u>382,007</u>
 <u>NET POSITION</u>	 <u><u>\$ 0</u></u>

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

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

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

**A. Reporting Entity**

The School District (the "District") is located in Antrim and Charlevoix Counties with its administrative offices located in Boyne City, Michigan. The District operates under an elected 7-member board of education and provides services to its students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service and athletics. 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 generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

**B. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District does not have any business-type activities or component units.

**C. 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.

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial 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 *2016 Capital Projects Fund* account for expenditures related to the 2016 Bond Issue.

Other non-major funds:

The *Special Revenue (Food Service) Fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes. The District accounts for its food service activities in a special revenue fund.

The *Debt Retirement Funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

The *Capital Projects Fund* accounts for the acquisition of fixed assets on construction of major capital projects.

Additionally, the District reports the following fund type:

*Fiduciary Funds* are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. This fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position. Fiduciary funds are not included in the government-wide statements.

The District reports the following fiduciary fund:

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.

During the course of operations the government 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, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide



BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**E. 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 government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and 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.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

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

**F. Budgetary Information**

**1. Budgetary Basis of Accounting**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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

- a) In June, the superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.
- c) Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. 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 financial 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.
- d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the District, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted on June 12, 2017, or as amended by the School Board of Education throughout the year.

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

***1. Cash and Cash Equivalents***

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. The District considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**2. *Investments***

Investments are carried at amortized cost which approximates fair value. The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the District to invest as follows:

- a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States.
- b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

The District's deposits and investments are held separately by several of the District's funds.

**3. *Inventory and Prepaid Items***

Inventory is valued at cost using the first-in/first-out method. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

Certain payments made 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.

The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year-end to indicate the portion of the governmental fund balances that are nonspendable.

**4. *Capital Assets***

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

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.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

Buildings and Additions	20-50 years
Buses and Other Vehicles	5-10 years
Furniture and Other Equipment	5-20 years

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

**5. *Defined Benefit Plans***

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

**6. *Unearned Revenue***

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The District has unearned revenue related to state and interdistrict grants received and unspent due to restrictions on how they can be spent.

**7. *Compensated Absences***

It is the District's policy to permit employees to accumulate earned but unused sick pay and vacation time benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**8. *Long-Term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**9. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial 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 two items that qualify for reporting in this category, which are related to the pension plan and other postemployment benefits for its employees. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expenses in the plan year in which they apply. Details can be found in footnotes 2-F and 2-G..

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The 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 two items that qualify for reporting in this category. They are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. Details can be found in footnote 2-F. and 2-G.

**10. *Net Position Flow Assumption***

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**11. *Fund Balance Flow Assumption***

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**12. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**13. Use of Estimates**

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

**14. Restricted Assets**

Certain resources of the Capital Projects Fund which are set aside for capital outlay are classified as restricted investments on the balance sheet because their use is limited by applicable bond covenants.

**H. Revenues and Expenditures/Expenses**

**1. State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2018 the foundation allowance was based on pupil membership counts taken in February of 2017 and October of 2017. For fiscal year ended June 30, 2018, the per pupil foundation allowance was \$7,631 for Boyne City Public Schools.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

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, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

**2. Program Revenues**

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

**3. Property Taxes**

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are billed and due December 1. Unpaid taxes become delinquent as of February 14th and are subject to penalties and interest after that date.

For the year ended June 30, 2018, the District levied the following amounts per \$1,000 of taxable valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-Principal Residence Exemption (PRE)	18.00
General Fund – Commercial Personal Property	6.00
Debt Service Fund	3.14

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. As of June 30, 2018, the District’s bank balance was \$3,442,713 and \$2,758,562 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. The risk is spread amongst the District’s funds. Although the District’s

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

*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 (NRSOs).

*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.

*Foreign currency risk.* The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District’s investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

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

	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF+ External Investment Pool - Max Class	\$ 3,393,756	0.0027	AAAm	97.86%
MILAF+ External Investment Pool - Cash Mgmt	74,186	0.0027	AAAm	2.14%
	<u>\$ 3,467,942</u>			<u>100.00%</u>
Portfolio Weighted Average Maturity		<u>0.0027</u>		

1 Day Maturity Equals 0.0027, One Year Equals 1.000

The District invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund Plus (MILAF+). MILAF+ is a local government investment pool of “qualified” investments for Michigan school districts. MILAF+ is not regulated nor is it registered with the SEC.



BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

MILAF+ reports as of June 30, 2018, the fair value of the District's investments is the same as the value of the pooled shares. MILAF, as defined by GASB, is recorded at amortized cost which approximates fair value. The MILAF+ portfolio offers three share classes which are: Cash Management Class, MAX Class, and GovMIC Class. The only class that has limitations or restrictions on withdrawals is MAX Class, which requires notification of redemptions prior to 14 days to avoid penalties. The MILAF+ portfolio is not subject to fair value disclosures.

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

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

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are two types of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows.

The District does not have any investments subject to the fair value measurement.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

The carrying amount of deposits and investments is as follows:

	<u>Total</u>
Deposits – including Fiduciary Funds of \$381,486	\$ 3,306,562
Investments	3,467,942
	\$ 6,774,504

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

	<u>Total</u>
Cash - Fiduciary Funds	\$ 381,486
Cash - District-Wide	2,925,076
Investments	724,080
Restricted Investments	2,743,862
	\$ 6,774,504

**B. Receivables**

Receivables as of year-end for the government’s individual major funds and nonmajor are as follows:

	General	Nonmajor and Other Funds	Total
Receivables			
Accounts	\$ 850	\$ 0	\$ 850
Due from Other Governments	1,124,313	2,991	1,127,304
Total Receivables	\$ 1,125,163	\$ 2,991	\$ 1,128,154

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs.

Because of the District’s favorable collection experience, no allowance for doubtful accounts has been recorded.

Governmental funds report unearned revenue in connection with revenues that have been received but not considered to be earned as of the end of the current period. At the end of the current period, the District reported \$853,372 as unearned revenue. This amount is related to various state and local revenues.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**C. Accrued Liabilities**

Accrued liabilities reported by governmental funds at June 30, 2018, were as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Salaries	\$ 674,711	\$ 0	\$ 674,711
Employee Benefits	510,117	1,978	512,095
Total accrued liabilities	<u>\$ 1,184,828</u>	<u>\$ 1,978</u>	<u>\$ 1,186,806</u>

**D. Capital Assets**

Capital assets activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital Assets Not Being Depreciated				
Land	\$ 57,911	\$ 0	\$ 0	\$ 57,911
Construction in Progress	2,168,611	2,330,361	0	4,498,972
Total Capital Assets Not Being Depreciated	<u>2,226,522</u>	<u>2,330,361</u>	<u>0</u>	<u>4,556,883</u>
Capital Assets Being Depreciated				
Land Improvements	2,113,850	0	0	2,113,850
Buildings and Improvements	26,700,432	104,863	0	26,805,295
Vehicles	1,040,785	162,892	0	1,203,677
Furniture and Equipment	5,746,610	6,659	221,332	5,531,937
Subtotal	<u>35,601,677</u>	<u>274,414</u>	<u>221,332</u>	<u>35,654,759</u>
Less Accumulated Depreciation for:				
Land Improvements	1,695,881	82,830	0	1,778,711
Buildings and Improvements	10,308,829	500,532	0	10,809,361
Vehicles	513,499	73,154	0	586,653
Furniture and Equipment	4,082,343	382,808	221,332	4,243,819
Accumulated Depreciation	<u>16,600,552</u>	<u>1,039,324</u>	<u>221,332</u>	<u>17,418,544</u>
Net Capital Assets Being Depreciated	<u>19,001,125</u>	<u>(764,910)</u>	<u>0</u>	<u>18,236,215</u>
Total Capital Assets Net of Depreciation	<u>\$ 21,227,647</u>	<u>\$ 1,565,451</u>	<u>\$ 0</u>	<u>\$ 22,793,098</u>

Depreciation for the fiscal year ended June 30, 2018, amounted to \$1,039,324. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**E. Retirement and Postemployment 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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at [www://michigan.gov/mpsers-cafr](http://www://michigan.gov/mpsers-cafr).

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.

**Benefits Provided- Overall**

***Introduction***

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

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

**Benefits Provided – Pension**

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

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

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

***Pension Reform 2010***

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

***Pension Reform 2012***

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

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

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

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

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

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

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

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

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

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

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

***Pension Reform of 2017***

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

**Benefits Provided – Other postemployment benefit (OPEB)**

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree 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

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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.

***Retiree Healthcare Reform of 2012***

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

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

***Regular Retirement (no reduction factor for age)***

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

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

**Members Contributions**

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

**Employer Contributions**

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

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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.

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

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

	<b>Pension</b>	<b>Other Postemployment Benefit</b>
October 1, 2016 - September 30, 2017	15.27% - 19.03%	5.69% - 5.91%
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

The District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately \$1,984,647.

The District's OPEB contributions for the year ended June 30, 2018 were approximately \$487,864.

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

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

**Pension Liabilities**

At June 30, 2018, the District reported a liability of \$19,369,952 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the District's proportion was .0747463% and .0730916%.



BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**MPSERS (Plan) Non-University Employers Net Pension Liability – As of September 30, 2017 and September 30, 2016**

	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Total Pension Liability	\$ 72,407,218,688	\$ 67,917,445,078
Plan Fiduciary Net Position	46,492,967,573	42,968,263,308
Net Pension Liability	<u>\$ 25,914,251,115</u>	<u>\$ 24,949,181,770</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.21%	63.27%
Net Pension Liability as a Percentage of Covered Payroll	309.13%	295.81%

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

For the year ended June 30, 2018, the District recognized total pension expense of \$1,241,772. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 168,338	\$ 95,044
Section 147c revenue related to District Pension contributions subsequent to measurement date	0	781,572
Changes of assumptions	2,122,132	0
Net difference between projected and actual earnings on pension plan investments	0	926,011
Changes in proportion and differences between District contributions and proportionate share of contributions	315,010	175,582
District contributions subsequent to the measurement date	<u>1,850,569</u>	<u>0</u>
<b>Total</b>	<u>\$ 4,456,049</u>	<u>\$ 1,978,209</u>

\$1,850,569 reported as deferred outflows of resources and \$781,572 reported as deferred inflows or resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2018	\$ 370,033
2019	694,893
2020	339,500
2021	4,417
	\$ 1,408,843

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

**OPEB Liabilities**

At June 30, 2018, the District reported a liability of \$6,600,027 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.0745305 percent.

**MPSERS (Plan) Non-University Employers Net OPEB Liability – As of September 30, 2017 and September 30, 2016**

	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Total OPEB Liability	\$ 13,920,945,991	\$ 14,071,279,615
Plan Fiduciary Net Position	5,065,474,948	4,730,719,539
OPEB Liability	\$ 8,855,471,043	\$ 9,340,560,076
 Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	36.39%	33.62%
 OPEB Liability as a Percentage of Covered Payroll	105.64%	unknown

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

For the year ended June 30, 2018, the District recognized total OPEB expense of \$428,156.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 0	\$ 70,271
Changes of assumptions	0	0
Net difference between projected and actual earnings on OPEB plan investments	0	152,858
Changes in proportion and differences between District contributions and proportionate share of contributions	311	0
District contributions subsequent to the measurement date	460,305	0
<b>Total</b>	<b>\$ 460,616</b>	<b>\$ 223,129</b>

\$460,305 reported as deferred outflows of related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ended September 30,</b>	<b>Amount</b>
2018	\$ (53,850)
2019	(53,850)
2020	(53,850)
2021	(53,850)
2022	(7,418)
	\$ (222,818)

**H. Actuarial Valuations and Assumptions of the Pension and OPEB Plans**

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

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

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

**Inflation** – 3.0%

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

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

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

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

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

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

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

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

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

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity Pools	28.00%	5.60%
Alternative Investment Pools	18.00%	8.70%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	-0.10%
Real Estate & Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.00%
Short-Term Investment Pools	2.00%	-0.90%
	<u>100%</u>	

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

***Pension Discount Rate***

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

***OPEB Discount Rate***

The discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was project 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 Pension Liability to Changes in the Discount Rate***

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 7.5% (7.0% for the Pension Plus Plan), as well as what the District's proportionate

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

<b>1% Decrease (Non-Hybrid/Hybrid) 6.5% / 6.0%</b>	<b>Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 7.5% / 7.0%</b>	<b>1% Increase (Non-Hybrid/Hybrid) 8.5% / 8.0%</b>
\$ 25,232,604	\$ 19,369,952	\$ 14,433,971

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

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

<b>1% Decrease 6.5%</b>	<b>Current Single Discount Rate Assumption 7.5%</b>	<b>1% Increase 8.5%</b>
\$ 7,730,539	\$ 6,600,027	\$ 5,640,576

***Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates***

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

<b>1% Decrease (6.5% decreasing to 2.5%)</b>	<b>Current Healthcare Cost Trend Rates (7.5% decreasing to 3.5%)</b>	<b>1% Increase (8.5% decreasing to 4.5%)</b>
\$ 5,589,336	\$ 6,600,027	\$ 7,747,596

**I. Pension and OPEB Plan Fiduciary Net Position**

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

**J. Payables to the Pension and OPEB Plan**

As of June 30, 2018, the District is current on all required pension plan payments. As of June 30, 2018, the District reported payables in the amount of \$317,345 to the pension and OPEB plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

and also the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

**K. 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 a distinct pool of education institutions within the State of Michigan for various risks of loss, including general liability, property and casualty, employee health and accident insurance, and workers' disability compensation. The pool is considered a public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

**L. Long-Term Liabilities**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of the governmental long-term liability transactions for the District for the year ended June 30, 2018:

	Compensated Absences	2016 Bond Issue	2011 Bond Issue	Net Pension Liability	Net OPEB Liability	TOTAL
Balance, July 1, 2017	\$ 34,924	\$ 8,715,000	\$ 1,440,000	\$ 18,235,751	\$ 6,961,566	\$ 35,387,241
Additions	3,491	0	0	2,887,399	218,712	3,109,602
Deletions	0	(300,000)	(1,440,000)	(1,753,198)	(580,251)	(4,073,449)
Balance, June 30, 2018	38,415	8,415,000	0	19,369,952	6,600,027	34,423,394
Less current portion	0	(1,265,000)	0	0	0	(1,265,000)
Total due after one year	\$ 38,415	\$ 7,150,000	\$ 0	\$ 19,369,952	\$ 6,600,027	\$ 33,158,394

Annual debt service requirements are to maturity for the above obligations except for the compensated absences and net pension liability.

The District's bond obligations at June 30, 2018, are comprised of the following issues:

2016 Serial Bonds due in annual installments of \$975,000 to \$1,300,000 through May 1, 2026, with interest at 1.50 to 2.00%	<u>\$ 8,415,000</u>
--	---------------------

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

The annual requirements to amortize all long-term liability outstanding as of June 30, 2018, including interest payments of \$714,476 are as follows:

YEAR ENDING JUNE 30,	Principal	Interest	Amounts Payable
2019	\$ 1,265,000	\$ 161,976	\$ 1,426,976
2020	1,300,000	143,000	1,443,000
2021	975,000	117,000	1,092,000
2022	975,000	97,500	1,072,500
2023	975,000	78,000	1,053,000
2024-2026	2,925,000	117,000	3,042,000
	<u>\$ 8,415,000</u>	<u>\$ 714,476</u>	<u>\$ 9,129,476</u>

The annual requirements to amortize the accrued compensated absences and the net pension and OPEB liabilities are uncertain because it is unknown when the employees will use the benefit. Compensated absences and the net pension and OPEB liabilities will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

**M. Short-Term Debt**

On September 14, 2017 the District issued a Tax Anticipation Note in the amount of \$1,100,000. The note matured on April 5, 2018. The District pledged its property tax revenue for payment of this liability at maturity. The purpose of the note was to provide for cash flow needs at the beginning of the school year. Interest expense for the year was \$7,677. The balance at June 30, 2018, was \$0.

The following is a summary of the Short-Term Debt transactions for the District for the year ended June 30, 2018:

Short-Term Debt at July 1, 2017	\$ 0
New Debt Issued	1,100,000
Debt Retired and Paid	<u>(1,100,000)</u>
Short-Term Debt at June 30, 2018	<u>\$ 0</u>

For the 2018-2019 fiscal year, the District has formalized a note in the amount of \$995,000 to assist in meeting the cash flow needs of the District for the beginning of the school year.



BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**N. Interfund Receivables and Payables and Interfund Transfers**

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2018, were:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 0	\$ 37,976
Food Service Fund	1,006	0
2016 Debt Service Fund	36,449	0
Agency Fund	521	0
	\$ 37,976	\$ 37,976

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. All Interfund balances outstanding at June 30, 2018 are expected to be repaid within one year.

Interfund transfers are as shown in the individual fund financial statements at June 30, 2018, were:

	TRANSFERS IN	TRANSFERS OUT
Capital Projects Fund	\$ 0	\$ 72,892
Food Service	0	25,000
2011 Debt Service Fund	0	6,727
General Fund	97,892	0
2016 Debt Service Fund	6,727	0
	\$ 104,619	\$ 104,619

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**O. Capital Projects Fund**

The 2016 Capital Project Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**P. Other Information**

**1. Contingencies**

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required, and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

**Q. Statement No. 77 – Tax Abatement Disclosures**

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by (cities, villages, and township, etc.) within the District. Industrial Facilities Exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities: Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2018, (tax year 2017) the District's property tax revenues were reduced by \$48,229 under these programs.

The District is considered to be an “in-formula” district. The taxes abated for the General Fund operating millage are considered by the State of Michigan when determining the District’s section 22 funding of the State School Aid Act. The District received \$44,558 from the State of Michigan’s determination.

There are no significant abatements made by the District.

**R. Subsequent Events**

Subsequent to June 30, 2018, the following items are noted for disclosure:

- The District has solicited bids for a State Aid Note in the amount of \$995,000 to help meet the District’s cash flow needs for the beginning of the 2018-2019 fiscal year.

No adjustment was made to the financial statements for the year ending June 30, 2018 related to these subsequent events.

**S. New Accounting Standards**

The District implemented the following new pronouncements: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**Summary:**

GASB Statement No. 75 requires governments that participate in defined benefit other postemployment benefit (OPEB) plans to report in the statements of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

The restatement of the beginning of the year net position is as follows:

Net Position - Governmental Activities - As Previously Reported, June 30, 2017	\$ 2,120,131
Adoption of GASB Statement 75:	
Net Other Postemployment Benefit Liability	(6,961,566)
Deferred outflows related to Other Postemployment Benefits	539,318
Deferred inflows related to Other Postemployment Benefits	<u>(207,825)</u>
Net Position - Governmental Activities - Restated as of June 30, 2017	<u>\$ (4,509,942)</u>

**NOTE 3 – UPCOMING ACCOUNTING PRONOUNCEMENTS**

The District is currently evaluating the impact these standards will have on the financial statements when adopted.

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

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

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 6,540,121	\$ 6,531,068	\$ 6,570,181
State Sources	5,878,186	6,290,792	6,281,973
Federal Sources	307,702	275,697	256,834
Interdistrict Sources	721,240	902,742	682,771
Total Revenues	<u>13,447,249</u>	<u>14,000,299</u>	<u>13,791,759</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	7,296,693	7,811,693	7,563,869
Added Needs	1,678,039	1,752,764	1,652,221
Supporting Services			
Pupil	456,081	529,091	496,157
Instructional Staff	324,287	364,462	307,682
General Administration	356,121	366,867	329,679
School Administration	662,383	670,321	648,279
Business	252,450	261,060	249,375
Operation and Maintenance	1,327,791	1,450,880	1,412,139
Pupil Transportation Services	555,832	731,336	704,233
Other	458,902	463,400	440,746
Community Services	13,548	13,953	5,978
Total Expenditures	<u>13,382,127</u>	<u>14,415,827</u>	<u>13,810,358</u>
Excess (Deficiency) of Revenues Over Expenditures	65,122	(415,528)	(18,599)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In / (Out)	(45,000)	97,892	97,892
Net Change in Fund Balance	20,122	(317,636)	79,293
<u>FUND BALANCE</u> - Beginning of Year	<u>2,423,607</u>	<u>2,423,607</u>	<u>2,423,607</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 2,443,729</u>	<u>\$ 2,105,971</u>	<u>\$ 2,502,900</u>

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)  
JUNE 30, 2018

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)							0.0747463%	0.07309158%	0.07430304%	0.07422%
District's proportionate share of net pension liability							\$ 19,363,952	\$ 18,235,751	\$ 18,148,537	\$ 16,348,734
District's covered payroll							6,333,376	6,124,865	6,190,194	6,303,392
District's proportionate share of net pension liability as a percentage of its covered payroll							305.74%	297.73%	293.18%	259.36%
Plan fiduciary net position as a percentage of total pension liability							64.21%	63.27%	63.17%	66.20%

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION CONTRIBUTIONS

MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)  
JUNE 30, 2018

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions							\$ 1,984,647	\$ 1,777,357	\$ 1,705,074	\$ 1,418,002
Contributions in relation to statutorily required contributions *							1,984,647	1,777,357	1,705,074	1,418,002
Contribution deficiency (excess)							\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll							\$ 6,696,546	\$ 6,480,619	\$ 6,117,930	\$ 6,248,419
Contributions as a percentage of covered payroll							29.64%	27.43%	27.87%	22.69%

\* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)  
JUNE 30, 2018

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
District's proportion of net OPEB liability (%)	0.07453050%									
District's proportionate share of net OPEB liability	\$ 6,600,027									
District's covered payroll	6,333,376									
District's proportionate share of net OPEB liability as a percentage of its covered payroll	104.21%									
Plan fiduciary net position as a percentage of total OPEB liability	36.39%									

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)  
JUNE 30, 2018

	2017	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions									\$	487,864
Contributions in relation to statutorily required contributions *										487,864
Contribution deficiency (excess)									\$	0
Covered Payroll									\$	6,696,546
Contributions as a percentage of covered payroll										7.29%

\* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.



BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR YEAR ENDED JUNE 30, 2018

**A. Changes of Benefit Terms:**

There were no changes of benefit terms for the plan year ended September 30, 2017.

**B. Changes of Assumptions:**

There were no changes of benefit assumptions for the plan year ended September 30, 2017.

THIS PAGE INTENTIONALLY LEFT BLANK

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2018

	2011	2016	CAPITAL	FOOD	TOTAL
	DEBT SERVICE	DEBT SERVICE	PROJECT	SERVICE	NONMAJOR
	FUND	FUND	FUND	FUND	GOVERNMENTAL
					FUNDS
\$	0	\$ 184,151	\$ 62,461	\$ 160,721	\$ 407,333
	0	0	0	2,991	2,991
	0	36,449	0	1,006	37,455
	0	0	0	800	800
\$	0	\$ 220,600	\$ 62,461	\$ 165,518	\$ 448,579

ASSETS

Cash and Investments  
Due from Other Governmental Units  
Due from Other Funds  
Inventory

TOTAL ASSETS

LIABILITIES AND FUND BALANCE

LIABILITIES

Accrued Salaries and Fringes  
Unearned Revenue  
Total Liabilities

FUND BALANCE

Nonspendable, Inventory  
Restricted for Debt Service  
Restricted for Food Service  
Committed for Capital Projects  
Total Fund Balance

TOTAL LIABILITIES AND  
FUND BALANCE

\$	0	\$	0	\$	1,978	\$	1,978
	0	0	0	6,462	6,462	8,440	8,440
	0	0	0	0	800	800	800
	0	220,600	0	0	220,600	156,278	220,600
	0	0	0	156,278	156,278	62,461	156,278
	0	0	62,461	0	62,461	157,078	62,461
	0	220,600	62,461	157,078	440,139	440,139	440,139
\$	0	\$ 220,600	\$ 62,461	\$ 165,518	\$ 448,579	\$	448,579

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

	2011	2016	CAPITAL	FOOD	TOTAL
	DEBT SERVICE	DEBT SERVICE	PROJECT	SERVICE	NONMAJOR
	FUND	FUND	FUND	FUND	GOVERNMENTAL
					FUNDS
<u>REVENUES</u>					
Local Sources					
Food Sales	\$ 0	\$ 0	\$ 0	\$ 226,980	\$ 226,980
Interest	1,040	560	232	0	1,832
Other	1,356,174	542,156	0	0	1,898,330
State Sources	0	17,408	0	17,447	34,855
Federal Sources	0	0	0	334,981	334,981
Total Revenues	1,357,214	560,124	232	579,408	2,496,978
<u>EXPENDITURES</u>					
Salaries	0	0	0	155,232	155,232
Employee Benefits	0	0	0	84,987	84,987
Purchased Services	0	0	0	16,963	16,963
Supplies and Materials	0	0	0	232,693	232,693
Other Expenditures	0	0	0	8,874	8,874
Capital Outlay	0	0	0	1,178	1,178
Debt Service	1,487,572	468,776	0	0	1,956,348
Total Expenditures	1,487,572	468,776	0	499,927	2,456,275
Excess (Deficiency) of Revenues Over Expenditures	(130,358)	91,348	232	79,481	40,703
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In (Out)	(6,727)	6,727	(72,892)	(25,000)	(97,892)
Net Change in Fund Balance	(137,085)	98,075	(72,660)	54,481	(57,189)
<u>FUND BALANCE - Beginning of Year</u>	137,085	122,525	135,121	102,597	497,328
<u>FUND BALANCE - End of Year</u>	\$ 0	\$ 220,600	\$ 62,461	\$ 157,078	\$ 440,139

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE STATEMENT OF REVENUES

YEAR ENDED JUNE 30,

<u>REVENUES</u>	<u>2018</u>	<u>2017</u>
<u>Local Sources</u>		
Property Taxes	\$ 6,032,622	\$ 5,858,226
Tuition	11,067	613
Penalties and Interest on Taxes	1,807	1,529
Earnings on Investments	11,695	6,217
Other Local Revenue	512,990	792,879
Total Local Sources	6,570,181	6,659,464
<u>State Sources</u>		
Grants - Unrestricted:		
State Aid	5,722,756	5,625,749
Grants - Restricted		
At Risk	420,948	274,145
Received through ISD		
Other Grants	138,269	82,112
Total State Sources	6,281,973	5,982,006
<u>Federal Sources</u>		
Grants - Restricted		
Received Direct		
Title VII	12,718	13,475
Received through State		
Title I, Part A	187,713	188,937
Title II, Part A	50,183	46,967
Title IV	4,910	0
Received through ISD		
Medicaid/Administration Outreach	1,310	2,349
Total Federal Sources	256,834	251,728
<u>Interdistrict Sources</u>		
Tuition	2,520	800
Other	680,251	709,834
Total Interdistrict Sources	682,771	710,634
TOTAL REVENUES	\$ 13,791,759	\$ 13,603,832

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE STATEMENT OF EXPENDITURES

YEAR ENDED JUNE 30,

<u>INSTRUCTION</u>	<u>2018</u>	<u>2017</u>
<u>Basic Programs</u>		
<u>Elementary</u>		
Salaries	\$ 1,453,092	\$ 1,452,450
Employee Benefits	1,105,406	1,034,435
Purchased Service	54,376	52,975
Supplies and Materials	21,440	26,936
Total Elementary	2,634,314	2,566,796
 <u>Middle School</u>		
Salaries	1,204,160	1,150,736
Employee Benefits	870,970	802,719
Purchased Services	40,718	56,487
Supplies and Materials	8,995	30,449
Other Expenditures	0	1,234
Total Middle School	2,124,843	2,041,625
 <u>High School</u>		
Salaries	1,197,740	1,138,094
Employee Benefits	904,838	807,994
Purchased Services	301,572	161,320
Supplies and Materials	55,924	36,840
Capital Outlay	104,863	33,141
Other Expenditures	175	1,225
Total High School	2,565,112	2,178,614
 <u>Pre School</u>		
Salaries	97,172	110,664
Employee Benefits	76,028	67,478
Purchased Services	46,206	40,708
Supplies and Materials	14,393	11,327
Other Expenditures	219	0
Total Pre School	234,018	230,177
 <u>Summer School</u>		
Salaries	4,157	4,544
Employee Benefits	1,425	1,500
Purchased Services	0	1,097
Total Summer School	5,582	7,141
TOTAL BASIC PROGRAMS	7,563,869	7,024,353

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE STATEMENT OF EXPENDITURES

YEAR ENDED JUNE 30,

	2018	2017
<u>Added Needs</u>		
<u>Special Education</u>		
Salaries	529,278	492,219
Employee Benefits	391,136	340,009
Purchased Services	10,505	19,463
Supplies and Materials	60	0
Total Special Education	930,979	851,691
<u>Compensatory Education</u>		
Salaries	117,991	124,488
Employee Benefits	78,475	82,223
Purchased Services	51,334	42,738
Total Compensatory Education	247,800	249,449
<u>Vocational Education</u>		
Salaries	198,761	179,611
Employee Benefits	141,239	128,688
Purchased Services	35,864	31,573
Supplies and Materials	96,909	95,176
Capital Outlay	669	76,086
Other Expenditures	0	18
Total Vocational Education	473,442	511,152
TOTAL ADDED NEEDS	1,652,221	1,612,292
TOTAL INSTRUCTION	9,216,090	8,636,645
<u>SUPPORTING SERVICES</u>		
<u>Pupil Services</u>		
<u>Guidance</u>		
Salaries	230,029	217,596
Employee Benefits	156,401	137,509
Purchased Services	15,714	7,487
Supplies and Materials	154	0
Total Guidance	402,298	362,592
<u>Other Pupil Services</u>		
Salaries	33,858	14,990
Employee Benefits	9,471	3,351
Purchased Services	26,606	40,402
Supplies and Materials	7,640	2,431
Other Expenses	16,284	24,044
Total Other Pupil Services	93,859	85,218
TOTAL PUPIL SERVICES	496,157	447,810

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE STATEMENT OF EXPENDITURES

YEAR ENDED JUNE 30,

	2018	2017
<u>Instructional Staff</u>		
<u>Improvement of Instruction</u>		
Salaries	46,350	19,562
Employee Benefits	31,130	6,696
Purchased Services	1,502	12,241
Supplies and Materials	0	21
Total Improvement of Instruction	78,982	38,520
<u>Library</u>		
Salaries	29,140	28,924
Employee Benefits	22,668	22,207
Purchased Services	2,182	2,100
Supplies and Materials	855	1,236
Other Expenses	3,784	4,589
Total Library	58,629	59,056
<u>Technology Assisted Instruction</u>		
Salaries	0	313
Employee Benefits	0	106
Total Technology Assisted Instruction	0	419
<u>Supervision and Direction</u>		
Salaries	94,715	49,327
Employee Benefits	56,473	38,013
Purchased Services	523	597
Supplies and Materials	890	574
Total Supervision and Direction	152,601	88,511
<u>Academic Student Testing</u>		
Supplies and Materials	10,880	5,595
Total Academic Student Testing	10,880	5,595
<u>Other Instructional Staff</u>		
Salaries	4,967	913
Employee Benefits	1,623	314
Total Other Instructional Staff	6,590	1,227
TOTAL INSTRUCTIONAL STAFF	307,682	193,328



BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE STATEMENT OF EXPENDITURES

YEAR ENDED JUNE 30,

	2018	2017
<u>General Administrative Services</u>		
<u>Board of Education</u>		
Salaries	2,640	3,595
Employee Benefits	202	275
Purchased Services	45,565	47,623
Supplies and Materials	444	316
Other Expenses	7,039	7,163
Total Board of Education	55,890	58,972
<u>Executive Administration</u>		
Salaries	146,518	144,289
Employee Benefits	114,723	111,699
Purchased Services	9,821	11,787
Supplies and Materials	1,210	1,521
Other Expenses	1,517	2,822
Total Executive Administration	273,789	272,118
TOTAL GENERAL ADMINISTRATION	329,679	331,090
<u>School Administrative</u>		
<u>Office of the Principal</u>		
Salaries	354,850	354,592
Employee Benefits	278,273	255,635
Purchased Services	8,993	9,947
Supplies and Materials	877	3,641
Other Expenses	926	1,565
Total Office of the Principal	643,919	625,380
Other School Administration		
Other Expenses	4,360	2,725
Total Other School Administration	4,360	2,725
TOTAL SCHOOL ADMINISTRATION	648,279	628,105
<u>Business</u>		
<u>Fiscal Services</u>		
Salaries	81,403	0
Employee Benefits	34,310	0
Purchased Services	66,417	183,760
Supplies and Materials	5,559	5,254
Other Expenses	510	244
Total Fiscal Services	188,199	189,258

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE STATEMENT OF EXPENDITURES

YEAR ENDED JUNE 30,

	2018	2017
<u>Other Business Services</u>		
Purchased Services	7,240	7,009
Other Expense	53,936	43,279
Total Other Business Services	61,176	50,288
TOTAL BUSINESS	249,375	239,546
 <u>Operation and Maintenance</u>		
Salaries	399,469	374,237
Employee Benefits	314,728	259,557
Purchased Services	233,876	505,340
Supplies and Materials	457,146	381,582
Capital Outlay	6,659	0
Other Expenses	261	1,552
Total Operation and Maintenance	1,412,139	1,522,268
 <u>Transportation</u>		
Salaries	239,428	238,300
Employee Benefits	221,657	199,691
Purchased Services	16,190	17,150
Supplies and Materials	63,910	51,828
Capital Outlay	162,892	15,225
Other Expenses	156	838
Total Transportation	704,233	523,032
 <u>Information Management Services</u>		
Salaries	9,450	0
Employee Benefits	2,920	0
Purchased Services	81,743	126,948
Supplies and Materials	30,197	12,044
Total Information Management Services	124,310	138,992
 <u>Athletic Activities</u>		
Salaries	113,949	52,142
Employee Benefits	53,840	36,304
Purchased Services	130,820	153,424
Supplies and Materials	14,427	21,589
Capital Outlay	0	952
Other Expenses	3,400	7,900
Total Athletic Activities	316,436	272,311
TOTAL SUPPORTING SERVICES	4,588,290	4,296,482

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

GENERAL FUND  
COMPARATIVE STATEMENT OF EXPENDITURES

YEAR ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>
<u>Community Services</u>		
Salaries	3,250	6,500
Employee Benefits	1,079	2,102
Purchased Services	250	751
Supplies and Materials	1,399	913
Total Community Services	<u>5,978</u>	<u>10,266</u>
TOTAL OPERATING EXPENDITURES	<u>\$ 13,810,358</u>	<u>\$ 12,943,393</u>

THIS PAGE INTENTIONALLY LEFT BLANK

BOYNE CITY PUBLIC SCHOOLS  
BOYNE CITY, MICHIGAN

SCHEDULE OF BONDED INDEBTEDNESS  
JUNE 30, 2018

2016 BOND ISSUE

DATE OF ISSUE                      June 28, 2016

AMOUNT OF ISSUE                \$ 8,715,000

PURPOSE                              Acquiring and installing educational technology improvements; purchasing buses; and partially remodeling, refurbishing and re-equipping School District buildings.

TYPE OF ISSUE                      Serial bonds issued in denominations of \$5,000. Interest is due semi-annually on November 1st and May 1st, with annual principal redemptions on May 1st.

Interest Rate	Fiscal Year	Semi-Annual Interest Payment November 1	Semi-Annual Interest Payment May 1	Annual Maturity May 1	Total Fiscal Year Requirements
1.50%	2018-19	\$ 80,988	\$ 80,988	\$ 1,265,000	\$ 1,426,976
2.00%	2019-20	71,500	71,500	1,300,000	1,443,000
2.00%	2020-21	58,500	58,500	975,000	1,092,000
2.00%	2021-22	48,750	48,750	975,000	1,072,500
2.00%	2022-23	39,000	39,000	975,000	1,053,000
2.00%	2023-24	29,250	29,250	975,000	1,033,500
2.00%	2024-25	19,500	19,500	975,000	1,014,000
2.00%	2025-26	9,750	9,750	975,000	994,500
		<u>\$ 357,238</u>	<u>\$ 357,238</u>	<u>\$ 8,415,000</u>	<u>\$ 9,129,476</u>



