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**BLISSFIELD COMMUNITY SCHOOLS**

**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and**  
**additional supplementary information)**

**YEAR ENDED JUNE 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Blissfield Community Schools

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blissfield Community Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Blissfield Community Schools' 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*, issue by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Blissfield Community Schools as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Blissfield Community Schools basic financial statements. The additional supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The additional supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 additional supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2019 on our consideration of Blissfield Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Blissfield Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Blissfield Community Schools' internal control over financial reporting and compliance.

*Manes Costeiran PC*

October 11, 2019

# BLISSFIELD COMMUNITY SCHOOLS

## MANAGEMENT'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2019

Blissfield Community Schools is a K-12 school district located in Lenawee County, Michigan. The Management's Discussion and Analysis is intended to be an overview of the financial activities for the fiscal year ended June 30, 2019. This reporting model provides detailed explanation of specific items included in the financial statements. A comparative analysis of fiscal year ended June 30, 2019 to the prior year has been included in this discussion.

Generally Accepted Accounting Principles (GAAP) requires the reporting of two types of financial statements: Government Wide Financial Statements and Fund Financial Statements. The presentation of these Financial Statements now reflect the direction of GASB 34 which requires that fund balances be defined in one of five separate categories (Nonspendable, Restricted, Committed, Assigned and Unassigned) so that any constraints placed on a government's fund balances are more transparent and better understood by the reader.

### Reporting the District as a Whole

#### The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The *Government-Wide Statement of Net Position and the Statement of Activities* report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the District using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid. These statements reflect an aggregate view of the District's finances for the fiscal year.

These statements report the District's net position, which is the difference between assets and liabilities, and changes in them. The change in net position provides the reader a tool to assist in determining the District's financial health. Over time, increases or decreases in the School District's net position - as reported in the Statement of Activities - are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided, the safety of the schools, student enrollment, and facility conditions to assess the overall health of the District.

The Statement of Net Position and Statement of Activities report the government-wide activities for the District (or the district as a whole), which encompass all of the District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

#### Fund Financial Statements

The School District's fund financial statements (governmental funds) provide detailed information about the most significant funds - not the School District as a whole. In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Service Funds, Capital Project Funds, and Special Revenue Funds. The fund financial statements are reported on a modified accrual basis, as opposed to the full accrual basis of the Statement of Net Position and Statement of Activities; and are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." Only those revenues that are "measurable" and "currently available" are reported when using the modified accrual basis. Currently available is considered collected within 60 days of the end of the current fiscal period. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. The fund financial statement provides a detailed short-term view of the District's general operations and the basic services it provides. These fund statements help you determine whether there are financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between government-wide activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

# BLISSFIELD COMMUNITY SCHOOLS

## MANAGEMENT'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2019

### Fund Financial Statements - Continued

For the period ending June 30, 2019, the District utilized the General Fund and the Capital Project Fund for reporting operational and capital improvements. The other major fund the District reports on is the Qualified School Construction Bond Fund (QSCB), a fund that resulted from the purchase of bonds under the American Recovery and Reinvestment Act (ARRA) of 2010. The ARRA QSCB program was designed to provide for entities that purchase the bonds to receive federal income tax credits in lieu of interest payments on the bonds, ideally making them interest free loans for the schools or school districts that issue the bonds. The bond issuers (the District) must repay the principal of the bond. The interest payments were intended to be made by the federal government in the form of tax credits to the bondholder. However, the federal government began a sequestration of a portion of the federal interest subsidy (approximately 8.7%) in 2013. As a result, beginning in the 2013-2014 fiscal year, the District's General Fund became liable for the interest cost remaining after the now smaller portion of Federal interest subsidy was received. The District was required to pay an additional \$22,613 in 2018-2019 in interest cost due to the sequestration. If the sequester continues, a similar interest cost will be paid this next 2019/2020 fiscal year, which is the final year of the QSCB. The final payment of this 10-year bond is May 1, 2020.

QSCB Bond principal payments are made into a restricted account, technically owned by the issuing school district and accumulated through the repayment period with the actual principal payment made to the bondholder at the expiration of the bond investment period in one lump sum. The issuing district may also earn interest on the restricted principal repayment account throughout the 10-year accumulation period, resulting in even greater likelihood that the interest cost to the issuing district could be near 0%. Interest earnings from the growing balance in this restricted account resulted in a reduction of \$80,000 in the required principal payment on May 1, 2019! The Federal Sequestration has continued to reduce interest subsidies resulting in additional interest cost for the District than what was originally expected with this QSCB. The District sold ARRA QSCB bonds totaling \$5,000,000 in 2010.

The district reports the following three Special Revenue and Capital Project Funds (non-major funds): the School Lunch Fund, the Education Legacy Fund and the Capital Project Sinking Fund. The School Lunch Fund reports the food service activities and the Education Legacy Fund reports the balance of funds donated to the district to be used for educational enhancement purchases. The Capital Project Sinking Fund reports the tax levy income from the district's 1.7479 mill sinking fund and any capital expenditures or payments out of this fund. Combining totals of all of these funds, with the exception of the fiduciary fund (Student Loan Fund and student activities accounts) are included in the Government-Wide Statement of Net Position and Government-Wide Statement of Activities.

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

### The District as a Whole

As discussed above, the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's Net Position as of June 30, 2019. The School District's unrestricted net position was \$4,398,642 at June 30, 2019, excluding the GASB 68 (net pension liability) and GASB 75 (net OBEB liability) effects. Capital assets, net of related debt totaling \$2,759,606 compares the original cost, less depreciation of the District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid with the voter-approved sinking fund tax revenue through the Qualified School Construction Bond program explained in more detail above. This debt will be paid off in May 2020.

The District had an unrestricted net position represents the accumulated results of all past year's operations. Restricted funds are reported separately because the School District is limited in their ability to use these funds for day-to-day operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

# BLISSFIELD COMMUNITY SCHOOLS

## MANAGEMENT'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2019

### GASB 68 - Net Pension Liability

GASB Statement No. 68 requires all Michigan school districts to record their proportionate share of the state's net pension liability, on their government-wide statements. The details of the GASB 68 requirement and how this figure was calculated is covered in more detail in the footnotes of this audit report. However, the net pension liability that must be recorded in the government-wide statements for Blissfield Community Schools is \$16,187,627. This figure drastically changed the statements for the District, putting them into a negative net position of (\$5,582,762). This is an estimated liability figure as it is calculated in part based on annual investment earnings. Dependent on market activity, this figure could increase or decrease every year.

### GASB 75 - Net OPEB Liability

GASB Statement No. 75 requires all Michigan school districts to record their proportionate share of the state's net Other Post Employment Benefit Liability (retiree health) on their government-wide statements. The details of the GASB 75 requirement and how this figure was calculated is covered in more detail in the footnotes of this audit report. However, the net OPEB liability that must be recorded in the government-wide statements for Blissfield Community Schools is \$4,205,368. This figure, along with the larger GASB 68 figure, drastically changed the statements for the District, putting them into a negative net position of (\$5,582,762). This is an estimated liability figure as it is calculated in part based on annual investment earnings. Dependent on market activity, this figure could increase or decrease every year.

The GASB 68 and GASB 75 effect are included in the statements below.

TABLE 1

|                                  | <u>Statement of Net Position</u> |                      |
|----------------------------------|----------------------------------|----------------------|
|                                  | <u>June 30, 2019</u>             | <u>June 30, 2018</u> |
| Assets                           |                                  |                      |
| Current and other assets         | \$8,276,733                      | \$7,520,482          |
| Noncurrent Assets                | 10,217,090                       | 10,615,431           |
| Total Assets                     | 18,493,823                       | 18,135,913           |
| Deferred Outflows of Resources   | 6,054,900                        | 3,565,780            |
| Liabilities                      |                                  |                      |
| Current Liabilities              | 6,516,634                        | 1,610,138            |
| Noncurrent Liabilities           | 20,392,995                       | 24,050,186           |
| Total Liabilities                | 26,909,629                       | 25,660,324           |
| Deferred Inflows of Resources    | 3,221,856                        | 1,911,284            |
| Net Position                     |                                  |                      |
| Net Investment in Capital Assets | 2,759,606                        | 3,160,662            |
| Restricted                       | 4,818,941                        | 4,155,210            |
| Unrestricted                     | (13,161,309)                     | (13,185,787)         |
| Total Net Position               | (\$5,582,762)                    | (\$5,869,915)        |

\*Noncurrent Liability balance reflects \$16,187,627 and \$14,200,256 in recorded net pension liability for 2019 and 2018, respectively; as well as \$4,205,368 and \$4,855,360 in recorded net OPEB liability for 2019 and 2018 respectively. These figures are required by GASB 68 and GASB 75.

# BLISSFIELD COMMUNITY SCHOOLS

## MANAGEMENT'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2019

### GASB 68 - Net Pension Liability and GASB 75 - Net OPEB Liability - Continued

TABLE 2

For the fiscal year ended June 30, 2019, the District wide results of operations as compared to June 30, 2018, were:

|                                      | <u>Year Ended</u>    |                      |
|--------------------------------------|----------------------|----------------------|
|                                      | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
| Revenues                             |                      |                      |
| Program Revenues:                    |                      |                      |
| Charges for services                 | \$239,515            | \$264,151            |
| Operating grants and contributions   | \$3,153,697          | 3,150,320            |
| General Revenues:                    |                      |                      |
| Property Taxes                       | \$1,422,295          | 1,419,838            |
| State foundation allowance           | \$8,297,321          | 7,817,207            |
| Other                                | \$198,795            | 101,375              |
| Total Revenues                       | <u>13,311,623</u>    | <u>12,752,891</u>    |
| Functions/Program Expenses           |                      |                      |
| Instruction                          | \$7,265,320          | \$7,289,005          |
| Support Services                     | \$3,833,853          | 3,489,350            |
| Food Service                         | \$464,278            | 458,079              |
| Athletics                            | \$376,031            | 327,408              |
| Community service                    | \$8,438              | 4,161                |
| Interest and costs on long-term debt | \$277,715            | 277,715              |
| Depreciation                         | \$798,835            | 790,454              |
| Total Expenses                       | <u>13,024,470</u>    | <u>12,636,172</u>    |
| Increase in Net Position             | <u>\$287,153</u>     | <u>\$116,720</u>     |

As shown in Table 2 above, the cost of all of *the District activities as a whole* this year was \$13,024,470. The change in net position for the year was an increase of \$287,153. Certain activities during the year received partial funding from those who benefited from the programs, or by other grants or categorical. The remaining costs were paid by a combination of the \$1,422,295 in levied property taxes and \$8,297,321 in unrestricted state aid, along with other additional revenue such as interest and miscellaneous contributions.

The net position in the chart above shows the financial burden that is placed on the state aid and the District's taxpayers by each of these functions. The majority of the District's revenue comes from property taxes and the unrestricted State aid, based on student enrollment. The Board of Education and Administration of the District must constantly evaluate the needs of the District to provide a high quality educational program in a highly competitive school of choice market, with the State-prescribed revenue available to the District.



# BLISSFIELD COMMUNITY SCHOOLS

## MANAGEMENT'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2019

### Analysis of Financial Position

During the fiscal year ended June 30, 2019 the District's total governmental activities had a combined fund balance of \$9,298,144, an increase of \$847,931 from last year's combined fund balance. This combined fund balance consists of the District's major funds: General Fund and the Debt Service Fund; and the District's Non-Major Funds - the School Lunch Fund, the Education Legacy Fund, and the Capital Projects Fund.

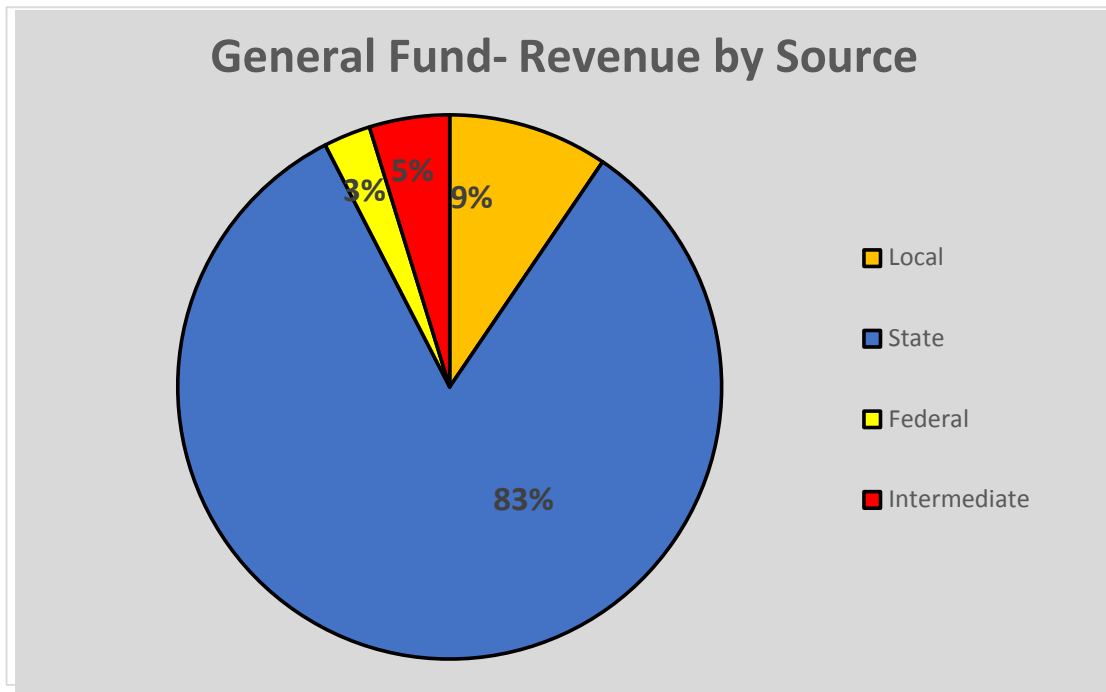
- In the General Fund, which is the District's principal operating fund, the fund balance increased by \$212,141 and had an ending fund balance of \$4,299,184, or 36.99% of expenditures. Of this balance, \$1,049,477 were designated as board committed funds (\$1,000,000 for capital expenditures and \$49,477 for athletic expenditures) and are therefore not available for general education operations. In addition, \$320 were Nonspendable Funds (prepaid expenses) and \$42,826 were Assigned Funds to cover the 2019/2020 fiscal year budget shortage. With these nonspendable, assigned, and committed funds excluded, the District's **Unassigned Fund Balance** is \$3,206,561 or 27.59%.
- The Debt Service Fund increased by \$595,744 showing an ending fund balance at 6/30/2019 of \$4,534,625. This fund balance is being set aside in a restricted account for the payment of the \$5,000,000 School Qualified Construction Bond, due in May 2020 at the end of the bond investment period. The funds being set aside for the bond payment comes from the District's Capital Project Sinking Fund millage of 1.7479 mills. This sinking fund levy has been approved by voters through June 2020.
- The Capital Project Sinking Fund increased by \$67,987 this past fiscal year, showing an ending fund balance of \$284,316. Of the \$509,198 brought in by this 1.7479 mill levy, \$470,000 was transferred to the Debt Service Fund for the set aside bond payment of the \$5,000,000 School Qualified Construction Bond.
- The District's Food Service Fund had an alarming decrease of \$31,448 for the year. While the total revenue brought in from meal sales and federal and state reimbursements remained almost constant compared to last year's total, the district's expenditures were up \$10,715 compared to last year. The districts food program expenses has been exceeding its revenue over the last few years, creating a steady reduction in its fund balance. This year's increase in expenditures just increased this fund balance decrease. These additional expenditures can be attributed to older equipment that needed numerous repairs this past year, as well as new computers in each of the three kitchens. The administration is very concerned with the low ending fund balance for the year is \$7,500. Changes this coming year have already been made to reduce costs this coming year, including labor costs. This will continue to be watched very closely.

District management believes the General Fund balance should be protected at approximately 25% of total expenditures in order to ensure effective ongoing educational operations. Over the last few years, the enrollment has been growing which is exciting for the district. The fund balance has grown along with the enrollment.

Conservative spending, some retirements and a leveling enrollment figure over the last 5 years have all helped with this achievement. The District's fund balance (excluding committed, nonspendable and assigned funds) at 6/30/19 climbed to 27.59%, a very positive change for the District. Enrollment for the coming fiscal year is continuing to look strong, another encouraging factor for the district financially. With revenue so closely tied to the number of students, our enrollment will continue to be a significant factor affecting the District's fund balance.

# BLISSFIELD COMMUNITY SCHOOLS

## MANAGEMENT'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2019



### Revenues

As illustrated in the above graph, the State of Michigan is the primary source of funds for the District. The State provides districts with a per pupil foundation grant, which is used for the overall operation of the district. During the 2018-2019 fiscal year, the District received \$7,871 per pupil. In addition to this per pupil funding, the State also provides other grants and categorical grants that are restricted to specific purposes. Property taxes collected on non-residential homes are received by the District and are included in Local Sources. Federal funds are restricted for specific purposes. Intermediate funds are primarily received from the Intermediate School District.

### Foundation Allowance (State Aid)

The per pupil foundation allowance received is based on student enrollment. Enrollment is measured on two count days; the first Wednesday in October and the second Wednesday in February. The October count is weighted at 90% and the February count is weighted at 10%.

As stated earlier, Blissfield Community Schools had been experiencing an enrollment decline over the last 15 years. However, over the past few fiscal years we have seen an increase in our enrollment and we are up by about 15 students compared to 4 years ago. Our district enrollment has currently averaged out to around 1,200. Student enrollment, and the per-student funding that comes with that, is a very important piece of the district's budget. As you can see in the chart above, 83% of the District's revenue comes from the state, with much of that in the form of per-pupil funding. Therefore, the past enrollment decline has been a huge concern for the District Board and management and the increase over the last few years is encouraging news! The District has been extremely careful and cautious with budget planning, spending and negotiations and this diligence to our spending/budget has resulted in the maintenance of a very healthy general fund balance. The District had a gain of \$212,141 to the fund balance in the 2018/2019 fiscal year.

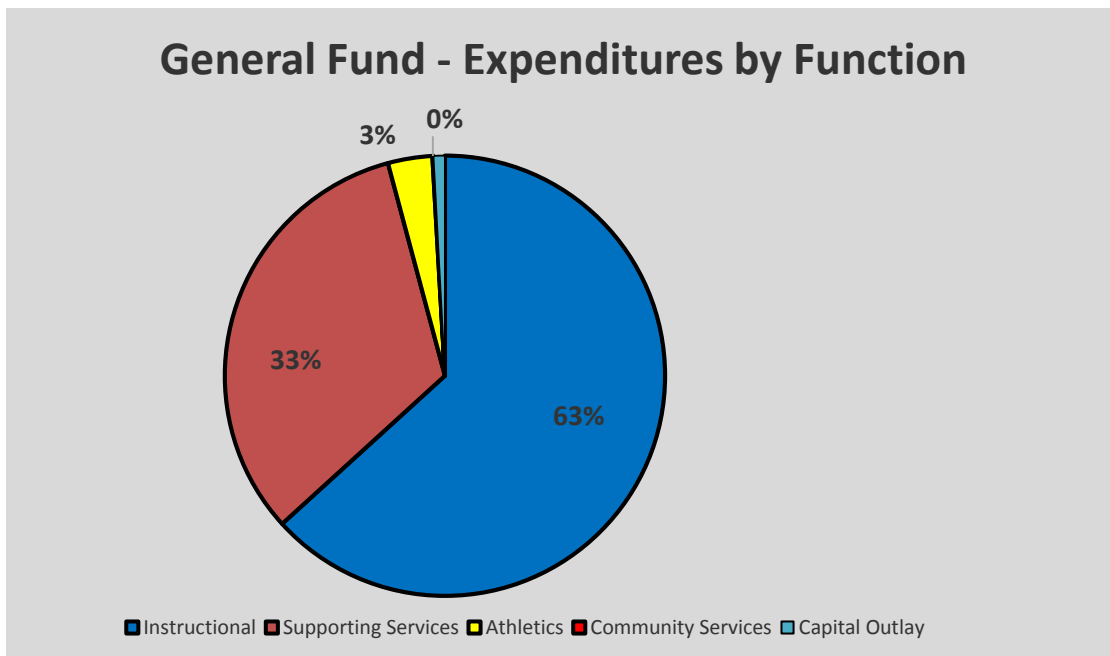
The overall preliminary enrollment numbers for the coming 2019/2020 school year continue to look strong. This is positive news for the District as this is showing a possible strong enrollment growth.

# BLISSFIELD COMMUNITY SCHOOLS

## MANAGEMENT'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2019

### Expenses

As illustrated in the graph below, a majority of the District's expenditures is in instructional services and the second highest area in the various functions that support the instructional staff. Within these functions, most of the expenditures are incurred for employee compensation and benefits.



The District is one-year into a three-year agreement with the Blissfield Education Association (the teachers' union). This 3 year contract will take the district through June 30, 2021. Blissfield Community Schools continues to be a leader in the State in its elimination of the old step salary system - replacing it with a new, leading edge performance-based compensation system. This system is based on a combination of compensation caps (based on degree earned) and annual performance-based compensation units based on annual individual evaluations. All staff members are able to strive to personally receive above and beyond compensation for exceptional performance in various identified areas. This new system has been in place since 2013 and continues to work very well for the District.

This past year the District had to replace a few retired teachers, along with teachers leaving for teaching positions in other districts, with new hires. The same thing is taking place for this coming year. The District does save financially through attrition as new hires replace staff members at top of salary scale. However, with the increasing shortage of teachers, the competition for teachers is increasing. Many districts in the area still have open positions for the current school year that they have not been able to fill. Competitive salary and benefit packages will become increasingly more important to both attract and retain teachers.

The rise of health insurance costs for the district has slowed. The District is a member of the Lenawee County Health Consortium that has helped to contain these cost increases. The 2018/2019 fiscal year saw a rate increase near 6%. Rates for this coming 2019-2020 school year actually went down by 2.7%!! The District cost of medical coverage is controlled by a hard cap amount set by the State of Michigan. Since medical premium rates are now at or above this hard cap amount, the cost increase to the District is limited to the annual increase to this hard cap amount that generally ranges between 3 and 3.5% annually. Because of the hard cap, most of the annual premium increases are born solely by the employee with the District seeing only the small cost increase from the hard cap increase. Rate decreases will likewise have a favorable effect on employees. The Lenawee County Health Consortium continues to bid out health coverage to seek the best options for the County District employees.

# BLISSFIELD COMMUNITY SCHOOLS

## MANAGEMENT'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2019

### Expenses - Continued

Contributions to the Michigan Public School Employee' Retirement System (MPSERS) for fiscal year 2019 were anywhere between 25 - 28%, depending on the employee's retirement plan. The state legislature has taken action to reduce the cost effect of increasing rates by using state funds to stabilize these rates. While this controls our retirement costs, it also uses state funds that could have otherwise been used for revenue increases. Even with these efforts, the fact remains that for each payroll dollar paid, an additional 25 cents or more is paid to the retirement system.

Along with the normal maintenance repair costs consisting of the sealcoating of the District's driveways and parking lots, some concrete work and some electrical and lighting upgrades, the district began a few major building and equipment upgrades during the 2018/19 fiscal year. The district is upgrading its security cameras district-wide and this purchase of \$151,315 was made in June 2019, with the installation to continue over the summer. Boiler repairs, tree removal and fence work were also additional maintenance costs this past fiscal year. The fire alarm upgrade in the high school building was completed this past fiscal year for a total cost of \$50,331. Major electrical and air conditioning upgrades in both the high school and elementary gym will begin in July 2019. Two new buses were purchased in 2018/19, as well as a new truck/plow. Compared to the prior year, fuel costs decreased by almost \$11,000 and utility/energy costs increased slightly by \$6,000.

The Food Service fund lost money again this past year, with expenditures exceeding revenue by \$31,448! Cooler and other equipment repairs amounting to \$16,192 and the \$6,985 replacement cost of the cafeteria computers made up a good portion of this overage. However, the continual decline in the Food Service fund balance is a big concern for the district. The trend these past few years has been students choosing to not participate in the school lunch program. Because of this and increased costs of labor and food supplies, the district's food service program has been consistently dipping into its fund balance. District administration will be watching this fund closely and has already made changes in staffing in an attempt to reduce costs. The Food Service fund balance at 6/30/2019 was \$7,500.

The District remains financially solid and healthy. Cost sharing measures over the last several years and a board that strives to be both financially responsible while investing in the district's programs and facilities, are behind this financial stability. These cost saving measures over the last several years include cooperative service agreements - sharing of the transportation/maintenance supervisor with other area schools and contracting with the District's Intermediate School District for its business office and finance oversight. The District also employs many of its support staff employees through 3<sup>rd</sup> party contractors, saving the District in benefit costs. The district finished the 2018/19 fiscal year strong, with the overall net result of an increase in General Fund fund balance of \$212,141.

### General Fund and Special Revenue Fund Operations

The District's revenues from General Fund operations exceeded expenses by \$212,141 for the fiscal year ended June 30, 2019. The District management was very pleased to end the year with another fund balance increase. At the end of the fiscal year, the fund balance for the School District's General Fund was \$4,299,184 or 36.99%. Of this fund balance, 1,049,477 has been committed by the board of education for capital projects and \$320 is considered nonspendable. In addition, \$42,826 of the final fund balance has been assigned to cover the 2019/2020 fiscal year budget deficit. Excluding these committed, assigned and nonspendable costs, the District has a final unassigned fund balance of \$3,206,561 or 27.59%.

Revenues and expenses for the District's athletic program are combined with the General Fund at the end of the fiscal year. The School District's General Fund supports the athletic program every year. In 2018/2019, the General Fund contributed funds of \$376,031 towards coaching salaries, benefits and other athletic costs. The District charges a participation fee for athletic students to help offset the cost to the district.

# BLISSFIELD COMMUNITY SCHOOLS

## MANAGEMENT'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2019

### General Fund and Special Revenue Fund Operations - Continued

Despite another large decrease in its fund balance this past year, the Lunch Fund (Food Service program) still maintains a small positive fund balance of \$7,500 at 6/30/2019. For 2018/2019, the Lunch Fund operating expenses did exceed revenue by \$31,448. Of this decrease, \$23,177 can be attributed to the combined one-time costs of computer upgrades and equipment/cooler repairs within our food service department. Even taking these costs into account, our revenue/food sales still did not exceed expenses for the year. As mentioned earlier, the rising food and labor costs along with the recent year's trend for district students to not participate in the school lunch program, is taking its toll on our fund balance. The District's food and milk sales to students and adults amounted to \$163,294 for the fiscal year, down from last year by another \$9,322. Over the last three years, district food sales have decreased by almost \$39,000! This decrease, along with the federal reimbursement dollars that come with each reimbursable meal sale, has had a significant effect on the Lunch Fund fund balance. Efforts are being made for the 2019/2020 school year to reduce labor costs and increase sales in hopes of maintaining a positive fund balance for the 6/30/2020 year-end.

### Long-Term Bonded Debt

The District has a Capital Project Sinking Fund levy of 1.7479 mills that brings in approximately \$509,000 annually. Another \$36,404 in revenue was brought in thru the State of Michigan's 2019 Property Tax Stabilization reimbursement. This fund is restricted to capital improvement activity only and cannot be used toward the general operations of the District. At the current time, the Capital Project Fund has been designated by the Board of Education to provide principal repayment of the current long-term debt of \$5,000,000, a Qualified School Construction Bond that was purchased under the 2010 QSCB Bond program. If the Capital Project Sinking Fund should fall short of providing adequate cash to make annual principal and interest payments, the General Fund will be required to fund the remainder of the payment. The Board of Education has acted to commit \$1,000,000 of the General Fund balance for the purpose of capital improvements. The district currently estimates that \$428,000 of these committed funds will need to be used to repay the QSCB Bond which is due in May 2020. For the 2018/19 fiscal year, \$470,000 was transferred into the Debt Service Fund from the sinking fund revenues, out of a total annual levy revenue of \$545,000. This levy was approved by district voters through June 2020. The district will be asking their voters to renew this 10 year sinking fund millage in November 2019.

At the end of this year, the District had a total long-term debt from the 2010 QSCB Bond for \$5,000,000. This 10-year bond is due in May 2020. Of this total principal balance, the outstanding balance at 6/30/2019 was \$570,000. Other obligations include employee-compensated absences and retirement incentives. We present information that is more detailed about our long-term liabilities in the notes to the financial statements.

### Net Investment in Capital Assets

At the end of fiscal year 2019, the School District had \$21,718,964 invested in land and buildings, furniture and equipment, and vehicles and buses. Of this amount, \$13,962,073 in depreciation and amortization have been taken over the years. Our capital assets currently have a net book value of \$7,756,891.

|  | Balance<br>June 30, 2018 | Additions    | Deletions | Balance<br>June 30, 2019 |
|--|--------------------------|--------------|-----------|--------------------------|
| Capital assets                                     | \$ 21,318,470            | \$ 400,494   | \$ -      | \$ 21,718,964            |
| Less: Accumulated depreciation<br>and amortization | (13,163,238)             | (798,835)    | -         | (13,962,073)             |
| Net investment capital outlay                      | \$ 8,155,232             | \$ (398,341) | \$ -      | \$ 7,756,891             |

# BLISSFIELD COMMUNITY SCHOOLS

## MANAGEMENT'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2019

### Economic Factors, Enrollment and Budget Comparisons

The two main factors affecting the School District's revenue picture during the 2018-2019 fiscal year, and any fiscal year, were the State Foundation Allowance and Student Enrollment. Another important revenue factor is the Property Tax levied for General Operations on the District's non-homestead property value. These three revenue areas, and the effect they had on the District's fiscal year ended 2019, are explained in more detail below.

### State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 90 percent of current year's fall count and 10 percent of prior year's winter count
- c. The District's non-homestead levy

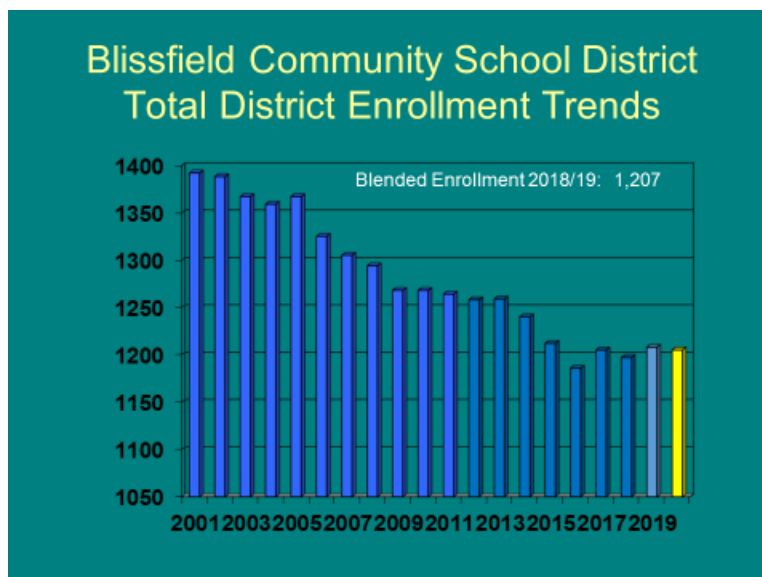
### Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. For the 2018-2019 fiscal year, the Blissfield Community Schools' foundation allowance was \$7,871, an increase of \$240 per student from the prior year. This increase was the result of a minimum foundation increase approved as part of the 2018/19 School Aid Budget.

Blissfield Community Schools is at the minimum funding level. The state legislature also funds the MPSERS Cost Offset in which state funds are allocated towards the rising retirement costs. An additional \$112,670 was gained from this funding source. In addition, the District receives additional state aid money of \$167,289 to help offset the Renaissance Zone tax break in Blissfield.

### Student Enrollment:

The District's student enrollment for the fall count of 2018-19 was 1,208 students (blended enrollment of 1,207). As discussed previously, the School District has experienced a decline in enrollment over the last 17 years. Although we have started to level off and increase slightly, in September 2001 the enrollment was close to 1,400, which shows an overall decrease of almost 200 students. The following summarizes fall student enrollments in the past eighteen years:



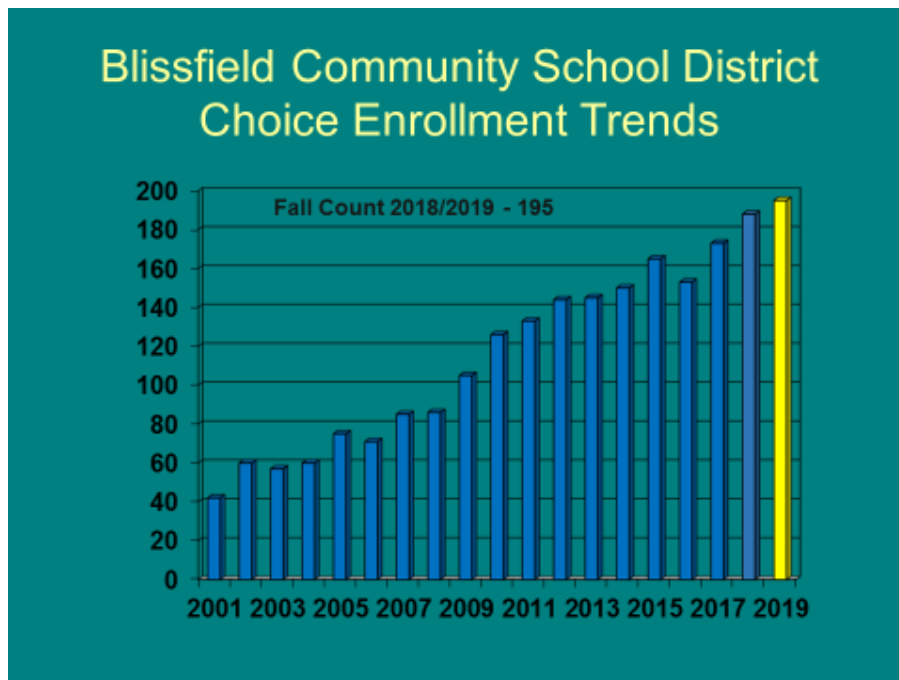
# BLISSFIELD COMMUNITY SCHOOLS

## MANAGEMENT'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2019

### Student Enrollment - Continued:

The budgeted enrollment figure of 1,205 for the 2019-2020 school year show a budgeted freeze in enrollment. Preliminary counts at this time show the district coming in close to budget.

The District's school of choice enrollment has continued to grow, as can be seen in the chart below, showing that the District continues to be a sought-after school system. In the 2018-2019 school year, 195 students from other county school districts were enrolled at Blissfield Schools. This amounts to 16% of the District's total enrollment in 2018-2019.



### Property Taxes levied for General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on non-homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable increase in property value is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. The District voters approved the renewal of this millage in the November 2017 election. The current 18 mill levy expires with the December 2023 levy.

The District's non-homestead property revenue for the 2018-19 fiscal year was \$914,129.

# BLISSFIELD COMMUNITY SCHOOLS

## MANAGEMENT'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2019

### General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The General Fund budget was amended during the year as financial information regarding state and federal funding became known. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in Budgetary Comparison Schedule included with the basic financial statements. Changes to the General Fund's budget were as follows:

- The final amended revenue budget was larger than originally budgeted by \$1,005,858, with most of this increase being the large change from our projected budget in state revenues. The District's original budget was based on a student count of 1,189 and our actual final count was 1,208, which increased our revenue by \$149,500.

Another main change in these revenue dollars was the UAAL Rate Stabilization dollars that made up \$582,812 of this increase in state revenue funds. This revenue source was not budgeted initially as this state aid allocation is both received as state aid (credited as revenue on our books) and then expensed on the books the same period as it is paid back to ORS. The District handles this in and out of state funds by including this amount as both revenue and expense budget adjustments in the final amendment of the year.

Prior period revenue amounting to \$154,980 was received during the fiscal year that was not included in the original budget. This revenue was from a combination of \$82,022 in prior year state adjustments and tax revenue; and \$72,957 in IRS FICA tax refunds.

The final interest revenue budget was larger than the original by \$36,500 and Special education funding from the district's ISD was larger than originally budgeted by \$74,000.

The District overall was under budget in General Fund revenue dollars by \$22,346. This difference was due to underspending the district's grant allocations (state and federal grants) and shifting these carry-over funds to next fiscal year.

- The final expenditure budget was higher than the initial expense budget by \$684,836. As was the case in the budgeted revenue change, UAAL expenditures accounted for an additional \$582,812 in expenses not originally budgeted (offset by the same amount in UAAL revenue described above). Other changes were due to staff changes (resignations and rehires) late in the summer that reduced overall salary/benefit costs as well as underspending the state and federal grant allocations. As indicated above, these unspent grant funds are carried-over into next fiscal year. The District was overall under budget in General Fund expenditures by \$70,320.

Management follows a budgetary practice of conservative budget estimating in order to guide decisions that will control expenditures related to expected revenues. Unexpected expenditures can occur at any time. Over the last 9 years, a good portion of the capital improvement funding from the Capital Project Sinking Fund has been committed to paying off the 10 year Qualified School Construction Bond (QSCB). Because of this, the management has desired to maintain financial reserves at current levels to guard against any sudden and significant expenditure having a negative impact on education programs. The QSCB will be paid in full in May 2020 and no longer require a large portion of the sinking fund millage to be allocated for these payments. The district also plans to ask voters for a renewal of this Capital Project Sinking Fund levy in November 2019. If approved, these sinking fund dollars will be available to fund various building and grounds improvements projects throughout the district thereby freeing up general fund dollars.



# **BLISSFIELD COMMUNITY SCHOOLS**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2019**

Since budget amounts must be prepared and approved by the Board prior to June 30<sup>th</sup> to comply with legal budget guidelines, a conservative approach is used because of unknown expenditures and revenues at the time the budget is prepared. In fact, the major contributors to 83% of the District's revenue source, enrollment and per pupil funding, is not known at the time the budget must be prepared, submitted, and approved by the Board. These estimates sometimes seem like a wild guess to school districts. Therefore, as a matter of practice, Blissfield Community Schools amends its budget periodically during the school year to adjust for these unknowns at the time the budget is submitted. The June 24, 2019 budget amendment was the final budget for the fiscal year.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

For the 2019/2020 school year, the non-homestead millage remained at 18.00 mills. Levying the full amount on these properties is crucial in order for the district to receive the full Foundation Allowance per pupil. The District's voters renewed the non-homestead millage in November 2017 for seven years and a Headlee rollback is not expected in the current economic climate.

Two of the most important factors impacting the budget are the student count and the uncertainty in the state school aid foundation allowance. Unfortunately, it is difficult for school districts to know exactly how many students will attend and be counted on those two critical pupil count days (October and February) of each school year. In addition, Sec 25 is now in effect, which allows the foundation allowance to follow the movement of the student from district to district between the two annual count dates.

Under state law, the District cannot assess additional property tax revenue for general operations. District funding is heavily dependent on the State's ability to fund local school operations and on its total student enrollment. Since over 83% of the total General Fund revenues are from the foundation allowance, school districts are in a position to compete for its share of a dwindling enrollment base. Since Blissfield Community Schools has an enrollment that has overall declined in the last 17 years, this has had a major effect on revenue and fund balance. The last five years has shown some positive growth and leveling off in student enrollment - positive news for the District.

In summary, the overall financial strength of the District improved during the 2018/2019 school year, with an increase to the General Fund balance of \$212,141. However, enrollment and the unpredictability of state funding are constant concerns for the District. Management will continue to exercise caution with all decisions having an impact on the financial position of the District. Management will focus their attention on maintaining and improving the quality of the educational programs and atmosphere of the District to retain and attract families and students to the District. At the same time, careful evaluation of all expenditures over the next year will be a priority by management while seeking to reduce expenditures where possible.

The District's strategic plan calls for a 3-year balanced budget for Blissfield Community Schools. In order to achieve this, the District will concentrate on promotion of its School District as well as educating its stakeholders in school budgeting and financing. New revenues from local sources such as the formation of endowments, grants and other sources will continue to be a goal of management also. In spite of these challenging obstacles, Management remains committed to excellence in serving our students and community.

# **BLISSFIELD COMMUNITY SCHOOLS**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS For Fiscal Year Ended June 30, 2019**

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Superintendent's Office at Blissfield Community Schools:

Ms. Sharon Smith  
Chief Financial Officer  
Blissfield Community Schools  
630 South Lane Street  
Blissfield, MI 49228  
Phone (517) 486-2205  
Fax (517) 486-5701

## **BASIC FINANCIAL STATEMENTS**

**BLISSFIELD COMMUNITY SCHOOLS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>ASSETS</b>   |                                    |
| Current assets  |                                    |
| Cash and cash equivalents   | \$ 2,198,435                       |
| Investments   | 1,915,491                          |
| Restricted investments  | 4,534,625                          |
| Accounts receivable   | 3,576                              |
| Intergovernmental receivables   | 1,956,444                          |
| Prepays   | 320                                |
| Inventories   | 5,992                              |
|   | <u>10,614,883</u>                  |
| Total current assets  |                                    |
| Noncurrent assets   |                                    |
| Investments   | 122,049                            |
| Capital assets not being depreciated                                    | 81,000                             |
| Capital assets, net of accumulated depreciation                         | 7,675,891                          |
|   | <u>7,878,940</u>                   |
| Total noncurrent assets   |                                    |
| TOTAL ASSETS  | <u>18,493,823</u>                  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                   |                                    |
| Deferred outflows of resources related to pensions                      | 5,254,464                          |
| Deferred outflows of resources related to OPEB                          | 800,436                            |
|   | <u>6,054,900</u>                   |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES                                    |                                    |
| <b>LIABILITIES</b>  |                                    |
| Current liabilities   |                                    |
| Accounts payable  | 159,186                            |
| Accrued payroll   | 599,551                            |
| Accrued retirement  | 150,734                            |
| Other accrued liabilities   | 190,032                            |
| Unearned revenue  | 339,285                            |
| Current portion of compensated absences                                 | 8,056                              |
| Current portion of long-term debt                                       | 4,997,285                          |
|   | <u>6,444,129</u>                   |
| Total current liabilities   |                                    |
| Noncurrent liabilities  |                                    |
| Noncurrent portion of compensated absences                              | 72,505                             |
| Net pension liability   | 16,187,627                         |
| Net OPEB liability  | 4,205,368                          |
|   | <u>20,465,500</u>                  |
| Total noncurrent liabilities  |                                    |
| TOTAL LIABILITIES   | <u>26,909,629</u>                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                    |                                    |
| Deferred inflows of resources related to pensions                       | 1,548,836                          |
| Deferred inflows of resources related to OPEB                           | 1,090,207                          |
| Deferred inflows of resources related to state aid funding for pensions | 582,813                            |
|   | <u>3,221,856</u>                   |
| TOTAL DEFERRED INFLOWS OF RESOURCES                                     |                                    |
| <b>NET POSITION</b>   |                                    |
| Net investment in capital assets  | 2,759,606                          |
| Restricted for debt service   | 4,534,625                          |
| Restricted for capital projects - sinking fund                          | 284,316                            |
| Unrestricted  | (13,161,309)                       |
|   | <u>\$ (5,582,762)</u>              |
| TOTAL NET POSITION  |                                    |

See notes to financial statements.

**BLISSFIELD COMMUNITY SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

| Functions/Programs                           | Expenses             | Program Revenues     |                                    | Governmental                                      |
|--|----------------------|----------------------|------------------------------------|---|
|  |                      | Charges for Services | Operating Grants and Contributions | Activities  |
|  |                      |                      |                                    | Net (Expense) Revenue and Changes in Net Position |
| Governmental activities                      |                      |                      |                                    |   |
| Instruction                                  | \$ 7,265,320         | \$ -                 | \$ 1,335,115                       | \$ (5,930,205)                                    |
| Supporting services                          | 3,833,853            | 6,962                | 1,303,443                          | (2,523,448)                                       |
| Food service                                 | 464,278              | 167,063              | 262,752                            | (34,463)  |
| Athletics                                    | 376,031              | 65,490               | -                                  | (310,541)   |
| Community service                            | 8,438                | -                    | -                                  | (8,438)   |
| Interest and costs on long-term debt         | 277,715              | -                    | 252,387                            | (25,328)  |
| Unallocated depreciation                     | 798,835              | -                    | -                                  | (798,835)   |
| Total governmental activities                | <u>\$ 13,024,470</u> | <u>\$ 239,515</u>    | <u>\$ 3,153,697</u>                | <u>(9,631,258)</u>                                |
| General revenues                             |                      |                      |                                    |   |
| Property taxes - levied for general purposes |                      |                      |                                    | 914,129   |
| Property taxes - levied for sinking fund     |                      |                      |                                    | 508,166   |
| State school aid - unrestricted              |                      |                      |                                    | 8,297,321   |
| Investment earnings                          |                      |                      |                                    | 177,952   |
| Miscellaneous                                |                      |                      |                                    | 20,843  |
| Total general revenues                       |                      |                      |                                    | <u>9,918,411</u>                                  |
| CHANGE IN NET POSITION                       |                      |                      |                                    | 287,153   |
| NET POSITION, beginning of year              |                      |                      |                                    | <u>(5,869,915)</u>                                |
| NET POSITION, end of year                    |                      |                      |                                    | <u>\$ (5,582,762)</u>                             |

See notes to financial statements.

**BLISSFIELD COMMUNITY SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019**

|  | <u>General Fund</u>         | <u>Debt<br/>Service</u>     | <u>Total<br/>Nonmajor<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-----------------------------|-----------------------------|-------------------------------------|---|
| <b>ASSETS</b>                                      |                             |                             |                                     |   |
| Cash and cash equivalents                          | \$ 1,892,837                | \$ -                        | \$ 305,598                          | \$ 2,198,435                            |
| Investments  | 1,872,064                   | -                           | 165,476                             | 2,037,540                               |
| Restricted investments                             | -                           | 4,534,625                   | -                                   | 4,534,625                               |
| Accounts receivable                                | 3,576                       | -                           | -                                   | 3,576                                   |
| Intergovernmental receivables                      | 1,952,955                   | -                           | 3,489                               | 1,956,444                               |
| Prepays  | 320                         | -                           | -                                   | 320                                     |
| Inventories  | -                           | -                           | 5,992                               | 5,992                                   |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u>         | <u>                    </u>             |
| <b>TOTAL ASSETS</b>                                | <u><u>\$ 5,721,752</u></u>  | <u><u>\$ 4,534,625</u></u>  | <u><u>\$ 480,555</u></u>            | <u><u>\$ 10,736,932</u></u>             |
| <b>LIABILITIES AND FUND BALANCES</b>               |                             |                             |                                     |   |
| <b>LIABILITIES</b>                                 |                             |                             |                                     |   |
| Accounts payable                                   | \$ 149,722                  | \$ -                        | \$ 9,464                            | \$ 159,186                              |
| Accrued payroll                                    | 599,551                     | -                           | -                                   | 599,551                                 |
| Accrued retirement                                 | 150,734                     | -                           | -                                   | 150,734                                 |
| Other accrued liabilities                          | 190,032                     | -                           | -                                   | 190,032                                 |
| Unearned revenue                                   | 332,529                     | -                           | 6,756                               | 339,285                                 |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u>         | <u>                    </u>             |
| <b>TOTAL LIABILITIES</b>                           | <u>1,422,568</u>            | <u>-</u>                    | <u>16,220</u>                       | <u>1,438,788</u>                        |
| <b>FUND BALANCES</b>                               |                             |                             |                                     |   |
| <b>Nonspendable</b>                                |                             |                             |                                     |   |
| Inventories  | -                           | -                           | 5,992                               | 5,992                                   |
| Prepays  | 320                         | -                           | -                                   | 320                                     |
| <b>Restricted</b>                                  |                             |                             |                                     |   |
| Capital projects                                   | -                           | -                           | 284,316                             | 284,316                                 |
| Debt service                                       | -                           | 4,534,625                   | -                                   | 4,534,625                               |
| Food and nutrition                                 | -                           | -                           | 1,508                               | 1,508                                   |
| <b>Committed</b>                                   |                             |                             |                                     |   |
| Capital projects                                   | 1,000,000                   | -                           | 172,519                             | 1,172,519                               |
| Athletics  | 49,477                      | -                           | -                                   | 49,477                                  |
| <b>Assigned</b>                                    |                             |                             |                                     |   |
| Subsequent year's expenditures                     | 42,826                      | -                           | -                                   | 42,826                                  |
| Unassigned   | 3,206,561                   | -                           | -                                   | 3,206,561                               |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u>         | <u>                    </u>             |
| <b>TOTAL FUND BALANCES</b>                         | <u>4,299,184</u>            | <u>4,534,625</u>            | <u>464,335</u>                      | <u>9,298,144</u>                        |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u>         | <u>                    </u>             |
| <b>TOTAL LIABILITIES AND<br/>    FUND BALANCES</b> | <u><u>\$ 5,721,752</u></u>  | <u><u>\$ 4,534,625</u></u>  | <u><u>\$ 480,555</u></u>            | <u><u>\$ 10,736,932</u></u>             |

See notes to financial statements.

**BLISSFIELD COMMUNITY SCHOOLS  
RECONCILIATION OF THE BALANCE SHEET -GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019**

**Total fund balances - governmental funds** \$ 9,298,144

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

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

|                               |                     |           |
|-------------------------------|---------------------|-----------|
| The cost of capital assets is | \$ 21,718,964       |           |
| Accumulated depreciation is   | <u>(13,962,073)</u> |           |
| Capital assets, net           |                     | 7,756,891 |

Governmental funds report actual pension/OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net pension/OPEB liability as of the measurement date. Pension/OPEB contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, state aid related to pensions, differences between projected and actual pension plan investment earnings, and change in proportionate share of contributions will be deferred over time in the district-wide financial statements. These amounts consist of:

|   |                    |           |
|---|--------------------|-----------|
| Deferred outflows of resources related to pensions                      | 5,254,464          |           |
| Deferred inflows of resources related to pensions                       | (1,548,836)        |           |
| Deferred inflows of resources related to state aid funding for pensions | (582,813)          |           |
| Deferred outflows of resources related to OPEB                          | 800,436            |           |
| Deferred inflows of resources related to OPEB                           | <u>(1,090,207)</u> |           |
|   |                    | 2,833,044 |

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

|  |                    |                              |
|--|--------------------|------------------------------|
| Capitalized bond discount                      | 2,715              |                              |
| Bonds payable                                  | (5,000,000)        |                              |
| Compensated absences                           | (80,561)           |                              |
| Net pension liability                          | (16,187,627)       |                              |
| Net OPEB liability                             | <u>(4,205,368)</u> |                              |
|  |                    | <u>(25,470,841)</u>          |
| <b>Net position of governmental activities</b> |                    | <u><u>\$ (5,582,762)</u></u> |

**BLISSFIELD COMMUNITY SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2019**

|   | General Fund        | Debt<br>Service     | Total<br>Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|---------------------|----------------------------|--------------------------------|
| <b>REVENUES</b>                                 |                     |                     |                            |                                |
| Local sources                                   | \$ 1,102,566        | \$ 125,744          | \$ 686,936                 | \$ 1,915,246                   |
| State sources                                   | 9,796,598           | -                   | 56,866                     | 9,853,464                      |
| Federal sources                                 | 266,298             | 252,387             | 242,290                    | 760,975                        |
| Other   | 690,747             | -                   | -                          | 690,747                        |
| <b>TOTAL REVENUES</b>                           | <b>11,856,209</b>   | <b>378,131</b>      | <b>986,092</b>             | <b>13,220,432</b>              |
| <b>EXPENDITURES</b>                             |                     |                     |                            |                                |
| Current   |                     |                     |                            |                                |
| Instruction                                     | 7,352,522           | -                   | -                          | 7,352,522                      |
| Supporting services                             | 3,787,099           | -                   | 5,404                      | 3,792,503                      |
| Athletics                                       | 376,031             | -                   | -                          | 376,031                        |
| Food service                                    | -                   | -                   | 463,027                    | 463,027                        |
| Community service                               | 8,438               | -                   | -                          | 8,438                          |
| Debt service                                    |                     |                     |                            |                                |
| Interest, fiscal, and other charges             | -                   | 275,000             | -                          | 275,000                        |
| Capital outlay                                  | 97,365              | -                   | 7,615                      | 104,980                        |
| <b>TOTAL EXPENDITURES</b>                       | <b>11,621,455</b>   | <b>275,000</b>      | <b>476,046</b>             | <b>12,372,501</b>              |
| <b>EXCESS OF REVENUES<br/>OVER EXPENDITURES</b> | <b>234,754</b>      | <b>103,131</b>      | <b>510,046</b>             | <b>847,931</b>                 |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                     |                     |                            |                                |
| Transfers in                                    | -                   | 492,613             | -                          | 492,613                        |
| Transfers out                                   | (22,613)            | -                   | (470,000)                  | (492,613)                      |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b> | <b>(22,613)</b>     | <b>492,613</b>      | <b>(470,000)</b>           | <b>-</b>                       |
| <b>NET CHANGE IN FUND BALANCES</b>              | <b>212,141</b>      | <b>595,744</b>      | <b>40,046</b>              | <b>847,931</b>                 |
| <b>FUND BALANCES</b>                            |                     |                     |                            |                                |
| Beginning of year                               | 4,087,043           | 3,938,881           | 424,289                    | 8,450,213                      |
| End of year                                     | <u>\$ 4,299,184</u> | <u>\$ 4,534,625</u> | <u>\$ 464,335</u>          | <u>\$ 9,298,144</u>            |

See notes to financial statements.



**BLISSFIELD COMMUNITY SCHOOLS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

**Net change in fund balances - total governmental funds** \$ 847,931

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

|  |                  |           |
|--|------------------|-----------|
| Capital outlay                                     | \$ 400,494       |           |
| Depreciation expense                               | <u>(798,835)</u> |           |
| Excess of depreciation expense over capital outlay |                  | (398,341) |

Repayments of long-term debt and borrowings of long-term debt are reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the current year, these amounts consisted of:

|                               |  |         |
|-------------------------------|--|---------|
| Amortization of bond discount |  | (2,715) |
|-------------------------------|--|---------|

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

|   |              |                  |
|---|--------------|------------------|
| (Increase) in net pension liability   | (1,987,371)  |                  |
| Change in deferred outflows of resources related to pensions                      | 2,003,122    |                  |
| Change in deferred inflows of resources related to pensions                       | (475,701)    |                  |
| Change in deferred inflows of resources related to state aid funding for pensions | 91,190       |                  |
| Decrease in net OPEB liability  | 649,992      |                  |
| Change in deferred outflows of resources related to OPEB                          | 485,998      |                  |
| Change in deferred inflows of resources related to OPEB                           | (926,061)    |                  |
| (Increase) in compensated absences  | <u>(891)</u> |                  |
|   |              | <u>(159,722)</u> |

**Change in net position of governmental activities** \$ 287,153

**BLISSFIELD COMMUNITY SCHOOLS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2019**

|                                 | Private<br>Purpose<br>Trust Fund | Agency<br>Fund |
|---------------------------------|----------------------------------|----------------|
| <b>ASSETS</b>                   |                                  |                |
| Cash and cash equivalents       | \$ 80,601                        | \$ 223,951     |
| Investments                     | 860,971                          | -              |
| Student loans receivable        | 911,460                          | -              |
| TOTAL ASSETS                    | 1,853,032                        | 223,951        |
| <b>LIABILITIES</b>              |                                  |                |
| Due to student groups           | -                                | -              |
| <b>NET POSITION</b>             |                                  |                |
| Held in trust for student loans | \$ 1,853,032                     | \$ 223,951     |

See notes to financial statements.

**BLISSFIELD COMMUNITY SCHOOLS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2019**

|                                | <u>Private<br/>Purpose<br/>Trust Fund</u> |
|--------------------------------|---|
| <b>ADDITIONS</b>               |   |
| Unrealized gain on investments | \$ 42,934                                 |
| Interest                       | <u>39,935</u>                             |
| Total additions                | 82,869                                    |
| <b>DEDUCTIONS</b>              |   |
| Administrative expenses        | <u>19,299</u>                             |
| <b>CHANGE IN NET POSITION</b>  | 63,570                                    |
| <b>NET POSITION</b>            |   |
| Beginning of year              | <u>1,789,462</u>                          |
| End of year                    | <u><u>\$ 1,853,032</u></u>                |

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

Reporting Entity

The Blissfield Community Schools (the "District") is governed by the Blissfield Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following *major governmental funds*:

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

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Presentation - Fund Financial Statements (continued)

*Other Nonmajor Funds*

The *special revenue fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service activities in the special revenue fund.

The *capital projects sinking fund* accounts for the receipt of property taxes levied for sinking fund and subsequent expenditures of those funds. The fund has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

The *education legacy fund* reports the balance of funds donated to the district to be used for educational enhancements.

*Fiduciary funds* account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the District's government-wide financial statements.

The private purpose trust fund is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where interest payments may be spent for student scholarships. These funds are not included in the District's government-wide financial statements.

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

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

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

Measurement Focus and Basis of Accounting

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

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

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus and Basis of Accounting (continued)

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

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

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

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

The state portion of the Foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as intergovernmental receivables.

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

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Budgetary Information

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. Other funds do not have appropriated budgets.

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

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The budget was amended during the year with supplemental appropriations, the last one approved prior to year end June 30, 2019. The District does not consider these amendments to be significant.

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

*Cash and Cash Equivalents*

The District's cash and cash equivalents consist of checking, savings, money market accounts, and pooled investments funds. Cash equivalents are recorded at market value.

*Investments*

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

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Investments (continued)*

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

*Restricted Cash and Investments*

Restricted cash and investments for the debt service fund are related to funds set aside for payment of debt related to the District's bond.

*Short-term Interfund Receivables/Payables*

During operations, numerous transactions occur between individual funds for goods provided or services rendered. These transactions are classified "Due from other funds" and "Due to other funds" on the governmental fund balance sheet.

*Intergovernmental Receivables*

Due from other governmental units consist of various amounts owed to the District for grant programs and State Aid payments.

*Inventories and prepaid items*

Inventories are valued at cost using the first-in/first-out (FIFO) method and consists of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

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



**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Capital Assets*

Capital assets include land, construction in progress, buildings and building improvements, furniture and equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost greater than \$2,500 and an estimated useful life greater than a year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Capital Asset Classes</u> | <u>Lives</u> |
|------------------------------|--------------|
| Building and improvmenets    | 20-50 years  |
| Furniture and equipments     | 20 years     |
| Vehicles                     | 8 years      |

*Defined Benefit Plans*

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

*Deferred Outflows*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are the pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Deferred Inflows*

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

*Net Position Flows Assumptions*

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

*Fund Balance Flow Assumptions*

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

*Fund Balance Policies*

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

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

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Fund Balance Policies (continued)*

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

Revenues and Expenditures/Expenses

*Program Revenues*

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

*Property Taxes*

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

The District levies taxes of \$18.00 per \$1,000 of taxable valuation on most non-primary residency exempt property and \$6.00 per \$1,000 of taxable valuation on commercial personal property for general governmental services. The District also levies \$1.7500 per \$1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for a sinking fund. The District is also permitted to levy additional amounts for enhancement and/or debt service if voter approval is obtained.

*Compensated Absences*

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

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenues and Expenditures/Expenses (continued)

*Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- b. Certificates of deposit issued by a State or national bank, savings accounts of a State or Federal savings and loan association, or certificates of deposit or share certificates of a State or Federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- e. United States government or federal agency obligation repurchase agreements
- f. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
- g. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
- h. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the School District.

In accordance with Michigan Public Act 20 of 1943, Section 129.97, the private purpose trust fund is authorized to invest surplus funds in stock, government, and corporate securities, mortgages, real estate and various other financial instruments.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2019, the carrying amount of the District's deposits was \$4,917,296 and the bank balance was \$4,919,272 of which \$2,715,931 covered by the Federal Depository Insurance Corporation, and the remaining \$2,206,198 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the District held as cash, cash equivalents and investments increased significantly. As a result, the amount of uninsured and uncollateralized cash, cash equivalents, and investments were substantially higher at these peak periods than at year-end.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs. There are three levels of inputs that may be used to measure fair value

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risks, and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices of obsolete inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Fair Value Measurements (continued)

|  | Fair Value Measurements   |   |  | Total               | Weighted<br>Average<br>Maturity | Moody's<br>/S&P<br>Rating |
|--|---|---|--|---------------------|---------------------------------|---------------------------|
|  | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |                     |                                 |                           |
| U.S. Treasury bills                    | \$ 198,688  | \$ -  | \$ -   | \$ 198,688          | 0.75                            | AAA                       |
| Municipal bonds                        | -   | 65,297  | -  | 65,297              | 0.84                            | BAA2                      |
| Mutual funds                           | 1,860,370   | -   | -  | 1,860,370           | N/A                             | N/A                       |
| Corporate bonds                        | 1,077,511   | -   | -  | 1,077,511           | 0.78                            | N/A                       |
| Corporate stocks                       | 221,967   | -   | -  | 221,967             | N/A                             | N/A                       |
| Federal Farm Credit Bank               | -   | 50,940  | -  | 50,940              | 2.78                            | AAA                       |
| Federal Home Loan Mortgage             | 34,858  | -   | -  | 34,858              | 0.18                            | AAA                       |
| Federal National Mortgage              | 14,906  | -   | -  | 14,906              | 0.28                            | AA                        |
| Federal Home Loan Bank                 | 72,397  | -   | -  | 72,397              | 1.21                            | AAA                       |
| Federal National Mortgage Association  | 49,829  | -   | -  | 49,829              | 2.68                            | AA                        |
| Uncategorized pooled investment funds: |   |   |  |                     |                                 |                           |
| MILAF+                                 | N/A   | N/A   | N/A  | 148,601             | 0.0027                          | AAAm                      |
| Michigan CLASS                         | -   | 1,223,463   | -  | 1,223,463           | 0.0027                          | AAAm                      |
| Total investments at fair value        | <u>\$ 3,530,526</u>   | <u>\$ 1,339,700</u>                                       | <u>\$ -</u>  | <u>\$ 5,018,827</u> | <u>0.48</u>                     |                           |

Investments

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

The District voluntarily invests certain excess funds in pooled short term investment funds which included money market funds. One of the pooled investment funds utilized by the District is Michigan Class. Michigan Class is a local government investment pool of "qualified" investments for Michigan school districts. Michigan Class is not regulated nor is it registered with the SEC. Michigan Class reports as of June 30, 2019; the fair value of the District's investments is the same as the value of the pooled shares.

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issue by nationally recognized statistical rating organizations (NRSRO'S). As of June 30, 2019, the rating information on the District's investments is presented above.

Interest Rate Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

As of June 30, 2019, the deposits and investments referred to above have been reported in the cash and cash equivalents and investments captions in the basic financial statements as follows:

|                                   | <u>Governmental<br/>Activities</u> | <u>Fiduciary<br/>Funds</u> | <u>Total</u>        |
|-----------------------------------|------------------------------------|----------------------------|---------------------|
| Cash and cash equivalents         | \$ 2,198,435                       | \$ 304,552                 | \$ 2,502,987        |
| Investments - current             | 1,915,491                          | 769,630                    | 2,685,121           |
| Investments - current, restricted | 4,534,625                          | -                          | 4,534,625           |
| Investments -noncurrent           | 122,049                            | 91,341                     | 213,390             |
|                                   | <u>\$ 8,770,600</u>                | <u>\$ 1,165,523</u>        | <u>\$ 9,936,123</u> |

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables at June 30, 2019 consists of the following:

|                    |                     |
|--------------------|---------------------|
| Governmental Units |                     |
| State aid          | \$ 1,766,888        |
| Federal revenue    | 86,716              |
| Other              | <u>102,840</u>      |
|                    | <u>\$ 1,956,444</u> |

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

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

**NOTE 4 - INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

|                                     |                   |
|-------------------------------------|-------------------|
| Transfer to Debt Service Fund from: |                   |
| General Fund                        | \$ 22,613         |
| Nonmajor governmental funds         | <u>470,000</u>    |
|                                     | <u>\$ 492,613</u> |

The transfers from the General Fund and nonmajor governmental funds were to fund required set asides in the Debt Service Fund.



**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - CAPITAL ASSETS**

The following is a summary of changes in the District's capital assets:

|  | Balance<br>July 1, 2018 | Additions           | Deletions   | Balance<br>June 30, 2019 |
|--|-------------------------|---------------------|-------------|--------------------------|
| Capital assets not being depreciated   |                         |                     |             |                          |
| Land                                   | \$ 81,000               | \$ -                | \$ -        | \$ 81,000                |
| Capital assets being depreciated       |                         |                     |             |                          |
| Buildings and building improvements    | 18,850,781              | 182,113             | -           | 19,032,894               |
| Furniture and equipment                | 651,274                 | -                   | -           | 651,274                  |
| Vehicles                               | 1,735,415               | 218,381             | -           | 1,953,796                |
| Total capital assets being depreciated | <u>21,237,470</u>       | <u>400,494</u>      | <u>-</u>    | <u>21,637,964</u>        |
| Accumulated depreciation:              |                         |                     |             |                          |
| Buildings and building improvements    | (11,439,935)            | (678,955)           | -           | (12,118,890)             |
| Furniture and equipment                | (415,881)               | (13,507)            | -           | (429,388)                |
| Vehicles                               | (1,307,422)             | (106,373)           | -           | (1,413,795)              |
| Total accumulated depreciation         | <u>(13,163,238)</u>     | <u>(798,835)</u>    | <u>-</u>    | <u>(13,962,073)</u>      |
| Net capital assets being depreciated   | <u>8,074,232</u>        | <u>(398,341)</u>    | <u>-</u>    | <u>7,675,891</u>         |
| Net governmental capital assets        | <u>\$ 8,155,232</u>     | <u>\$ (398,341)</u> | <u>\$ -</u> | <u>\$ 7,756,891</u>      |

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

**NOTE 6 - LONG-TERM OBLIGATIONS**

The following is a summary of long-term obligations for the District for the year ended June 30, 2019:

|                           | General<br>Obligation<br>Bonds | Compensated<br>Absences | Total              |
|---------------------------|--------------------------------|-------------------------|--------------------|
| Balance July 1, 2018      | \$ 4,994,570                   | \$ 79,670               | \$ 5,074,240       |
| Additions                 | 2,715                          | 11,960                  | 14,675             |
| Deletions                 | -                              | (11,069)                | (11,069)           |
| Balance June 30, 2019     | 4,997,285                      | 80,561                  | 5,077,846          |
| Due within one year       | <u>(4,997,285)</u>             | <u>(8,056)</u>          | <u>(5,005,341)</u> |
| Due in more than one year | <u>\$ -</u>                    | <u>\$ 72,505</u>        | <u>\$ 72,505</u>   |

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM OBLIGATIONS (continued)**

Significant details regarding outstanding long-term debt (including current portions) are presented below:

General Obligation Bonds

|   |                            |
|---|----------------------------|
| \$5,000,000 2010 School Building and Site Bond dated July 28, 2010, due in full on May 1, 2020, with interest payable at 5.50 percent, payable semi-annually. | \$ 5,000,000               |
| Less discount on bond issuance  | <u>(2,715)</u>             |
| Total general obligation bond   | <u><u>\$ 4,997,285</u></u> |

The annual requirements to pay the debt principal and interest outstanding for the long-term debt as follows:

| Year Ending<br>June 30, | General Obligation Bonds   |                          |
|-------------------------|----------------------------|--------------------------|
|                         | Principal                  | Interest                 |
| 2020                    | <u><u>\$ 5,000,000</u></u> | <u><u>\$ 275,000</u></u> |

The District anticipates receiving \$275,000 in federal tax credit payments to offset interest payments on the Qualified School Construction Bonds.

Compensated Absences

In recognition of services to the District, an accrued vacation payment will be made upon termination to eligible employees according to their respective employment contracts or past District practice. No payment will be made for any accumulated unused sick time.

The accrued vacation liability, including the related payroll taxes, have been recorded in the government-wide financial statements as compensated absences in the amount of \$80,561.

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS**

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at [www.michigan.gov/ors](http://www.michigan.gov/ors) schools.

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

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

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

Pension Reform 2010

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

Pension Reform 2012

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

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Pension Reform 2012 (continued)

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

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

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

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

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

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

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

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

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

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Pension Reform of 2017

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

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

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

Member Contributions

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

Employer Contributions

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

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

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

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

|                                      | Pension         | Other<br>Postemployment<br>Benefit |
|--------------------------------------|-----------------|------------------------------------|
| October 1, 2017 - September 30, 2018 | 13.54% - 19.74% | 7.42% - 7.67%                      |
| October 1, 2018 - September 30, 2019 | 13.39% - 19.59% | 7.57% - 7.93%                      |

The District's pension contributions for the year ended June 30, 2019 were equal to the required contribution total. Pension contributions were approximately \$1,417,000 with \$1,395,000 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2019 were equal to the required contribution total. OPEB benefits were approximately \$400,000, with \$388,000 specifically for the Defined Benefit Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

*Pension Liabilities*

At June 30, 2019, the District reported a liability of \$16,187,627 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was 0.05385% and 0.05480%, respectively.

| <u>MPSERS (Plan) Non-university Employers</u> | <u>September 30, 2018</u> | <u>September 30, 2017</u> |
|---|---------------------------|---------------------------|
| Total pension liability                       | \$ 79,863,694,444         | \$ 72,407,218,688         |
| Plan fiduciary net position                   | \$ 49,801,889,205         | \$ 46,492,967,573         |
| Net pension liability                         | \$ 30,061,805,239         | \$ 25,914,251,115         |
| Proportionate share                           | 0.05385%                  | 0.05480%                  |
| Net pension liability for the District        | \$ 16,187,627             | \$ 14,200,256             |

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

For the year ended June 30, 2019, the District recognized pension expense of \$1,839,385.

At June 30, 2019, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Net difference between projected and actual pension plan investment earnings                                  | \$ -  | \$ 1,106,822                                 |
| Differences between expected and actual experience  | 75,114  | 117,633                                      |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 109,267                                       | 324,381                                      |
| Changes of assumptions  | 3,749,041                                     | -  |
| Reporting Unit's contributions subsequent to the measurement date   | <u>1,321,042</u>                              | <u>-</u>                                     |
|   | <u>\$ 5,254,464</u>                           | <u>\$ 1,548,836</u>                          |

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

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

\$1,321,042, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

| <u>Year Ended<br/>September 30,</u> | <u>Amount</u> |
|-------------------------------------|---------------|
| 2019                                | \$ 921,075    |
| 2020                                | 769,803       |
| 2021                                | 502,732       |
| 2022                                | 190,976       |

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

*OPEB Liabilities*

At June 30, 2019, the District reported a liability of \$4,205,368 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was 0.05290% and 0.05483%, respectively.

| <u>MPSERS (Plan) Non-university Employers</u>                   | <u>September 30, 2018</u> | <u>September 30, 2017</u> |
|---|---------------------------|---------------------------|
| Total other postemployment benefits liability                   | \$ 13,932,170,264         | \$ 13,920,945,991         |
| Plan fiduciary net position                                     | \$ 5,983,218,473          | \$ 5,065,474,948          |
| Net other postemployment benefits liability                     | \$ 7,948,951,791          | \$ 8,855,471,043          |
| Proportionate share   | 0.05290%                  | 0.05483%                  |
| Net other postemployment benefits liability<br>for the District | \$ 4,205,368              | \$ 4,855,360              |



**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$173,644.

At June 30, 2019, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Net difference between projected and actual other postemployment benefits plan investment earnings            | \$ -                                 | \$ 161,622                          |
| Differences between expected and actual experience  | -                                    | 782,727                             |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 199                                  | 145,858                             |
| Changes of assumptions  | 445,351                              | -                                   |
| Reporting Unit's contributions subsequent to the measurement date   | 354,886                              | -                                   |
|   | \$ 800,436                           | \$ 1,090,207                        |

\$354,886, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

| Year Ended<br>September 30, | Amount       |
|-----------------------------|--------------|
| 2019                        | \$ (154,869) |
| 2020                        | (154,869)    |
| 2021                        | (154,869)    |
| 2022                        | (121,917)    |
| 2023                        | (58,133)     |

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions

**Investment Rate of Return for Pension** - 7.05% a year, compounded annually net of investment and administrative expenses for the non-hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the hybrid group (Pension Plus Plan).

**Investment Rate of Return for OPEB** - 7.15% a year, compounded annually net of investment and administrative expenses.

**Salary Increases** - The rate of pay increase used for individual members is 2.75%.

**Inflation** - 3.0%.

**Mortality Assumptions:**

*Retirees:* RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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

*Disabled Retirees:* RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

**Experience study** - The annual actuarial valuation report of the System used for these statements is dated September 30, 2017. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2017 valuation.

**The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments** - The pension rate was 7.05% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.15%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**Cost of living Pension Adjustments** - 3.0% annual non-compounded for MIP members.

**Healthcare Cost Trend Rate for Other Postemployment Benefit** - 7.5% for year one and graded to 3.0% in year twelve.

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

**Additional Assumptions for Other Postemployment Benefit Only** - applies to individuals hired before September 4, 2012:

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

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

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

The target asset allocation at September 30, 2018 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Investment Category</u>           | <u>Target Allocation</u> | <u>Long-term<br/>Expected Real<br/>Rate of Return*</u> |
|--------------------------------------|--------------------------|--|
| Domestic Equity Pools                | 28.00%                   | 5.70%  |
| Private Equity Pools                 | 18.00%                   | 9.20%  |
| International Equity Pools           | 16.00%                   | 7.20%  |
| Fixed Income Pools                   | 10.50%                   | 0.50%  |
| Real Estate and Infrastructure Pools | 10.00%                   | 3.90%  |
| Absolute Return Pools                | 15.50%                   | 5.20%  |
| Short Term Investment Pools          | 2.00%                    | 0.00%  |
|                                      | <u>100.00%</u>           |  |

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

**Pension discount rate** - A single discount rate of 7.05% was used to measure the total pension liability (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). This discount rate was based on the long-term rate of return on pension plan investments of 7.05% (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

**OPEB discount rate** - A single discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the net pension liability to changes in the discount rate** - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 7.05% (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

|   | Pension       |               |               |
|---|---------------|---------------|---------------|
|   | 1% Decrease   | Discount Rate | 1% Increase   |
| Reporting Unit's proportionate share of the net pension liability | \$ 21,253,104 | \$ 16,187,627 | \$ 11,979,039 |

**Sensitivity of the net OPEB liability to changes in the discount rate** - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 7.15%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

|   | Other Postemployment Benefits |               |              |
|---|-------------------------------|---------------|--------------|
|   | 1% Decrease                   | Discount rate | 1% Increase  |
| Reporting Unit's proportionate share of the net other postemployment benefits liability | \$ 5,048,459                  | \$ 4,205,368  | \$ 3,496,226 |

**Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates** - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.0%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

|   | Other Postemployment Benefits |                            |              |
|---|-------------------------------|----------------------------|--------------|
|   | 1% Decrease                   | Current<br>Healthcare Cost |              |
|   |                               |                            | Trend Rates  |
| Reporting Unit's proportionate share of the net other postemployment benefits liability | \$ 3,458,869                  | \$ 4,205,368               | \$ 5,061,755 |

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System 2018 Comprehensive Annual Financial Report.

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

**NOTE 8 - RISK MANAGEMENT**

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for property, liability, inland marine, data breach, crime, auto, employee dishonesty, and boilers and machinery. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insurer Workers' Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

**NOTE 9 - SINKING FUND**

The Capital Project Sinking Fund of the District includes the capital project activities which are funded by a voted sinking fund millage. For the expenditures recorded within the Capital Project Sinking Fund, the District has complied with the applicable provisions of Section 1212 (1) of the Revised School Code in the current year.

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - RECONCILIATION OF FEDERAL REVENUES**

The following reconciles the federal revenues reported in the June 30, 2019, financial statements to the expenditures of the District administered Federal programs:

|                   | Federal<br>Revenue | Less: Build<br>America Bonds<br>Federal Interest<br>Subsidy which is<br>not subject to the<br>Single Audit Act | Federal<br>Expenditures |
|-------------------|--------------------|--|-------------------------|
| General Fund      | \$ 266,298         | \$ -   | \$ 266,298              |
| Food Service Fund | 242,290            | -  | 242,290                 |
| Debt Service Fund | 252,387            | (252,387)  | -                       |
|                   | \$ 760,975         | \$ (252,387)   | \$ 508,588              |

**NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

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

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

**NOTE 12 - CONTINGENT LIABILITIES**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**BLISSFIELD COMMUNITY SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2019**

|   | Original<br>Budget  | Final<br>Budget     | Actual              | Variance<br>with Final<br>Budget |
|---|---------------------|---------------------|---------------------|----------------------------------|
| <b>REVENUES</b>   |                     |                     |                     |                                  |
| Local sources   | \$ 1,016,900        | \$ 1,077,823        | \$ 1,102,566        | \$ 24,743                        |
| State sources   | 9,097,672           | 9,835,717           | 9,796,598           | (39,119)                         |
| Federal sources   | 291,125             | 296,394             | 266,298             | (30,096)                         |
| Other   | 467,000             | 668,621             | 690,747             | 22,126                           |
| <b>TOTAL REVENUES</b>                                   | <b>10,872,697</b>   | <b>11,878,555</b>   | <b>11,856,209</b>   | <b>(22,346)</b>                  |
| <b>EXPENDITURES</b>                                     |                     |                     |                     |                                  |
| Current   |                     |                     |                     |                                  |
| Instruction   | 7,376,609           | 7,384,269           | 7,352,522           | 31,747                           |
| Supporting services                                     | 3,263,904           | 3,819,230           | 3,787,099           | 32,131                           |
| Athletics   | 355,152             | 378,200             | 376,031             | 2,169                            |
| Community services                                      | 11,274              | 9,683               | 8,438               | 1,245                            |
| Capital outlay  | -                   | 100,393             | 97,365              | 3,028                            |
| <b>TOTAL EXPENDITURES</b>                               | <b>11,006,939</b>   | <b>11,691,775</b>   | <b>11,621,455</b>   | <b>70,320</b>                    |
| <b>EXCESS OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <b>(134,242)</b>    | <b>186,780</b>      | <b>234,754</b>      | <b>47,974</b>                    |
| <b>OTHER FINANCING (USES)</b>                           |                     |                     |                     |                                  |
| Transfers out   | (25,200)            | (22,700)            | (22,613)            | 87                               |
| <b>NET CHANGE IN FUND BALANCE</b>                       | <b>(159,442)</b>    | <b>164,080</b>      | <b>212,141</b>      | <b>48,061</b>                    |
| <b>FUND BALANCE</b>                                     |                     |                     |                     |                                  |
| Beginning of year                                       | 4,087,043           | 4,087,043           | 4,087,043           | -                                |
| End of year   | <u>\$ 3,927,601</u> | <u>\$ 4,251,123</u> | <u>\$ 4,299,184</u> | <u>\$ 48,061</u>                 |



**BLISSFIELD COMMUNITY SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

|   | 2018          | 2017          | 2016          | 2015          | 2014          |
|---|---------------|---------------|---------------|---------------|---------------|
| Reporting Unit's proportion of net pension liability (%)  | 0.05385%      | 0.05480%      | 0.05429%      | 0.05385%      | 0.05755%      |
| Reporting Unit's proportionate share of net pension liability   | \$ 16,187,627 | \$ 14,200,256 | \$ 13,545,205 | \$ 13,151,761 | \$ 12,675,554 |
| Reporting Unit's covered-employee payroll   | \$ 4,491,132  | \$ 4,592,463  | \$ 4,604,542  | \$ 4,502,257  | \$ 5,260,505  |
| Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll | 360.44%       | 309.21%       | 294.17%       | 292.11%       | 240.96%       |
| Plan fiduciary net position as a percentage of total pension liability (Non-university employers)             | 62.36%        | 64.21%        | 63.27%        | 63.17%        | 66.20%        |

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

**BLISSFIELD COMMUNITY SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF FISCAL YEAR ENDED JUNE 30)**

|  | <u>2019</u>      | <u>2018</u>      | <u>2017</u>      | <u>2016</u>      | <u>2015</u>      |
|--|------------------|------------------|------------------|------------------|------------------|
| Statutorily required pension contributions                                 | \$ 1,395,496     | \$ 1,472,544     | \$ 1,236,007     | \$ 1,038,748     | \$ 1,004,314     |
| Pension contributions in relation to<br>statutorily required contributions | <u>1,395,496</u> | <u>1,472,544</u> | <u>1,236,007</u> | <u>1,038,748</u> | <u>1,004,314</u> |
| Contribution deficiency (excess)   | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Reporting Unit's covered-employee<br>payroll (pension)                     | \$ 4,645,129     | \$ 4,523,196     | \$ 4,734,761     | \$ 4,502,257     | \$ 4,713,401     |
| Pension contributions as a percentage<br>of covered-employee payroll       | 30.04%           | 32.56%           | 26.10%           | 23.07%           | 21.31%           |

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

**BLISSFIELD COMMUNITY SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF FISCAL YEAR ENDED SEPTEMBER 30)**

|  | <u>2018</u>  | <u>2017</u>  |
|--|--------------|--------------|
| Reporting Unit's proportion of net other postemployment benefits liability (%)   | 0.05290%     | 0.05483%     |
| Reporting Unit's proportionate share of net other post employment benefits liability   | \$ 4,205,368 | \$ 4,855,360 |
| Reporting Unit's covered-employee payroll  | \$ 4,491,132 | \$ 4,592,463 |
| Reporting Unit's proportionate share of net other post-employment benefits liability as a percentage of its covered-employee payroll | 93.64%       | 105.72%      |
| Plan fiduciary net position as a percentage of total other post-employment benefits liability (Non-university employers)             | 42.95%       | 36.39%       |

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

**BLISSFIELD COMMUNITY SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF FISCAL YEAR ENDED JUNE 30)**

|   | 2019         | 2018         |
|---|--------------|--------------|
| Statutorily required other postemployment benefits contributions                              | \$ 387,783   | \$ 332,278   |
| Other postemployment benefits contributions in relation to statutorily required contributions | 387,783      | 332,278      |
| Contribution deficiency (excess)  | \$ -         | \$ -         |
| Reporting Unit's covered-employee payroll (OPEB)  | \$ 4,645,129 | \$ 4,523,196 |
| Other post employment benefit contributions as a percentage of covered-employee payroll       | 8.35%        | 7.35%        |

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

**BLISSFIELD COMMUNITY SCHOOLS  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30,2019**

Pension Information

**Benefit changes** - there were no changes of benefit terms in 2018.

**Changes of assumptions** - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate for MIP and Basic plans decreased to 7.05% from 7.50%.

Projected salary increases decreased to 2.75%-11.55%, including wage inflation at 2.75% from 3.50-12.30%, including wage inflation of 3.50%.

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

OPEB Information

**Benefit changes** - there were no changes of benefit terms in 2018.

**Changes of assumptions** - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate decreased to 7.15% from 7.50%.

Projected salary increases decreased to 2.75%-11.55%, including wage inflation at 2.75% from 3.50-12.30%, including wage inflation of 3.50%.

Healthcare cost trend rate decreased to 7.50% Year 1 graded to 3.00% Year 12 from 7.50% Year 1 graded to 3.50% Year 12.

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

**ADDITIONAL SUPPLEMENTARY INFORMATION**

**BLISSFIELD COMMUNITY SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2019**

|  | Special<br>Revenue<br>Fund | Capital Projects Funds   |                                 | Total             |
|--|----------------------------|--------------------------|---------------------------------|-------------------|
|  | Food<br>Service Fund       | Education<br>Legacy Fund | Capital Project<br>Sinking Fund |                   |
| <b>ASSETS</b>                                  |                            |                          |                                 |                   |
| Cash and cash equivalents                      | \$ 6,624                   | \$ 7,043                 | \$ 291,931                      | \$ 305,598        |
| Investments                                    | -                          | 165,476                  | -                               | 165,476           |
| Due from other governmental units              | 3,489                      | -                        | -                               | 3,489             |
| Inventories                                    | 5,992                      | -                        | -                               | 5,992             |
| <b>TOTAL ASSETS</b>                            | <b>\$ 16,105</b>           | <b>\$ 172,519</b>        | <b>\$ 291,931</b>               | <b>\$ 480,555</b> |
| <b>LIABILITIES</b>                             |                            |                          |                                 |                   |
| Accounts payable                               | \$ 1,849                   | \$ -                     | \$ 7,615                        | \$ 9,464          |
| Unearned revenue                               | 6,756                      | -                        | -                               | 6,756             |
| <b>TOTAL LIABILITIES</b>                       | <b>8,605</b>               | <b>-</b>                 | <b>7,615</b>                    | <b>16,220</b>     |
| <b>FUND BALANCES</b>                           |                            |                          |                                 |                   |
| Nonspendable                                   |                            |                          |                                 |                   |
| Inventories                                    | 5,992                      | -                        | -                               | 5,992             |
| Restricted                                     |                            |                          |                                 |                   |
| Capital projects                               | -                          | -                        | 284,316                         | 284,316           |
| Food service                                   | 1,508                      | -                        | -                               | 1,508             |
| Committed                                      |                            |                          |                                 |                   |
| Capital projects                               | -                          | 172,519                  | -                               | 172,519           |
| <b>TOTAL FUND BALANCES</b>                     | <b>7,500</b>               | <b>172,519</b>           | <b>284,316</b>                  | <b>464,335</b>    |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <b>\$ 16,105</b>           | <b>\$ 172,519</b>        | <b>\$ 291,931</b>               | <b>\$ 480,555</b> |

**BLISSFIELD COMMUNITY SCHOOLS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUND TYPES  
 YEAR ENDED JUNE 30, 2019**

|   | Special<br>Revenue<br>Fund | Capital Projects Funds   |                                 | Total             |
|---|----------------------------|--------------------------|---------------------------------|-------------------|
|   | Food<br>Service Fund       | Education<br>Legacy Fund | Capital Project<br>Sinking Fund |                   |
| <b>REVENUES</b>   |                            |                          |                                 |                   |
| Local sources   | \$ 168,827                 | \$ 8,911                 | \$ 509,198                      | \$ 686,936        |
| State sources   | 20,462                     | -                        | 36,404                          | 56,866            |
| Federal sources   | 242,290                    | -                        | -                               | 242,290           |
| <b>TOTAL REVENUES</b>                                   | <b>431,579</b>             | <b>8,911</b>             | <b>545,602</b>                  | <b>986,092</b>    |
| <b>EXPENDITURES</b>                                     |                            |                          |                                 |                   |
| Current   |                            |                          |                                 |                   |
| Supporting services                                     | -                          | 5,404                    | -                               | 5,404             |
| Food service  | 463,027                    | -                        | -                               | 463,027           |
| Capital outlay  | -                          | -                        | 7,615                           | 7,615             |
| <b>TOTAL EXPENDITURES</b>                               | <b>463,027</b>             | <b>5,404</b>             | <b>7,615</b>                    | <b>476,046</b>    |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | <b>(31,448)</b>            | <b>3,507</b>             | <b>537,987</b>                  | <b>510,046</b>    |
| <b>OTHER FINANCING (USES)</b>                           |                            |                          |                                 |                   |
| Transfers out   | -                          | -                        | (470,000)                       | (470,000)         |
| <b>NET CHANGE IN FUND BALANCES</b>                      | <b>(31,448)</b>            | <b>3,507</b>             | <b>67,987</b>                   | <b>40,046</b>     |
| <b>FUND BALANCES</b>                                    |                            |                          |                                 |                   |
| Beginning of year                                       | 38,948                     | 169,012                  | 216,329                         | 424,289           |
| End of year   | <u>\$ 7,500</u>            | <u>\$ 172,519</u>        | <u>\$ 284,316</u>               | <u>\$ 464,335</u> |



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

To the Board of Education  
Blissfield Community Schools

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blissfield Community Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Blissfield Community Schools' basic financial statements and have issued our report thereon dated October 11, 2019.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Manes Costeiran PC*

October 11, 2019

October 11, 2019

To the Board of Directors  
Blissfield Community Schools

We have audited the financial statements of Blissfield Community Schools for the year ended June 30, 2019, and have issued our report thereon dated October 11, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 10, 2019. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Blissfield Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2019. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

- Estimates and actuarial assumptions have been used to calculate the net pension liability and the net other postemployment benefit liability.

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

- Management's estimate in calculating the liability for employee compensated absences:

We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's determination of the estimated life span of the capital assets:

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We did not identify any sensitive disclosures.

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 11, 2019.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Blissfield Community Schools' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

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

*Other Matters*

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

This information is intended solely for the use of the Board of Education and management of Blissfield Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Manes Costeiran PC*