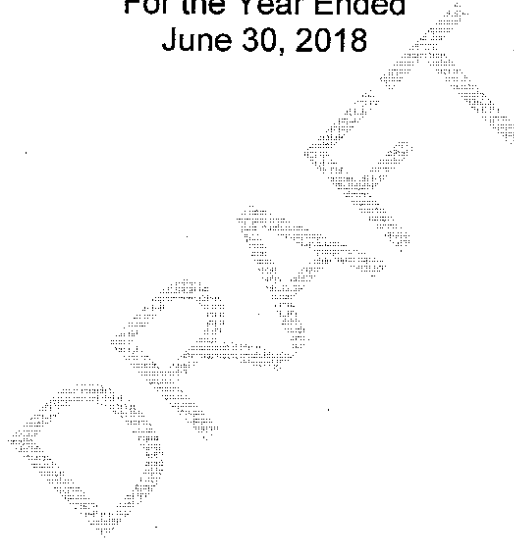


BARK RIVER HARRIS PUBLIC SCHOOLS

**Audited Financial Statements and
Additional Supplemental Information**

**For the Year Ended
June 30, 2018**



Bark River Harris Public Schools

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Bark River Harris Public Schools

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To the Board of Education
Bark River Harris Schools
Harris, Michigan

INDEPENDENT AUDITOR'S REPORT

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Bark River Harris Public Schools, Harris, Michigan as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the School'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 of 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 judgement, including the assessment of the risks of material misstatement of the financial statements which, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the School'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 School'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 evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINION

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 Bark River Harris Public Schools as of June 30, 2018, and the respective changes in financial position where applicable, thereof for the year then ended, accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

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

OTHER – MATTERS

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management's discussion and analysis, the major fund budgetary comparison schedule and the pension and OPEB system schedules of funding progress and employer contributions 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, which 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 supplemental 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 an opinion on the financial statements that collectively comprise the Bark River Harris Public School's, Harris, Michigan, basic financial statements. The other supplemental information as identified in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

OTHER REPORTING REQUIRED BY GOVERNMENTAL AUDITING STANDARDS

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

Bark River Harris Public Schools

Management's Discussion and Analysis

Year Ended June 30, 2018

Management's Discussion and Analysis

This section of the Bark River Harris Public School's Districts annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2018. It is to be read in conjunction with the School District's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending June 30, 2018.

District-wide Financial Statements

The District-wide financial statements appear first in the financial report. These financial statements include the statement of net position and the statement of activities. They report information about the School District as a whole. The statements prepared using the accrual basis of accounting which is the accounting method used by most private sector businesses. The statement of net position includes all of the School District's assets and liabilities. All current year revenues and expenses are reported for in the statement of activities. The two statements report the Governmental activities of the School District that include all services performed by the School District including but not limited to instruction, support services, food services, athletics and debt service. These activities are funded mostly by State aid as determined by pupil counts, Federal and State grants and local property taxes.

The statement of net position as stated previously, shows the School District's assets and liabilities. The corresponding balance between the amounts calculates the net position or deficits of the School District. A deficit occurs when there are more liabilities than there are assets to pay those liabilities. This statement measures the financial strength of the School District; the greater the net asset figure, the healthier the School District generally is. This shows if the School District will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net position on a revenue less expenditure basis. It generally shows the operating results for a given year of the School District. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net position (or reduces a deficit) available to fund future needs of the School District.

Fund Financial Statements

The School District's fund financial statements show detail of funds that are determined to be significant, called major funds. The funds that is separately stated as a major fund is the General Fund which is the operating fund of the School District. All other funds of the School District are considered non-major and are reported as one column. Separate funds are often required to be set up and separately recorded due to State or Federal statutes or by bond covenants or other contractual agreements. The School District may also choose to set up separate funds to better control and track certain monies. All of the School District's services are reported in Governmental types. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Management's Discussion and Analysis (continued)

The School District has the following non-major Governmental Funds. The School District operates the Food Service Fund which accounts for the breakfast and hot lunch programs and Debt Service Fund accounting for Bond Activities.

Fiduciary Funds are funds that account for certain activities in which the School District acts as a trustee or in an agent capacity. The agency fund accounts for various student and other activity groups who raise funds for specific purposes to be spent on whatever purpose the group wants. The school also maintains a Student Loan Fund used to account for scholarship loans to eligible students and their subsequent repayments. These activities are not included in the District-wide financial statements as they represent resources that are not available for the School District's operations.

Governmental Funds are accounted for by using an accounting method called modified accrual accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The Governmental Fund financial statements show detail of operations for a given year according to this method of accounting. This is similar to how the School District reported their finances in the past. The individual fund statement helps determine what financial resources are available on a short-term basis to fund operations.

Since the District-wide financial statements and the fund financial statements use different methods of accounting to report the School District's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

Management's Discussion and Analysis (continued)

District-wide Financial Statements - Condensed Financial Information

Statement of Net Position

The following table shows the Governmental Activities condensed statement of net position with a detailed analysis of the statement below.

	Governmental Activities	
	June 30, 2018	June 30, 2017
Assets		
Current Assets:		
Cash and investments	\$ 1,508,206	\$ 1,552,935
Accounts receivable	1,148,052	1,113,275
Other current assets	120,738	81,866
Total Current Assets	2,776,996	2,748,076
Noncurrent Assets:		
Capital assets, net of accumulated depreciation and amortization of \$5,285,113	3,847,500	3,910,979
Total Noncurrent Assets	3,847,500	3,910,979
Total Assets	6,624,496	6,659,055
Deferred Outflow of Resources Employee Retirement System - Pension	2,853,642	1,717,800
Deferred Outflow of Resources Employee Retirement System - OPEB	7,165	-
Total Assets and Deferred Outflow	\$ 9,485,303	\$ 8,376,855
Liabilities		
Accrued salaries and benefits	\$ 570,805	\$ 610,211
Other current liabilities	400,279	333,635
Total Current Liabilities	971,084	943,846
Long-Term Liabilities, net of current portion of \$296,297		
Bonds payable	360,000	535,000
Capital lease	-	79,646
Compensated absences	475,356	440,297
Net pension liability - Pension	10,377,507	9,556,213
Net pension liability - OPEB	3,532,871	-
Total Noncurrent Liabilities	14,745,734	10,611,156
Total Liabilities	15,716,818	11,555,002
Deferred Inflow of Resources		
Unavailable revenue	12,875	10,844
Employee retirement system	553,424	28,903
State aide funding for pensions - OPEB	119,437	-
State aide funding for pensions - Pension	408,505	296,415
Total Deferred Inflow of Resources	1,094,241	336,162
Net Position		
Investment (deficit) in capital assets, net of related debt	3,043,921	3,047,460
Restricted	30,304	24,497
Unrestricted	(10,399,981)	(6,586,266)
Total Net Position	\$ (7,325,756)	\$ (3,514,309)

Management's Discussion and Analysis (continued)

District-wide Financial Statements - Condensed Financial Information (continued)

Statement of Net Position (continued)

The previous table shows the School District's net position in a deficit of \$7,325,756 at June 30, 2018. Capital assets net of related debt is reported as an investment of \$3,043,921. This figure is derived by taking the original costs of the School District's assets accumulated depreciation to date and comparing this figure to the amount of long-term debt used to finance the acquisition of those assets. Most of the debt related to the capital assets will be repaid from voter-approved property taxes collected as the debt service comes due.

Restricted net position of \$30,304 is restricted for Debt Retirement and Food Service. As previously mentioned, the Debt Retirement monies come from voter approved property taxes. The net position is restricted as they are not allowed to be used for daily School District operations.

The unrestricted net position is reported as a deficit of \$10,399,981 as of June 30, 2018. This is the net accumulated results of past years' operations. The deficit in the unrestricted net position shows that the School District does not have an ample amount of assets to fund liabilities at June 30, 2018. The general fund operating results impact the unrestricted net position on a yearly basis.

Statement of Activities

The results of operations for the School District as a whole are reported in the statement of activities (see condensed table below). This statement shows the changes in net position for the fiscal year ended June 30, 2018 and 2017 for the Governmental Activities.

	June 30, 2018	June 30, 2017
Revenue		
Program Revenue:		
Charges for services	\$ 170,876	\$ 320,206
Operating grants and entitlements	733,235	610,557
State categoricals	1,096,644	857,408
General Revenue:		
Property taxes	614,271	571,692
State aid	5,028,909	5,035,246
Other	8,428	8,154
Total Revenue	<u>7,652,363</u>	<u>7,403,263</u>
Functions/Program Expenses		
Instruction	4,945,037	4,643,119
Supporting services	1,889,798	1,727,286
Food services	391,349	398,054
Athletics	119,558	97,677
Interest on long-term debt	17,431	15,921
Depreciation (unallocated)	374,942	350,035
Special items - gain or asset disposals	(700)	60,297
Total Expenses	<u>7,737,415</u>	<u>7,292,389</u>
Increase (Decrease) in Net Position	<u>\$ (85,052)</u>	<u>\$ 110,874</u>

Management's Discussion and Analysis (continued)

Statement of Activities (continued)

As reported in the Statement of Activities, the School District had an overall decrease in net position of \$85,052. The School District reports a total net position deficit of \$7,325,756. The unrestricted net position shows a deficit of \$10,399,981.

The School District's revenues totaled \$6,949,178. Of this amount, the State aid accounts for 72% of total revenues or \$5,028,909. Property taxes assessed to the residents of the School District not restricted for other purposes totaled \$430,628. This accounts for 6% of total revenue to be spent on general education and operating needs.

The School District's total cost to fund all Governmental activities was \$7,737,415. Approximately 26% or \$2,000,755 of these costs were financed by those who benefitted from the service or funded by grants from other Governmental agencies. This shows the importance of budgeting and determining what programs the School District will fund with unrestricted revenues on a yearly basis.

Fund Financial Statements

The Governmental Fund financial statements report the School District's finances under the modified account basis of accounting. Under this method revenues are recognized when available and expenditures when incurred. The fund balance reported a surplus of \$2,049,228 at June 30, 2018. It increased for all Governmental Funds by \$6,369 for the year.

The General Fund balance included Capital Outlay of \$312,443. The School was able to increase its fund balance by \$5,164 by monitoring expenses.

The debt retirement fund balance increased by \$1,205. This increase was a result of a higher tax assessment by the School due to prior years Bond refinancing.

The food service fund had \$0 increase. This resulted from keeping costs in line.

Major Governmental Funds Budgeting and Operating Highlights

The School Districts budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, usually before the State of Michigan enacts its budget or most grants are awarded. Therefore, it is expected that there will be significant changes between the initial budget and subsequent budgets, as actual grant awards are known. The most significant fund budgeting is the General Fund. The budget is amended at least two times during the year. The budget includes estimated State revenues until the actual amount is determined. Since a major portion of the District is funded by these revenues, budget amendments are necessary to include these funds.

Management's Discussion and Analysis (continued)

General Fund

General Fund Revenue Budget vs. Actual History

<u>Fiscal Year</u>	<u>Revenues Original Budget</u>	<u>Revenues Final Budget</u>	<u>Revenues Final Actual</u>	<u>Rev. Var. Actual vs. Final Budget</u>
2014-2015	6,012,143	6,446,385	6,432,109	(14,276)
2015-2016	6,379,637	6,659,651	6,630,484	(29,167)
2016-2017	6,793,663	6,836,667	6,826,447	(10,220)
2017-2018	6,799,290	7,103,252	7,103,604	352

General Fund Expenditures Budget vs. Actual History

<u>Fiscal Year</u>	<u>Expenditures Original Budget</u>	<u>Expenditures Final Budget</u>	<u>Expenditures Final Actual</u>	<u>Exp. Var. Actual vs. Final Budget</u>
2014-2015	6,193,400	6,252,442	6,141,972	110,470
2015-2016	6,438,552	7,310,072	7,087,534	222,538
2016-2017	6,997,136	6,875,259	6,964,834	(89,575)
2017-2018	6,877,512	7,208,364	7,098,442	109,922

Capital Assets

At June 30, 2018, the School District had \$3,845,541 invested in Capital Assets. This included a net decrease during the past fiscal year of \$62,499, consisting of additions of \$312,443 and depreciation charges of \$374,942. The major investment came from the purchase of a bus, building improvements and equipment. This was paid by the General Fund which was set aside in prior years.

Debt

The School District has \$1,090,002 of long-term debt, including \$254,646 due in the next fiscal year. This includes bonds issued for construction, capital leases on equipment purchases and employee related benefits such as early retirement incentives, health insurance and sick pay future expenses for accruals. The long-term debt decreased by \$212,358 during the year. The State allows districts to issue general obligation debt up to 15% of the assessed value of all taxable property within the School District's boundaries. The School District is under this limit by a considerable amount. The notes to the financial statements provide detail of each long-term debt issue.

Future Considerations

With the outlook calling for no increase in State school aid funding, cuts in other categorical aid and the inability for the School District to obtain additional property tax revenues for operations due to State Statute, the School District is under increased pressure to adopt a budget that will include cost reducing measures. A modest increase in student enrollment and the stagnant local economy will also weigh heavily on the amount of expenditure cuts that need to be made. A thorough analysis of all areas of the School District will need to be made.

Contacting the School District

If you have any questions about this report or need additional information, contact the Superintendent's office at Bark River Harris Public Schools; Harris, Michigan.

Bark River Harris Public Schools
Statement of Net Position
June 30, 2018

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,508,206
Due from other Governmental units	1,147,223
Accounts receivable	829
Inventories	5,996
Prepaid expense	114,742
Total Current Assets	2,776,996
Noncurrent Assets:	
Capital assets	9,124,768
Less: accumulated depreciation	(5,279,227)
Bond Discounts	7,845
Less: accumulated amortization	(5,886)
Total Noncurrent Assets	3,847,500
Deferred Outflow of Resources - Pension	2,853,642
Deferred Outflow of Resources - OPEB	7,165
Total Assets and Deferred Outflow	\$ 9,485,303
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 102,437
Accrued salaries and withholding	570,805
Accrued interest	1,545
Bonds payable, due within 1 year	175,000
Capital lease	79,646
Compensated absences and severance pay	41,651
Total Current Liabilities	971,084
Non-Current Liabilities	
Bonds payable	360,000
Capital lease	-
Compensated absences	475,356
Net pension liability	10,377,507
Net OPEB liability	3,532,871
Total Non-Current Liabilities	14,745,734
Total Liabilities	15,716,818
Deferred Inflow of Resources	
Unavailable revenue	12,875
Pension	553,424
OPEB	119,437
State aide funding for pension	408,505
Total Deferred Inflow of Resources	1,094,241
Net Position	
Invested in capital assets, net of related debt	3,043,921
Restricted for debt service	28,398
Restricted for hot lunch	1,906
Unrestricted	(10,399,981)
Total Net Position	\$ (7,325,756)

Bark River Harris Public Schools
Statement of Activities
June 30, 2018

	<u>Program Revenue</u>		<u>Governmental</u>
	<u>Expenses</u>	<u>Charges for</u> <u>Services</u>	<u>Activities</u> <u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
		<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	
GOVERNMENTAL FUNCTIONS			
Current:			
Instruction	(4,945,037)	-	1,595,438
Supporting services	(1,889,798)	-	-
Food services	(391,349)	131,375	234,441
Athletics	(119,558)	39,501	-
Interest on long-term debt	(17,431)	-	-
Depreciation (unallocated)	(374,942)	-	-
Total Governmental Functions	<u>(7,738,115)</u>	<u>170,876</u>	<u>1,829,879</u>
GENERAL REVENUE			
Property taxes			430,628
General purposes			183,643
Debt services			5,028,909
State aid not restricted for specific purpose			4,639
Interest and investment earnings			3,789
Other			<u>5,651,608</u>
Total General Revenue			<u>700</u>
Special Item - Gain (Loss) on disposal of assets			<u>(85,052)</u>
Change in Net Position			<u>(3,514,309)</u>
Net Position - beginning of year, as previously reported			<u>(3,726,395)</u>
Cumulative Effect of Change in Accounting			<u>(7,240,704)</u>
Net Position - Beginning of Year			<u>\$ (7,325,756)</u>
Net Position - End of Year			<u>\$ (7,325,756)</u>

Bark River Harris Public Schools

Balance Sheet

Governmental Fund Types

June 30, 2018

	General	Other Non-Major Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash	\$ 1,476,325	\$ 31,881	\$ 1,508,206
Due from other Governmental units	1,144,449	2,774	1,147,223
Accounts receivable	-	829	829
Inventory	4,269	1,727	5,996
Due from other funds	1,699	-	1,699
Prepaid expenses	109,092	5,650	114,742
Total Assets	<u>\$ 2,735,834</u>	<u>\$ 42,861</u>	<u>\$ 2,778,695</u>
 Liabilities, and Fund Balances			
Liabilities			
Accounts payable	\$ 95,862	\$ 6,575	\$ 102,437
Due to other fund	-	1,699	1,699
Accrued payroll and benefits	612,456	-	612,456
Total Liabilities	<u>708,318</u>	<u>8,274</u>	<u>716,592</u>
 Deferred Inflow of Resources			
Unavailable Revenue	<u>8,592</u>	<u>4,283</u>	<u>12,875</u>
 Fund Balances			
Non-spendable			
Inventory	-	1,727	1,727
Prepays	109,092	5,650	114,742
Restricted for:			
Debt retirement	-	28,398	28,398
Hot lunch	-	(5,471)	(5,471)
Committed to:			
Capital projects	100,000	-	100,000
Early retirement incentive	500,000	-	500,000
Unassigned	1,309,832	-	1,309,832
Total Fund Balance	<u>2,018,924</u>	<u>30,304</u>	<u>2,049,228</u>
 Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 2,735,834</u>	<u>\$ 42,861</u>	<u>\$ 2,778,695</u>

Bark River Harris Public Schools
 Reconciliation of Governmental Funds
 Balance Sheet with the Statement of Net Position
 June 30, 2018

Bonds Payable	(535,000)
Compensated Absences	(475,356)
Lease	(79,646)
Accrued interest is not included as a liability in Governmental Fund Types	(1,545)
Net Pension obligations are not due and payable in the current period and therefore, are not reported in the funds	
Net Pension Liability	(10,377,507)
Net OPEB Liability	(3,532,871)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds	
Deferred outflows of resources related to pensions	2,853,642
Deferred inflows of resources related to pensions	(553,424)
Deferred inflows from state aide funding	(408,505)
Deferred outflows of resources related to OPEB	7,165
Deferred inflows of resources related to OPEB	(119,437)
Net Position of Governmental Activities	<u>\$ (7,325,756)</u>

Bark River Harris Public Schools
Statement of Revenue, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended
June 30, 2018

	General	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUE			
Local sources	\$ 594,284	\$ 315,018	\$ 909,302
State sources	6,105,603	19,590	6,125,193
Federal sources	379,442	214,851	594,293
Inter-district & other sources	23,575	-	23,575
Total Revenue	7,102,904	549,459	7,652,363
EXPENDITURES			
Current:			
Instruction	4,789,574	-	4,789,574
Supporting service	1,888,950	391,349	2,280,299
Debt Service:			
Principal retirement	-	170,000	170,000
Interest	-	12,438	12,438
Capital outlay	309,708	2,735	312,443
Total Expenditures	6,988,232	576,522	7,564,754
Excess of Revenues - (Expenditures)	114,672	(27,063)	87,609
OTHER FINANCING SOURCES (USES)			
Sale of School property	700	-	700
Transfers in/out	(28,268)	28,268	-
Proceeds from Capital lease	-	-	-
Payment on Capital lease	(81,940)	-	(81,940)
Total Other Financing Sources	(109,508)	28,268	(81,240)
 Net Change in Fund Balance	 5,164	 1,205	 6,369
Fund balance July 1	2,013,760	29,099	2,042,859
Fund Balance June 30	\$ 2,018,924	\$ 30,304	\$ 2,049,228

Bark River Harris Public Schools
 Reconciliation of the Statement of Revenue, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 Year Ended June 30, 2018

Net Changes in Fund Balances - Total Governmental Funds \$ 6,369

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Governmental Funds report Capital Outlays as expenditures in the Statement of Activities. These costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(374,942)	
Capital Outlay	<u>312,443</u>	(62,499)

Governmental Funds report a bond discount as an expenditure in the Statement of Activities. These costs are amortized over the life of the bonded debt

Amortization		(981)
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Accrued interest is recorded in the Statement of Activities when incurred and is not reported in Governmental Funds until paid		511
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Repayment of bond principal is an expenditure in the Governmental Funds but not in the Statement of Activities (where it reduces long-term debt)		170,000
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Repayment of Capital Lease is an expenditure in the Governmental Funds but not in the Statement of Activities (where it increases long-term debt)		77,417
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In the statement of activities, operating expenses for pension related items are measured by amounts earned during the year while the governmental funds report expenditures as amounts paid. This year the amount paid for pension related items was less than the amount earned.		(322,063)
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In the statement of activities, operating expenses for OPEB pension related items are measured by amounts earned during the year while the governmental funds report expenditures as amounts paid. The amount paid for OPEB pension related items was less than the amount earned.		81,253
--	--	--------

Decreases in compensated absences are reported as expenditures when financial resources are used in the Governmental Funds		<u>(35,059)</u>
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Change in Net Position as Governmental Activities		<u><u>\$ (85,052)</u></u>
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Bark River Harris Public Schools

**Statement of Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2017**

	Private Purpose Trust	Agency Fund Student Activities	Total
ASSETS			
Cash	\$ 8,764	\$ 65,643	\$ 74,407
Accounts receivable	-	-	-
Total Assets	<u>\$ 8,764</u>	<u>\$ 65,643</u>	<u>\$ 74,407</u>
LIABILITIES			
Due to student groups	\$ -	\$ 65,643	\$ 65,643
NET POSITION			
Reserve for student loans	8,764	-	8,764
Total Liabilities and Net Position	<u>\$ 8,764</u>	<u>\$ 65,643</u>	<u>\$ 74,407</u>

**Statement of Changes in
Fiduciary Net Position - Private
Purpose Trust Fund**

REVENUES	
Interest	\$ 12
Total Revenues	<u>12</u>
EXPENDITURES	
Student loans	-
Total Expenditures	<u>-</u>
Excess Revenues Over (Under) Expenditures	12
Net Position	
Beginning Balance July 1	8,752
Ending Balance June 30	<u>\$ 8,764</u>

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2018

NOTE A **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Bark River Harris Public Schools have been prepared as prescribed by the Michigan Department of Education. These policies are in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the School District's entity financial reporting purposes nor is the School District a component unit of another entity. The criteria established for determining the various governmental organizations to be included in the School District's financial statements include oversight responsibility, scope of public service and special financing relationships. Based upon the application of these criteria the financial statements of the School District contain all the funds controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the District.

Basis of Presentation

District-Wide Financial Statements

The School District-wide financial statements (Statement of Net Position and Statement of Activities) report information on all of the activities of the School District except for the fiduciary activities. All of the School District's activities are considered to be governmental activities. Interfund activity including operating transfers between activities and amounts due to and from governmental activities has been eliminated in the School District-wide statements.

Fund-Based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental as well as fiduciary funds are provided. The various fund types are grouped in the financial statements as major funds or non-major funds. The School District reports the following major governmental fund:

General Fund - is the general operating fund of the School District. The fund is used to account for all financial resources except those required to be accounted for in another fund.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2018

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

All other governmental funds are considered to be non-major. They include:

Debt Service Fund - is used to account for the payment of principal and interest on the school building and site bonds payable.

Special Revenue Fund - is used by the School District to account for food services.

Fiduciary Funds

Private-Purpose Trust Fund - is used to account for assets held by the School District in a trustee capacity as administrator of scholarship and other funds under direct control of the School District.

Agency Fund - is used to account for assets held by the School District in its capacity as a receiving and paying agent for the several student body activity groups.

Basis of Accounting

District-Wide Financial Statements

The District-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The statement of Activities reports net cost information based on the School District's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the School District provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state aid and other revenues that are not program revenues are reported as general revenues.

Fund-Based Financial Statements

The governmental funds and fiduciary funds are accounted for by using the modified accrual basis of accounting as required by the Michigan Department of Education. Under the modified accrual basis of accounting, revenue is recognized when the revenue is subject to accrual, eligibility requirements are met and the revenues are available to finance expenditures of the fiscal period. Revenue is considered available when the revenue has been collected in the current period or soon enough after the end of the period to use to pay current period liabilities.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2018

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

Fund-Based Financial Statements (continued)

The School District considers revenues to be available if collected within 60 days of the end of the period. Expenditures are recorded when the related liability is incurred. Exceptions to this general rule include certain compensated absences and principal and interest on long-term debt, both of which are recognized when due. Property taxes are recognized in the fiscal year for which the taxes have been levied.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Current property taxes are collected for the School District by the Townships of Bark River and Harris. School taxes are levied on July 1.

Delinquent real property taxes of the School District are purchased annually by the County of Delta.

State Foundation Revenue

The State of Michigan follows a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state wide 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 regarding average pupil membership supplied by the districts. The funds received in July and August of 2017 are state appropriations for the year ended June 30, 2018, and, as such, are recorded as accounts receivable.

State Categorical Revenue

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

Federal Revenue

Expenditure-driven grants are recognized as revenue when revenue is available, the qualifying expenditures have been incurred and all other grant requirements have been met.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposit accounts at local financial institutions.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2018

NOTE A **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Investments

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

Short-Term Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund-based financial statements.

Restricted Assets

Restricted assets consist of cash and cash equivalents of the Debt Services Funds required to be set aside for future bond principal and interest payments.

Inventories and Prepaid Items

Inventories are stated at cost and consist principally of supplies, heating fuel and bus fuel. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets and Depreciation

Capital assets include land and improvements, buildings, furniture and fixtures, equipment, school buses and vehicles and are reported in the School District-wide financial statements. Capital assets are defined by the School District as assets with an acquisition cost of more than \$1,000 with an estimated useful life in excess of one year. Assets meeting these criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the District-Wide Statement of Activities and included as a direct expense of an identifiable function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

The capital assets are depreciated using the straight-line method with a half month depreciation taken for assets purchased during the year over the following useful lives (land excluded as not depreciable):

Building and additions	20 - 40 years
Furniture, fixtures and other equipment	05 - 15 years
School buses and vehicles	05 - 10 years

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2018

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

The liability for accumulated vacation and sick pay amounts is recorded in the District-wide statement of net position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Pension and Other Postemployment Benefit (OPEB) Plans

For the purpose of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contributions revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related investments are reported at fair value.

Unemployment Insurance

The School District reimburses the Michigan Employment Security Commission for the actual amount disbursed on behalf of the School District.

Long-Term Obligations

The School District reports long-term debt and other long-term obligations in the District-wide statement of net position. Amounts are recorded at face value along with any accrued interest to June 30, 2018.

Investment in Capital Assets Net of Related Debt

This is a portion of the net position of the School District that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for notes, bonds and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position

Net position is restricted when there are constraints placed on their use by external parties or by statute.

Unrestricted Net Position

Net position not meeting either criteria above or considered unrestricted.

Fund Balance

In the fund-based financial statements the restricted fund balances represent the amount set aside for constraints placed on them by external creditors or laws of other Governments. The committed fund balances represent the internal reservations by the School District's Board.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2018

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The non-spendable balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date of the audit report.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The School District follows these procedures in establishing the budgetary data reflected in the financial statements for the General and Special Revenue Funds. The School District is not legally required to adopt budgets for the Debt Service Funds.

1. Prior to July 1, the School District Superintendent submits to the Board of Education, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted at a regular meeting by Board of Education approval.
4. Any revisions to the budgeted amounts must be approved by the Board of Education.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. These budgets lapse at the end of each year.
6. Budgeted amounts presented in the financial statements are as originally adopted or as amended by the Board of Education prior to June 30, 2018.

Public Act 621 of 1978 Disclosures

Public Act 621 of 1978 requires local units of government (including School Districts) to prepare and to monitor their fiscal year budgets in accordance therewith. The Act provides that a school district must amend its budget if it becomes apparent that the School Districts actual revenues will deviate from those budgeted or if the School District's expenditures will exceed the amount appropriated. During the year ended June 30, 2018, the School District monitored and amended its budget and was in substantial compliance with the Act except for:

<u>Fund</u>	<u>Expenditures Excess of Appropriations</u>
General Fund - Capital Outlay	\$27,605

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2018

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

Public Act 275 of 1980 Disclosure

There were no deficits in any of the School District's fund-based financial statements as of June 30, 2018.

NOTE C CASH AND INVESTMENTS

The carrying amount of various deposits presented on the statement of net position as "Cash and Investments" were made in financial institutions whose deposits are covered by federal depository insurance or in a municipal investment fund. All deposits were made in accordance with State of Michigan statutes and under authorization of the Board of Education.

At June 30, 2018, cash and investments on deposit in financial institutions totaled \$1,741,201, of which \$528,398 was covered by depository insurance and \$1,212,803 exceeded insurance limits. The School District places its deposits and investments with, what it believes to be, high quality financial institutions. Although such deposits and investments were in uninsured funds, they are, in the opinion of the School District, subject to minimal risk.

NOTE D CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	Balance 7/1/17	Additions	Disposals and Adjustments	Balance 6/30/18
Assets not being Depr:				
Land	\$ 11,361	\$ -	\$ -	\$ 11,361
Capital Assets being Depr:				
Bldg & bldg improvement	6,900,388	55,666	-	6,956,054
Buses & other vehicles	774,240	84,557	57,983	800,814
Furniture & equipment	1,186,402	172,220	2,083	1,356,539
Total	8,872,391	312,443	60,066	9,124,768
Accumulated Depreciation:				
Bldg & bldg improvement	3,583,373	198,393	-	3,781,766
Buses & other vehicles	590,636	38,867	57,983	571,520
Furniture & equipment	790,342	137,682	2,083	925,941
Total	4,964,351	374,942	60,066	5,279,227
Net Capital Assets	\$ 3,908,040	\$ (62,499)	\$ -	\$ 3,845,541

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2018

NOTE E

LONG-TERM DEBT

Changes in Long-Term Debt are summarized as follows:

	Balance 6/30/17	Additions	Deductions	Balance 6/30/18
Notes payable for:				
Compensated absences	\$ 440,297	\$ 35,059	\$ -	\$ 475,356
School bldg & site bonds	705,000	-	170,000	535,000
Apple, Inc. capital lease	157,063	-	77,417	79,646
	<u>\$ 1,302,360</u>	<u>\$ 35,059</u>	<u>\$ 247,417</u>	<u>\$ 1,090,002</u>

1992 School Building and Site Bonds

On June 1, 1992, the School District issued \$1,800,000 of 1992 School Building and Site Bonds for renovation of the School. On September 25, 2003 and January 19, 2015 the School District refinanced these funds. The bonds are unlimited tax general obligations of the School District and bear interest rates of 1.75%. A summary of annual principal and interest requirements to maturity with interest paid November 1 and interest and principal paid May 1 follows:

Maturity	Interest Rate	Principal	Interest Amount		Total
			1-Nov	1-May	
2019	1.750%	\$ 175,000	\$ 4,681	\$ 4,681	\$ 184,362
2020	1.750%	180,000	3,150	3,150	186,300
2021	1.750%	180,000	1,575	1,575	183,150
		<u>\$ 535,000</u>	<u>\$ 9,406</u>	<u>\$ 9,406</u>	<u>\$ 553,812</u>

Apple, Inc. Capital Lease

On August 1, 2016 the School District entered into a Master Purchase Lease Agreement of \$239,003 for the acquisition of computer hardware. This lease bears an interest rate of 2.88%.

Maturity	Principal	Interest	Total
2019	<u>\$ 79,646</u>	<u>\$ 2,294</u>	<u>\$ 81,940</u>

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2018

NOTE E - LONG-TERM DEBT (continued)

Compensated Absences

Compensated absences consist of amounts due employees for unused accumulated sick leave upon termination of their employment. Support Service Employees can accumulate up to 120 days of sick leave and will be paid at their daily wage per day for unused sick leave upon termination. Teachers can accumulate up to 300 days and will be paid upon termination. The School administrators will be paid accumulated sick days up to a maximum of 160 days upon termination of employment.

Following is a summary of compensated absences due at June 30, 2018:

Teachers	\$	323,659
Administrators		137,854
Support staff		13,843
	\$	475,356

The aggregate amounts due on long-term debt excluding employee benefits for following years as follows:

Year Ending June 30		
2019	\$	254,646
2020	\$	180,000
2021	\$	180,000

NOTE F - PENSION PLAN

GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN

PLAN DESCRIPTION

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

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

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

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2018

NOTE F – GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN (continued)

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

Benefits Provided

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

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

Contributions

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

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

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

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

Required contributions to the pension plan from Bark River Harris Public Schools were \$939,281 for the year ended September 30, 2017.

PENSION, LIABILITIES, PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2018, Bark River Harris Public Schools reported a liability of \$10,377,507 for its proportionate share of the MPSERS net pension liability. The next pension liability was measured as of September 30, 2017 and the total pension liability used to calculate the net position was determined by an actuarial valuation rolled forward from September 2016. Bark River Harris Public School's proportion of the net pension liability was determined by dividing each employers statutorily required pension contributions to the system during the

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2018

NOTE F – GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN

PENSION, LIABILITIES, PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2017, Bark River Harris Public Schools proportion was .04004556 percent, which was a decrease of .0174285 percent from its proportion measured as of September 30, 2016.

For the year ended June 30, 2018, Bark River Harris Public School's recognized pension expense of \$1,204,646. At June 30, 2018, Bark River Harris Public School's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Inflows of Resources
Differences between actual and expected experience	\$ 90,188	\$ 50,920
Changes of assumptions	1,136,938	-
Net difference between projected and actual earnings on pension plan investments	-	496,113
Changes in proportion and differences between employer contributions and proportionate share of contributions	422,702	6,391
Employer contributions subsequent to the measurement date	1,203,814	-
	\$ 2,853,642	\$ 553,424

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (to Be Recognized in Future Pension Expenses)

Plan Year Ended September 30	Amount
2018	\$ 318,056
2019	\$ 487,877
2020	\$ 264,598
2021	\$ 25,873

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2018

NOTE F – GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN (continued)

Actuarial Assumptions

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

Additional information as of the latest actual valuation as follows:

Summary of Actuarial Assumptions

Valuation Date	September 30, 2016
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	3.5%
Investment Rate of Return	
-MIP and Basic Plans (Non-Hybrid)	7.5%
-Pension Plan Plus (Hybrid)	7.0%
Projected Salary Increases	3.5-12.3%, including wage inflation at 3.5%
Cost of Living Pension Adjustments	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- 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 total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5188 for non-university employers 1.1222 for university employers.
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2018

NOTE F – GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN (continued)

Long-Term Expected Return on Plan Assets

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

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

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

Rate of Return

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

Discount Rate

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

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2018

NOTE F - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN (continued)

Sensitivity of Bark River Harris Public Schools Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

1% Decrease (Non-Hybrid/Hybrid)*	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)*	1% Increase (Non-Hybrid/Hybrid)*
<u>6.5% / 6.0%</u>	<u>7.5% / 7.0%</u>	<u>8.5% / 8.0%</u>
\$13,518,440	\$10,377,507	\$7,733,041

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

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

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

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

At June 30, 2018, the District reported a payable of \$94,579 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

NOTE G - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) OPEB PLAN

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 originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980 as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the system. The Board consists of twelve members – eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2018

NOTE G - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) OPEB PLAN (continued)

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

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

Benefits Provided

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

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

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2018

NOTE G - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) OPEB PLAN (continued)

of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

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

OPEB Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.00%	5.91%
Personal Healthcare Fund	0.00%	5.69%

Required contributions to the OPEB plan from Bark River Harris Public Schools were \$310,598 for the year ended September 30, 2017.

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

At June 30, 2018, Bark River Harris Public Schools reported a liability of \$3,532,871 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. Bark River Harris Public School's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, Bark River Harris Public School's proportion was .0003989478 percent.

(If changes expected to have a significant effect on the measurement of the employer's proportionate share of the net OPEB liability had occurred between September 30, 2017 and June 30, 2018, the employer should disclose information required by paragraph 80f of GASB Statement 68.)

For the year ending June 30, 2018, Bark River Harris Public Schools recognized OPEB expense of 119,437. At June 30, 2018, Bark River Harris Public Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ 37,615
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	81,822
Changes in proportion and differences between employer contributions and proportionate share of contributions	233	-
Employer contributions subsequent to the measurement date	6,932	-
	<u>\$ 7,165</u>	<u>\$ 119,437</u>

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2018

NOTE G - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) OPEB PLAN (continued)

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (to Be Recognized in Future OPEB Expenses)

Plan Year Ended September 30	Amount
2018	\$ 28,810
2019	\$ 28,810
2020	\$ 28,810
2021	\$ 28,810
2022	\$ 3,964

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	7.5%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2018

NOTE G - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) OPEB PLAN (continued)

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

Notes:

- *Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.4744 for non-university employers or 1.4186 for university employers]*
- *Recognition period for assets in years is 5.0000*
- *Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

Long-Term Expected Return on Plan Assets

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

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

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

Rate of Return

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

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2018

NOTE G - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) OPEB PLAN (continued)

Discount Rate

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

Sensitivity of Bark River Harris Public School's proportionate share of the net OPEB liability to changes in the discount rate

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

1% Decrease	Current Discount Rate	1% Increase
<u>6.5%</u>	<u>7.5%</u>	<u>8.5%</u>
\$4,138,013	\$3,532,871	\$3,019,295

Sensitivity of Bark River Harris Public School's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

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

1% Decrease	Current Discount Rate	1% Increase
<u>6.5%</u>	<u>7.5%</u>	<u>8.5%</u>
\$2,991,687	\$3,532,781	\$4,147,143

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

Bark River Harris Public Schools reported no payables to the defined benefit OPEB plan as of June 30, 2018.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2018

NOTE H DEFERRED INFLOW (OUTFLOW) OF RESOURCES

The School District's deferred inflow of resources at June 30, 2018, consisted of:

	Governmental Funds	District-wide Funds
General	\$ 8,592	\$ 8,592
Hot Lunch	4,283	4,283
State aide funding for pensions	-	408,505
Funding for Pensions - Pension	-	553,424
Funding for Pensions - OPEB	-	119,437
	<u>\$ 12,875</u>	<u>\$ 1,094,241</u>

The School District's deferred outflow of resources at June 30, 2018 consisted of:

	Governmental Funds	District-wide Funds
Employee Retirement System - Pension	\$ -	\$ 2,583,642
Employee Retirement System - OPEB	-	7,165
	<u>\$ -</u>	<u>\$ 2,590,807</u>

NOTE I INTERFUND RECEIVABLES AND PAYABLES - FUND BASED FINANCIAL STATEMENTS

The Interfund receivables or payables during the year ending June 30, 2018 were as follows:

	Transfers Out	Transfers In
General	\$ 1,699	\$ -
Hot Lunch	-	1,699
	<u>\$ 1,699</u>	<u>\$ 1,699</u>

NOTE J INTERFUND TRANSFERS - FUND BASED FINANCIAL STATEMENTS

The Interfund transfers during the year ending June 30, 2018 were as follows:

	Transfers Out	Transfers In
General	\$ 28,268	\$ -
Hot Lunch	-	28,268
	<u>\$ 28,268</u>	<u>\$ 28,268</u>

NOTE K RISK MANAGEMENT

The School District is exposed to various risks of losses to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District has obtained coverage from commercial insurance companies. The School District has comprehensive general liability coverage of \$25,000 per occurrence and a \$1,000,000 aggregate limit with no deductible amount.

All risk management activities are accounted for in the General Fund and Special Revenue Funds of the School District. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create but for which none have been reported are considered.

Management estimates that the amount or potential claims against the School District as of June 30, 2018 will not materially affect the financial condition of the School District. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2018

NOTE L OPERATING LEASES

Operating leases consist of rental copy machines and a postal machine. The current year expenditure amounted to \$9,060. The following are the requirements for charges due with the remaining term of the contract:

2019	\$ 5,643
2020	\$ 5,643
2021	\$ 3,801

NOTE M FUND BALANCES

Portions of the fund balances have been classified to include the District's current plans for accumulating funds for use in subsequent periods as follows:

<u>Non-Spendable</u>		
Inventory	\$	1,727
Prepays		114,742
	<u>\$</u>	<u>116,469</u>
<u>Committed</u>		
<i>General:</i>		
Early retirement incentive	\$	500,000
Capital outlay reserve		100,000
	<u>\$</u>	<u>600,000</u>
<u>Restricted</u>		
Debt service	\$	28,398
Hot lunch		(5,471)
	<u>\$</u>	<u>22,927</u>

NOTE N SHORT-TERM STATE AID ANTICIPATION NOTE PAYABLE

No short-term State Aid Anticipation note payable was taken out during the year.

NOTE O RESTRICTED NET POSITION

At June 30, 2018, the School District's restricted net position consisted of \$30,304 which \$28,390 is to be used to pay off bond obligations and \$1,906 for Food Service.

NOTE P ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, was issued by the GASB in June 2016 and is effective for the School District's 2018 fiscal year. The Statement requires governments that participate in defined benefit other than postemployment (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past services and the assets (most investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees and their beneficiaries.

Bark River Harris Public Schools
Notes to Financial Statements
June 30, 2018

NOTE P ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT (continued)

Statement No. 75 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 improves the comparability and consistency of how governments calculate the OPEB liabilities and expense.

Net position as of the beginning of the year was restated to reflect the beginning net pension liability for the prior period.

As of July 1, 2017 the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, which addresses reporting by Governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Michigan Public School Employees' Retirement System (MPSERS). The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

NOTE Q UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use-lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2021.

Bark River Harris Public Schools
 Budgetary Comparison Schedule – General Fund
 For the Year Ended
 June 30, 2018

	Budgeted Amounts		Actual	Final Budget
	Original	Budget		Positive (Negative)
REVENUE				
Local sources	\$ 499,358	\$ 587,467	\$ 594,284	\$ 6,817
State sources	5,949,932	6,103,750	6,105,603	1,853
Federal sources	324,000	388,635	379,442	(9,193)
Inter-district & other sources	26,000	23,400	23,575	175
Total Revenue	6,799,290	7,103,252	7,102,904	(348)
EXPENDITURES				
Current:				
Instruction	4,899,960	4,892,189	4,789,574	102,615
Supporting services	1,894,446	1,952,132	1,888,950	63,182
Capital outlay	-	282,103	309,708	(27,605)
Total Expenditures	6,794,406	7,126,424	6,988,232	138,192
Excess of Revenues - (Expenditures)	4,884	(23,172)	114,672	137,844
OTHER FINANCING SOURCES (USES)				
Sale of School property	-	700	700	-
Transfers out	-	-	(28,268)	(28,268)
Payment of Capital Lease	(83,106)	(81,940)	(81,940)	-
Proceeds from Capital Lease	-	-	-	-
Total Other Financing Sources (Uses)	(83,106)	(81,240)	(109,508)	(28,268)
Excess of Revenues and Other Resources Over (Under) Expenditures & Other Uses	(78,222)	(104,412)	5,164	109,576
Fund Balance Beginning of Year	1,922,196	1,922,196	1,922,196	-
Fund Balance End of Year	\$ 1,843,974	\$ 1,817,784	\$ 1,927,360	\$ 109,576

Bark River Harris Public Schools
Schedule of Bark River Harris Public School's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Fiscal Years (Amounts determined as of 6/30 of each year)

	2018	2017	2016	2015
Statutory required contributions	\$ 785,309	\$ 852,158	\$ 745,702	\$ 810,262
Contributions in relation to statutory required contributions	785,309	852,158	745,702	810,262
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
School's covered employee payroll	\$ 3,424,303	\$ 3,477,301	\$ 3,262,404	\$ 4,235,265
Contributions as a percentage of covered employee payroll	22.93%	24.51%	22.86%	19.13%

	2023	2022	2021	2020	2019
Statutory required contributions					
Contributions in relation to statutory required contributions					
Contribution deficiency (excess)					
School's covered employee payroll					
Contributions as a percentage of covered employee payroll					

Note Disclosures:

Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to MPSERS which may differ from the statutorily required contributions

Change of Benefit Terms - there were no changes in 2017

Change of Assumptions - there were no changes in 2017

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available beginning with FYE June 30, 2014.

Bark River Harris Public Schools
Schedule of Bark River Harris Public School's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Reporting Fiscal Years *(Amounts determined as of 9/30 of each year)*

	2018	2017	2016	2015	2014
Proportion of net pension liability %		.04005%	.03830%	.03780%	.03745%
Proportionate share of net pension liability		\$ 10,377,507	\$ 9,556,213	\$ 9,320,963	\$ 8,248,654
Covered employee payroll		\$ 3,402,859	\$ 3,250,257	\$ 3,163,196	\$ 3,190,771
Proportionate share of net pension liability as a percentage of its covered employee payroll %		304.96%	294.01%	294.67%	258.52%
Plan fiduciary net position as a percentage of total pension liability		64.21%	63.27%	63.17%	66.20%

	2023	2022	2021	2020	2019
Proportion of net pension liability %					
Proportionate share of net pension liability					
Covered employee payroll					
Proportionate share of net pension liability as a percentage of its covered employee payroll %					
Plan fiduciary net position as a percentage of total pension liability					

Note Disclosures:

Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to MPSERS which may differ from the statutorily required contributions

Change of Benefit Terms - there were no changes in 2017

Change of Assumptions - there were no changes in 2017

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available beginning with FYE June 30, 2014.

Bark River Harris Public Schools
Schedule of Bark River Harris Public School's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Fiscal Years (Amounts determined as of 6/30 of each year)

	2022	2021	2020	2019	2018
Statutory required OPEB contributions	\$ -	\$ -	\$ -	\$ -	\$ 6,456
OPEB contributions in relation to statutory required contributions *	-	-	-	-	6,456
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
School's covered payroll (OPEB)	\$ -	\$ -	\$ -	\$ -	\$ 3,424,303
OPEB contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.19%

	2027	2026	2025	2024	2023
Statutory required OPEB contributions					
OPEB contributions in relation to statutory required contributions *					
Contribution deficiency (excess)					
School's covered payroll (OPEB)					
OPEB contributions as a percentage of covered payroll					

Note Disclosures:

*Contributions in relation to statutorily required OPEB contributions are the contributions an employer actually made to the OPEB Plan, as distinct from the statutorily required contributions.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

Bark River Harris Public Schools
Schedule of Bark River Harris Public School's OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Reporting Fiscal Years (Amounts determined as of 9/30 of each year)

	2021	2020	2019	2018	2017
Proportion of net OPEB liability %		0	0	0	.000398%
Proportionate share of net OPEB liability	\$	-	\$	-	\$ 3,532,871
Covered employee payroll (OPEB) *	\$	-	\$	-	\$ 3,402,859
Proportionate share of net OPEB liability as a percentage of its covered employee payroll %		0.00%	0.00%	0.00%	103.82%
Plan fiduciary net position as a percentage of total OPEB liability		0.00%	0.00%	0.00%	36.39%

	2026	2025	2024	2023	2022
Proportion of net OPEB liability %					
Proportionate share of net OPEB liability					
Covered employee payroll (OPEB) *					
Proportionate share of net OPEB liability as a percentage of its covered employee payroll %					
Plan fiduciary net position as a percentage of total OPEB liability					

Note Disclosures:

* The employers covered payroll is defined by GASB No. 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68 and No. 73*, as payroll on which contributions to a pension are based; and by GASB No. 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of, (1) university payroll on which contributions to the plan are based or, (2) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

Bark River Harris Public Schools
Balance Sheet
Non-Major Governmental Funds
For the Year Ended
June 30, 2018

	Debt Retirement	Hot Lunch	Total
ASSETS			
Cash	\$ 28,398	\$ 3,483	\$ 31,881
Due from other Governmental units	-	2,774	2,774
Accounts receivable	-	829	829
Inventory	-	1,727	1,727
Prepaid expenditures	-	5,650	5,650
Total Assets	\$ 28,398	\$ 14,463	\$ 42,861
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND EQUITY			
Liabilities			
Accounts payable	\$ -	\$ 6,575	\$ 6,575
Due to other funds	-	1,699	1,699
Total Liabilities	-	8,274	8,274
Deferred Inflow of Resources			
Unavailable revenue	-	4,283	4,283
Fund Balances			
Non-Spendable:			
Inventory	-	1,727	1,727
Prepaid	-	5,650	5,650
Restricted	28,398	(5,471)	22,927
Total Fund Balances	28,398	1,906	30,304
Total Liabilities, Deferred Inflows of Resources and Fund Equity	\$ 28,398	\$ 14,463	\$ 42,861

Bark River Harris Public Schools
Statement of Revenue, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended
June 30, 2018

	Debt Retirement	Hot Lunch	Total
REVENUE			
Local sources	\$ 183,643	\$ 131,375	\$ 315,018
State sources	-	19,590	19,590
Federal sources	-	214,851	214,851
Total Revenue	<u>183,643</u>	<u>365,816</u>	<u>549,459</u>
EXPENDITURES			
Supporting service	-	391,349	391,349
Principal retirement	170,000	-	170,000
Interest	12,438	-	12,438
Capital outlay	-	2,735	2,735
Total Expenditures	<u>182,438</u>	<u>394,084</u>	<u>576,522</u>
Excess of Revenue (Expenditures)	1,205	(28,268)	(27,063)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	28,268	28,268
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>28,268</u>	<u>28,268</u>
Excess revenues and other resources over (under) expenditures and other uses	1,205	-	1,205
Fund Balance July 1	<u>27,193</u>	<u>1,906</u>	<u>29,099</u>
Fund Balance June 30	<u>\$ 28,398</u>	<u>\$ 1,906</u>	<u>\$ 30,304</u>

Bark River Harris Public Schools
Schedule of General Fund Revenue
For the Year Ended
June 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Budget		
LOCAL SOURCES				
General property tax levy			\$ 430,628	
Interest in investments			4,639	
Athletics			39,501	
Tuition			7,500	
Chip-in funds			108,227	
Miscellaneous			3,789	
Total Local Sources	499,358	587,467	594,284	6,817
STATE SOURCES				
State school aid			5,028,909	
Headlee			18,477	
Isolated district			49,333	
Student data MPSERS cost			565,403	
At Risk			292,369	
Special education			135,059	
Other			16,053	
Total State Sources	5,949,932	6,103,750	6,105,603	1,853
FEDERAL SOURCES				
Title I			112,179	
Title VI			10,000	
Indian education			25,891	
Impact aid			207,846	
Title II teacher quality			23,526	
Total Federal Sources	324,000	388,635	379,442	(9,193)
INTER-DISTRICT AND OTHER SOURCES				
School District - various programs			23,575	
Sale of School property			700	
	26,000	23,400	24,275	875
Total General Fund Revenue	\$ 6,799,290	\$ 7,103,252	\$ 7,103,604	\$ 352

Bark River Harris Public Schools
 Schedule of General Fund Expenditures
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Budget		
INSTRUCTION - BASIC				
Elementary				
Salaries				
Teacher			\$ 1,088,834	
Teacher aides			86,875	
Teacher substitute			5,590	
Severance pay			5,825	
Employee insurance			291,204	
Employee retirement			543,422	
FICA			84,356	
Workers compensation			797	
Supplies and materials			20,377	
Rental copier			3,902	
Textbooks			5,930	
Workshop and conferences			442	
Instructional services			27,355	
Dues and fees			400	
Miscellaneous			3,920	
Total Elementary	<u>2,193,829</u>	<u>2,216,002</u>	<u>2,169,229</u>	<u>46,773</u>
Jr. High School				
Salaries				
Teacher			283,860	
Teacher substitute			1,171	
Severance pay			19,800	
Workers compensation			106	
Employee insurance			67,898	
Employee retirement			171,394	
FICA			21,448	
Supplies and materials			7,517	
Instructional services			10,040	
Rental copier			2,178	
Miscellaneous			393	
Total Junior High	<u>612,875</u>	<u>600,139</u>	<u>585,805</u>	<u>14,334</u>
High School				
Salaries				
Teacher			613,542	
Teacher substitute/tutor			4,729	
Severance pay			2,543	
Employee insurance			116,548	
Employee retirement			302,604	
FICA			44,401	
Workshop and conferences			1,117	
Tuition - dual enrollment			69,502	
Supplies and materials			18,067	
Miscellaneous			1,684	
Instructional services			3,529	
Rental copier			2,178	
Dues and fees			11,873	
Workers compensation			235	
Band/music expense			6,133	
Total High School	<u>1,241,260</u>	<u>1,223,899</u>	<u>1,198,685</u>	<u>25,214</u>
Total Basic Programs	<u>\$ 4,047,964</u>	<u>\$ 4,040,040</u>	<u>\$ 3,953,719</u>	<u>\$ 86,321</u>

Bark River Harris Public Schools
 Schedule of General Fund Expenditures (Continued)
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Budget		
INSTRUCTION - ADDED NEEDS				
Career and Technology				
Salaries				
Teacher			\$ 1,800	
Employee retirement			487	
Employee insurance			1,287	
FICA			138	
Workers compensation			8	
Instructional services			8,848	
Total Career and Technology	54,250	12,719	12,568	151
Guidance Services				
Salaries				
Counseling wages			72,550	
Employee retirement			18,498	
Employee insurance			14,271	
FICA			4,960	
Workers compensation			109	
Total Guidance Services	111,582	111,582	110,388	1,194
Special Education				
Salaries				
Teacher			205,799	
Teacher aide			24,647	
Teacher substitute/tutor			3,114	
Severance pay			13,484	
Employee insurance			31,970	
Employee retirement			56,905	
FICA			14,928	
Workers compensation			358	
Instructional services			6,304	
Supplies and materials			750	
Total Special Education	342,627	365,577	358,259	7,318
Supervision and Direction of Instructional Staff				
GSRP Specialist			3,750	
Total Supervision and Direction of Instructional Staff	3,000	3,000	3,750	(750)
Speech Services				
Salaries			68,646	
Employee retirement			17,513	
Workers compensation			103	
Employee insurance			18,924	
Teaching supplies			240	
FICA			4,685	
Dues and fees			225	
Total Speech Services	111,242	111,046	110,336	710

Bark River Harris Public Schools
Schedule of General Fund Expenditures (Continued)
For the Year Ended
June 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Budget		
INSTRUCTION - ADDED NEEDS (CONTINUED)				
Ed Media Services				
Salaries				
Teacher aide wage			29,338	
Employee retirement			6,369	
FICA			2,153	
Insurance			2,191	
Workers comp			44	
Instructional services			659	
Supplies			827	
Dues and fees			2,212	
Total ED Media Services	46,364	43,450	43,793	(343)
Improvement of Instruction				
Salaries				
Teacher			3,500	
Employee retirement			890	
FICA			250	
Workers compensation			6	
Workshop and conferences			409	
Total Improvement of Instruction	10,388	9,660	5,055	4,605
Driver Education				
Salaries				
Teachers			136	
Employee retirement			33	
FICA			10	
Bus repairs and supplies			212	
Total Driver Education	10,835	391	391	-
Preschool				
Salaries				
Teachers			1,964	
Employee retirement			499	
FICA			140	
Workers compensation			3	
Workshop and conferences			240	
Supplies			209	
Instructional service			26,819	
Dues and fees			75	
Total Preschool	25,969	30,297	29,949	348
Compensatory Education				
Salaries				
Teacher			73,583	
Teacher aide			44,322	
Employee retirement			27,943	
Employee insurance			5,205	
Instructional services			1,284	
FICA			8,571	
Workers compensation			148	
Workshop and conferences			310	
Total Title I	135,739	164,427	161,366	3,061
Total Added Needs	851,996	852,149	835,855	16,294
TOTAL INSTRUCTION	\$ 4,899,960	\$ 4,892,189	\$ 4,789,574	\$ 102,615

Bark River Harris Public Schools
Schedule of General Fund Expenditures (Continued)
For the Year Ended
June 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Budget		
SUPPORTING SERVICES - GENERAL ADMINISTRATION				
Board of Education				
Audit			\$ 5,300	
Other professional contracts			18,823	
Dues and fees			2,464	
Advertising			12,003	
Workshop and conferences			75	
Legal expenses			5,809	
Miscellaneous			1,486	
Total Board of Education	52,300	52,875	45,960	6,915
Executive Administrative				
Salaries				
Superintendent			98,671	
Employee insurance			12,922	
Employee retirement			24,641	
FICA			7,146	
Workers compensation			149	
Workshop and conferences			3,928	
Office supplies			43	
Dues and fees			1,997	
Miscellaneous			1,310	
Total Executive Administrative	145,400	153,493	150,807	2,686
Other School Administrative				
Graduation expenses			2,952	
Total Other School Administrative	3,000	3,000	2,952	48
Fiscal Services				
Salaries				
Business manager			84,037	
Employee insurance			18,858	
Employee retirement			21,360	
FICA			5,823	
Workers compensation			76	
Workshop and conferences			268	
Office supplies			1,475	
Rental copier			1,285	
Dues and fees			903	
Total General Administration	137,940	137,700	134,085	3,615

Bark River Harris Public Schools
 Schedule of General Fund Expenditures (Continued)
 For the Year Ended
 June 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Budget		
SUPPORTING SERVICES - OFFICE OF PRINCIPAL				
Salaries				
Principal			178,664	
Secretarial			59,573	
FICA			16,609	
Employee insurance			71,350	
Employee retirement			59,926	
Workers compensation			466	
Workshop and conferences			2,029	
Other professional contracts			1,363	
Rental copier			1,606	
Office supplies			2,213	
Miscellaneous			68	
Dues and fees			1,180	
Total School Administration Services	357,039	399,669	395,047	4,622
SUPPORTING SERVICES - OPERATION AND MAINTENANCE				
Salaries				
Custodial			159,488	
Temporary wages			20,145	
Heating/gas			38,145	
Electrical			73,496	
Waste disposal			3,804	
Property liability insurance			17,969	
Repairs and maintenance bldg			42,245	
Telephone			6,053	
Postage			4,632	
Other supplies			28,465	
Miscellaneous			1,221	
Equipment repair			1,200	
Employee insurance			44,379	
FICA			12,562	
Employee retirement			43,640	
Workers compensation			905	
Total Operation and Maintenance	502,387	507,824	498,349	9,475
SUPPORTING SERVICES - ATHLETIC ACTIVITIES				
Salaries				
Coach			48,251	
Employee retirement			12,330	
FICA			3,575	
Workers compensation			90	
Pupil services			15,585	
Advertising			805	
Other supplies			25,928	
Dues and fees			4,419	
Workshop and conferences			136	
Athletic tournament			4,964	
Athletic awards			3,154	
Athletic driver meals			49	
Miscellaneous			272	
Total Athletic Activities	123,702	123,994	119,558	4,436

Bark River Harris Public Schools
Schedule of General Fund Expenditures (Continued)
For the Year Ended
June 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Budget		
SUPPORTING SERVICES - PUPIL TRANSPORTATION				
Salaries				
Bus driver			143,511	
Bus driver mechanic			46,327	
Temporary wages			6,425	
Overtime salaries			493	
Bus contracted services			20,000	
Workshops and conferences			661	
Vehicle repairs and parts			33,564	
Dues and fees			1,140	
Other transport supplies			576	
Gasoline, oil and tires			54,927	
Fleet insurance			6,525	
Trans radio			3,801	
Employee insurance			29,781	
FICA			13,126	
Employee retirement			44,605	
Workers compensation			1,307	
Total Pupil Transportation	438,375	432,879	406,769	26,110
SUPPORTING SERVICES - NON-INSTRUCTIONAL PROF DEVELOPMENT				
Workshops			201	
Total Non-Instructional Professional Development	2,303	1,720	201	1,519
SUPPORTING SERVICES - INTERMEDIATE SCHOOL SERVICES				
Alternative and vocational			20,125	
General services			17,073	
Total Intermediate School Services	30,000	37,198	37,198	
SUPPORTING SERVICES - INFORMATION				
Salaries				
Technology			67,191	
Copyright fee & software license			27,055	
Data processing			3,780	
Total Information	102,000	101,780	98,026	3,754
Total Supporting Services	1,894,446	1,952,132	1,888,952	63,180
OTHER				
Implements and equipment			84,557	
Equipment			225,151	
Transfer hot lunch			28,268	
Capital lease			81,940	
Total Other	83,106	364,043	419,916	(55,873)
TOTAL GENERAL FUND EXPENDITURES	\$ 6,877,512	\$ 7,208,364	\$ 7,098,442	\$ 109,922

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

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying Schedule of Findings and Responses as items 2018-001 and 2018-002 that we consider to be a significant deficiency.

Compliance and other Matters

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

School's Response to Findings

Bark River Harris Public School's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit Bark River Harris Public School's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

This report is intended for the information and use of the Board of Education, management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Johnson & Rennie, LLC
Menominee, Michigan
September 10, 2018

Bark River Harris Public Schools

Schedule of Findings and Responses For the Year Ended June 30, 2018

#2018-001 - Ability to Prepare Financial Statements and Related Note Disclosures

Criteria: Local units of Government are required to possess the ability to prepare its financial statements and related disclosures in accordance with generally accepted accounting principles.

Condition: Like other local units of Government of similar size, limited financial summaries and abbreviated financial statements are made available for the Members of the Board. The School District relies on its auditor to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Members of the Board review and accept the financial statements on behalf of the School District.

Cause: The School District does not have staff familiar enough with accounting standards to be able to draft the School District's financial statements and related footnotes.

Recommendation: The hiring of additional personnel to prepare the financial statements would not be cost effective. Members of the Board should remain involved in the financial reporting process to provide oversight and independent review functions.

Response: The School District agrees and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.

#2018-002 – Segregation of Duties

Criteria: Local units of Government including School Districts, are required to have a segregation of duties among its accounting department staff in accordance with sound accounting principles.

Condition: As in prior years it was noted that the School District has a lack of segregation of duties. One person handles almost all phases of the accounting and reporting of the School District's finances due to the small number of staff.

Cause: It has been determined not to be cost effective to hire more staff to help eliminate this lack of segregation.

Effect: The effect of this is minimal as the lack of segregation was mitigated by the Superintendent's supervision and the active oversight of the Board.

Recommendation: Although the size of the School District makes complete segregation of duties impossible, we again recommend that the accounting functions be reviewed by management on a regular basis and that the duties be periodically rotated between the staff.

Managements Response: The School District is in the process of cross training accounting staff and duties will be rotated in the absence of accounting personnel. Management will continue to closely monitor the accounting functions.

Bark River Harris Public Schools

Schedule of Prior Year Findings and Responses
For the Year Ended June 30, 2018

#2017-001 - Ability to Prepare Financial Statements and Related Note Disclosures

Criteria: Local units of Government are required to possess the ability to prepare its financial statements and related disclosures in accordance with generally accepted accounting principles.

Condition: Like other local units of Government of similar size, limited financial summaries and abbreviated financial statements are made available for the Members of the Board. The School District relies on its auditor to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Members of the Board review and accept the financial statements on behalf of the School District.

Cause: The School District does not have staff familiar enough with accounting standards to be able to draft the School District's financial statements and related footnotes.

Recommendation: The hiring of additional personnel to prepare the financial statements would not be cost effective. Members of the Board should remain involved in the financial reporting process to provide oversight and independent review functions.

Response: The School District agrees and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.

#2017-002 – Segregation of Duties

Criteria: Local units of Government including School Districts, are required to have a segregation of duties among its accounting department staff in accordance with sound accounting principles.

Condition: As in prior years it was noted that the School District has a lack of segregation of duties. One person handles almost all phases of the accounting and reporting of the School District's finances due to the small number of staff.

Cause: It has been determined not to be cost effective to hire more staff to help eliminate this lack of segregation.

Effect: The effect of this is minimal as the lack of segregation was mitigated by the Superintendent's supervision and the active oversight of the Board.

Recommendation: Although the size of the School District makes complete segregation of duties impossible, we again recommend that the accounting functions be reviewed by management on a regular basis and that the duties be periodically rotated between the staff.

Managements Response: The School District is in the process of cross training accounting staff and duties will be rotated in the absence of accounting personnel. Management will continue to closely monitor the accounting functions.