Blissfield Community Schools
Blissfield, Michigan

FINANCIAL STATEMENTS

June 30, 2018

Blissfield Community Schools

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June 30, 2018

STEVENS KIRINOVIC & TUCKER P.C.

INDEPENDENT AUDITOR'S REPORT

Board of Education
Blissfield Community Schools
Blissfield, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

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Emphasis of Matter - Change in Accounting Principles

As discussed in Note L to the financial statements, Blissfield Community Schools implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and Governmental Accounting Standards Board Statement No. 82, *Pension Issues - An Amendment of GASB Statement No. 67, No. 68, and No. 73.* Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2018, on our consideration of Blissfield Community Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Blissfield Community Schools' internal control over financial reporting and compliance.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

October 3, 2018

Blissfield Community Schools is a K-12 school district located in Lenawee County, Michigan. The Management's Discussion and Analysis, a requirement of the Governmental Accounting Standards Board Statement 34 (GASB 34), is intended to be an overview of the financial activities for the fiscal year ended June 30, 2018. This reporting model provides detailed explanation of specific items included in the financial statements. A comparative analysis of fiscal year ended June 30, 2018 to the prior year has been included in this discussion.

Generally Accepted Accounting Principles (GAAP) according to GASB 34 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 54 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.

Fund Financial Statements - Continued

For the period ending June 30, 2018, 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 $23,691 in 2017-2018 in interest cost due to the sequestration. If the sequester continues, a similar interest cost will be paid each year out of the District's general fund for the balance of the repayment period ending June 30, 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 (10 years generally for the ARRA QSCB program) 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%. However, as mentioned earlier, the Federal Sequestration has reduced interest subsidies resulting in additional interest cost for the District. The District sold ARRA QSCB bonds totaling $5,000,000 in 2010.

The district reports two Special Revenue Funds (non-major funds); the School Lunch Fund and the Education Legacy Funds. 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. 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, 2018. The School District's net position was $11,531,205 at June 30, 2018, excluding the GASB 68 (net pension liability) and GASB 75 (net OPEB liability) effects. Capital assets, net of related debt totaling $3,160,662 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 fund balance of $4,215,332 (excluding GASB 68 & 75), which 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.

GASB 68 - Net Pension Liability

GASB Statement No. 68 requires all Michigan school districts to record their proportionate share of the 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 $14,200,256. This figure drastically changed the statements for the District, putting them into a negative net position of ($5,869,915). 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

New this audit year, the 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 $4,855,360. This figure, along with the larger GASB 68 figure, drastically changed the statements for the District, putting them into a negative net position of ($5,869,915). 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

	Statement of Net Position	
	June 30, 2018	June 30, 2017
Assets		
Current and other assets	$ 7,520,482	$ 7,160,362
Noncurrent Assets	10,615,431	10,546,541
Total Assets	18,135,913	17,706,903
Deferred Outflows of Resources	3,565,780	2,373,691
Liabilities		
Current Liabilities	1,610,138	1,621,657
Noncurrent Liabilities	24,050,186	23,658,389
Total Liabilities	25,660,324	25,280,046
Deferred Inflows of Resources	1,911,284	960,646
Net Position		
Net investment in capital assets	3,160,662	3,469,955
Restricted	4,155,210	3,862,161
Unrestricted	(13,185,787)	(13,492,214)
	$ (5,869,915)	$ (6,160,098)

* Noncurrent Liability balance reflects $14,200,256 and $13,545,205 in recorded net pension liability for 2018 and 2017, respectively; as well as $4,855,360 and $5,121,329 in recorded net OPEB liability for 2018 and 2017 respectively. These figures are required by GASB 68 and GASB 75.

TABLE 2

For the fiscal year ended June 30, 2018, the District wide results of operations as compared to June 30, 2017, were:

	Year Ended June 30, 2018	Year Ended June 30, 2017
Revenues		
Program Revenues:		
Charges for services	$ 264,151	$ 281,264
Operating grants and contributions	3,150,320	2,539,086
General Revenues:		
Property Taxes	1,419,838	1,417,924
State foundation allowance	7,817,207	7,719,858
Other	101,376	74,767
Total Revenues	12,752,892	12,032,899
Functions/Program Expenses		
Instruction	7,289,038	7,065,412
Support Services	3,477,363	2,898,795
Food Service	458,079	438,506
Athletics	335,177	298,366
Community service	8,346	8,140
Interest and costs on long-term debt	277,715	277,715
Depreciation	790,454	796,001
Total Expenses	12,636,172	11,782,935
Increase (Decrease) in Net Position	$ 116,720	$ 249,964

As shown in Table 2 above, the cost of all of *the District activities as a whole* this year was $12,636,172. The change in net position for the year was an increase of $116,720. 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 $1,419,838 in levied property taxes and $7,817,207 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.

Analysis of Financial Position

During the fiscal year ended June 30, 2018 the District's total governmental activities had a combined fund balance of $8,450,213, an increase of $746,041 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.

Analysis of Financial Position - Continued

- In the General Fund, which is the District's principal operating fund, the fund balance increased by $302,311 and had an ending fund balance of $4,087,043, or 36.71% 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 $159,442 were Assigned Funds to cover the 2018/2019 fiscal year budget shortage. With these nonspendable, assigned, and committed funds excluded, the District's **Unassigned Fund Balance** is $2,877,804 or 25.85%.

- The Debt Service Fund increased by $562,392, showing an ending fund balance at 6/30/2018 of $3,938,881. 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 1.75 mills. This sinking fund levy has been approved by voters through June 2020.

- The Capital Project Sinking Fund decreased by $269,343 this past fiscal year, showing an ending fund balance of $216,329. Of the $519,000 brought in by this 1.75 mill levy, $530,000 was transferred to the Debt Service Fund for the set aside bond payment of the $5,000,000 School Qualified Construction Bond. Capital expenditures of $315,205 went towards the reconstruction of the high school science labs.

- The District's Food Service Fund had a decrease of $18,331 for the year. Food service sales and federal meal reimbursements were down almost $14,000 compared to the prior fiscal year. The district has seen a decrease in the number of students choosing to participate in the district's food service program as well as a decrease in enrollment over the last several years. These factors along with the increase in food costs associated with the federal nutrition requirements, has made it a challenge for the Food Service Fund to be profitable, let alone break even. The ending fund balance for the year is $38,948.

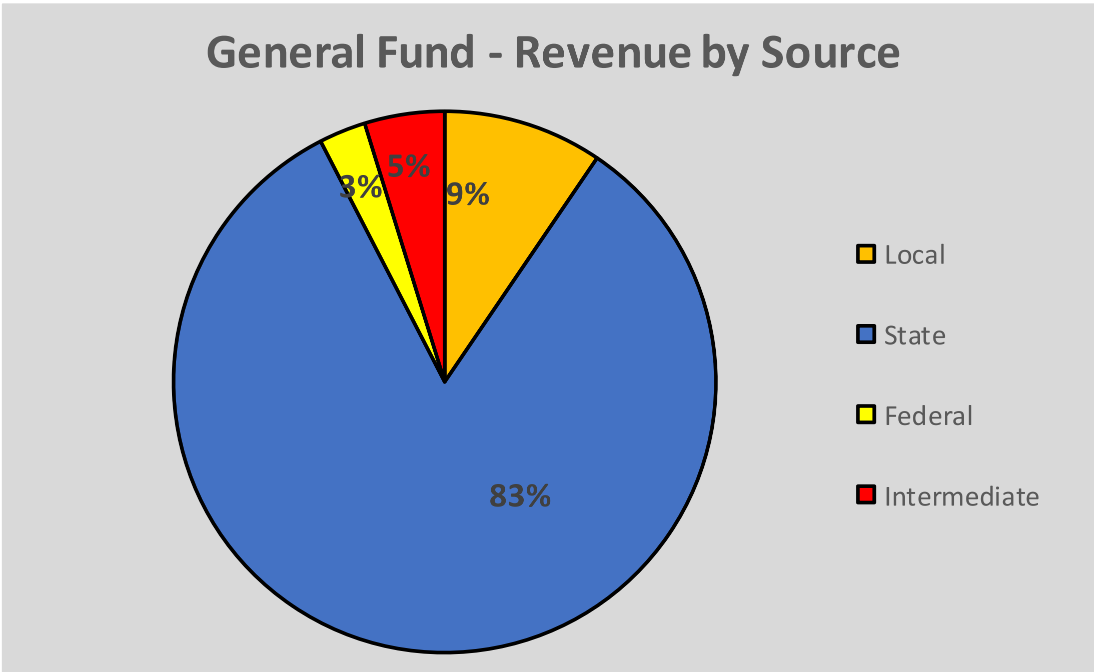
District management believes the General Fund balance should be protected at approximately 25% of total expenditures in order to ensure effective ongoing educational operations. During the last few years, the combination of decreasing enrollment and increasing costs have made maintaining this goal a challenge. In the last 15 years, the District enrollment has declined by close to 200 students! This declining enrollment is representative of the statewide enrollment decline.

Over the last two years, the District has maintained in enrollment with no further decrease, which is positive news for the District. In addition, the District did manage to end the fiscal year in the black, adding $302,311 to its fund balance. 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 6/30/18 climbed to 25.85%, 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.

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 2017-2018 fiscal year, the District received $7,631 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.

Revenues - Continued



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%.

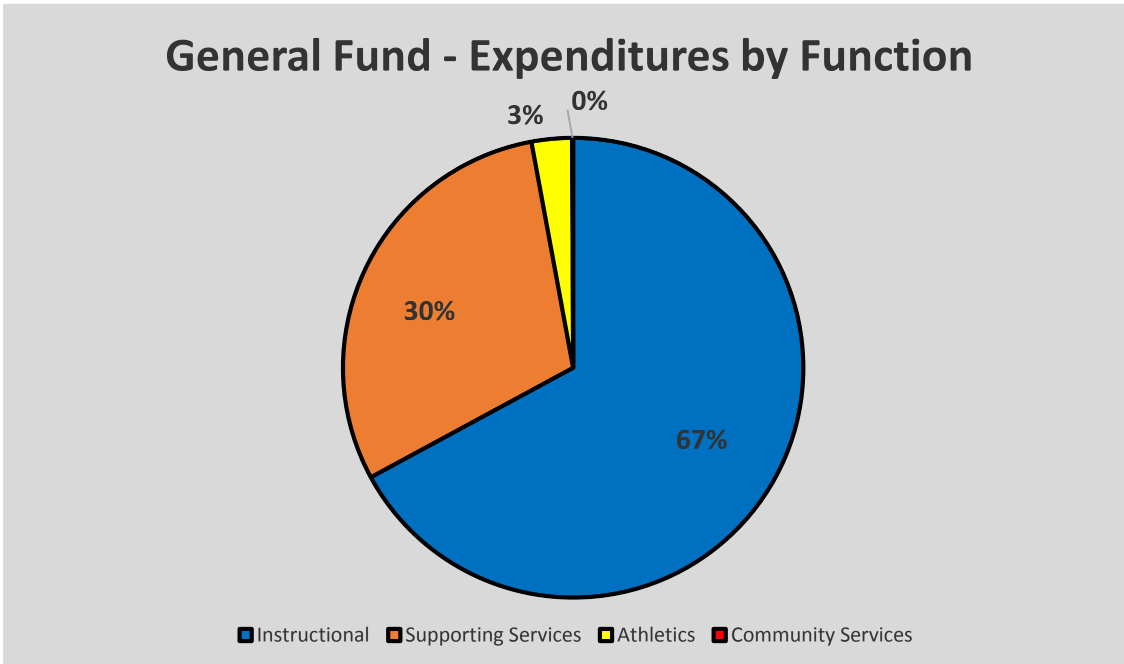
As stated earlier, Blissfield Community Schools has been experiencing an enrollment decline over the last 15 years. However, this past fiscal year we saw an enrollment decrease of only 9 students from the 2016/2017 school year. The overall reduction in student count over the last several years and the state funding that goes with it has put a financial strain on the district budget and fund balance that district administration has worked to protect. 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 this past year was 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 healthy general fund balance. We are starting to see this enrollment level off and have maintained an enrollment around 1200 for the last 5 years. The District had a gain of $302,311 to the fund balance in 2017/2018 fiscal year.

Due to changes with the area farms and migrant workers employed, the District's fall migrant student enrollment for the 2017/2018 school year is down. However, the overall preliminary enrollment numbers for the coming 2018/2019 school year still look strong. This is positive news for the District as this is showing a possible strong enrollment growth.

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.

Expenses - Continued



The District just successfully negotiated a two-year agreement with the Blissfield Education Association (the teachers' union), whose current contract expired June 30, 2018. 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. We are very excited and proud of this ground-breaking agreement that was a result of both administration and union collaboration.

This past year the District replaced a few retired teachers with new hires. The same thing is taking place for this coming year. Although this is a loss of valuable teaching experience, the District saves financially through attrition as new hires replace staff members at top of salary scale.

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 2017/2018 fiscal year saw a rate increase near 5%. Rates for this coming 2018-2019 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.

Contributions to the Michigan Public School Employee' Retirement System (MPSERS) for fiscal year 2018 were anywhere between 25 - 27%, 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.

Expenses - Continued

The District had normal maintenance repair costs during the 2017/2018 school year, which included sealcoating of the District's driveways and parking lots, some concrete work and electrical and lighting upgrades. The district also purchased new social studies curriculum, which will be implemented with the start of the 2018/19 school year. The District also was able to purchase bus cameras for its entire bus fleet, as well as bus radios. These safety features will be very valuable in the coming years. The District owns and operates its own bus fleet, so it is imperative that the fleet is maintained and kept in good repair. Close to $40,000 was spent on bus maintenance and repair. Other major expenses were energy costs. Compared to the prior year, fuel costs jumped up by almost $22,000 and utility/energy costs increased by around $30,000.

The School Lunch Fund lost money again this past year, with expenditures exceeding revenue by $18,331. More than the prior year's loss of $11,985, this a concern of the District. Between an overall enrollment decline and the growing trend of students choosing to not participate in the school lunch program, the District's food sales and federal meal reimbursements were down a total of $13,993 this past year. No major expenditures were made from this fund this past year. District administration will be watching this fund closely and looking for ways to cut costs and/or increase revenues. The positive preliminary enrollment for the coming 2018/2019 school year should help with meal sales.

The District continues to look for ways to save money and put more of its limited available funds into the classroom while remaining fiscally sound. These cost saving measures 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 3rd party contractors, saving the District in benefit costs. The district finished the 2017/18 fiscal year strong, with the overall net result of an increase in fund balance of $302,311.

General Fund and Special Revenue Fund Operations

The District's revenues from General Fund operations exceeded expenses by $302,311 for the fiscal year ended June 30, 2018. 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 $4,087,043 or 36.71%. 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, $159,442 of the final fund balance has been assigned to cover the 2018/2019 fiscal year budget deficit. Excluding these committed, assigned and nonspendable costs, the District has a final unassigned fund balance of $2,877,804 or 25.85%.

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 2017/2018, the General Fund contributed funds of $330,955 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.

Despite another decrease in its fund balance this past year, the School Lunch Fund (Food Service program) still maintains a positive fund balance of $38,948 at 6/30/2018. For 2017/2018, the Lunch Fund operating expenses did exceed revenue by $18,331. Our food service manager works hard to use government commodities to provide nutritional and appetizing meals for our students and staff while keeping costs down and abiding by new federal regulations that limits choices and challenges staff to create menu choices that appeal to students. Healthy food is more expensive (as the saying goes) and more labor intensive to prepare and this has proven true for our food service staff. In addition, both district enrollment and student participation in the school meal program has decreased over the last few years, and along with it, the student sales dollars and government lunch reimbursements that are based on these sales numbers. The District's food and milk sales to students and adults amounted to $177,320 for the fiscal year, down from last year by $10,740. Over the last three years, district food sales have decreased by almost $30,000! This decrease, along with the federal reimbursement dollars that come with each reimbursable meal sale, has had a significant effect on the School Lunch Fund fund balance.

Long-Term Bonded Debt

The District has a Capital Project Sinking Fund levy of 1.75 mills that brings in approximately $519,000 annually. 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. Decreasing property values and rising commercial and industrial personal property tax exemptions have had an effect on the original levy projections from this Bond. 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 fund balance for the purpose of capital improvements. Blissfield Community School District will need to spend a portion of the $1,000,000 Committed Fund Balance in the General Fund to repay the QSCB Bond and for other necessary capital improvements over the next five years. For the 2017/18 fiscal year, $530,000 was transferred into the Debt Service Fund from the sinking fund revenues, out of a total annual levy revenue of $519,000. This levy was approved by district voters through June 2020. At that point, the bond will be paid off and the District's Board of Education must decide whether to ask the community for a renewal of the sinking fund levy.

At the end of this year, the District had a total long-term debt from the 2010 QSCB Bond for $5,000,000. This was a 10-year bond due in May 2020. Of this total principal balance, the outstanding balance at 6/30/2018 was $5,000,000. 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 2018, the School District had $21,318,470 invested in land and buildings, furniture and equipment, and vehicles and buses. Of this amount, $13,163,238 in depreciation and amortization have been taken over the years. Our capital assets currently have a net book value of $8,155,232.

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets	$ 20,929,223	$ 508,826	$ (119,579)	$ 21,318,470
Less: Accumulated depreciation and amortization	(12,467,413)	(790,454)	94,629	(13,163,238)
Net investment capital outlay	$ 8,461,810	$ (281,628)	$ (24,950)	$ 8,155,232

Economic Factors, Enrollment and Budget Comparisons

The two main factors affecting the School District's revenue picture during the 2017-2018 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 2018, 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

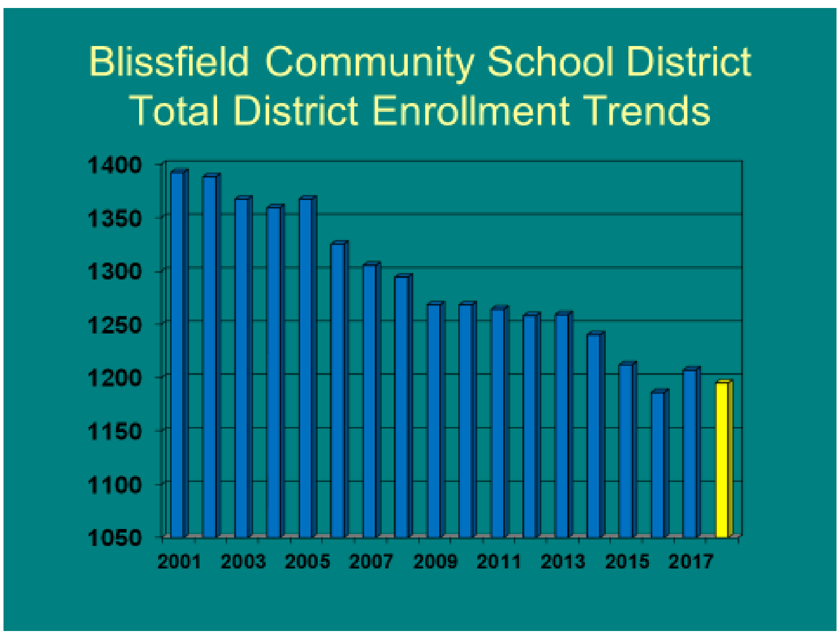
Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. For the 2017-2018 fiscal year, the Blissfield Community Schools' foundation allowance was $7,631, an increase of $120 per student from the prior year. This increase was the result of a minimum foundation increase approved as part of the 2017/18 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 $65,391 was gained from this funding source. In addition, the District receives additional state aid money of $218,795 to help offset the Renaissance Zone tax break in Blissfield.

Student Enrollment:

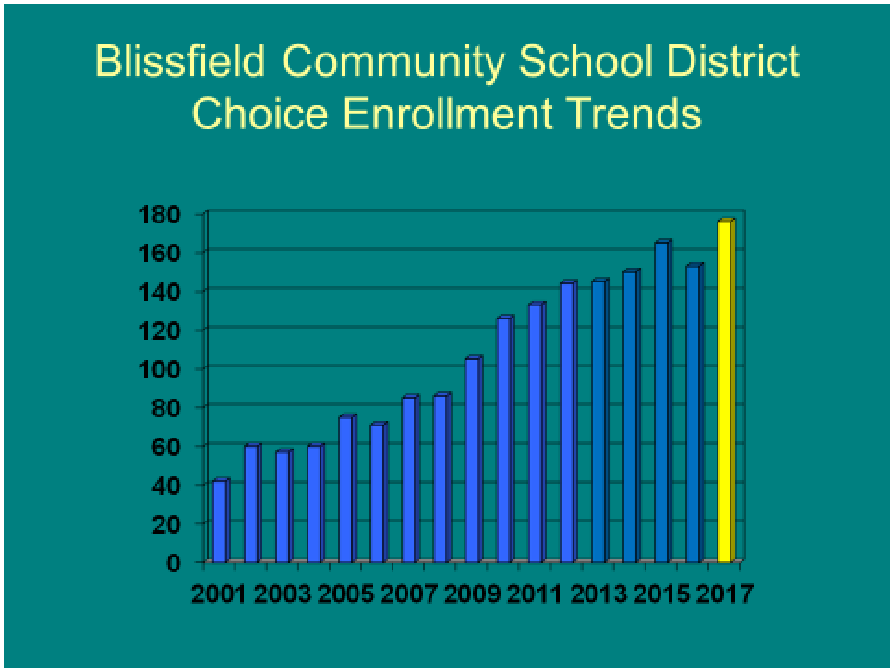
The District's student enrollment for the fall count of 2017-18 was 1,198 students (blended enrollment of 1,198). As discussed previously, the School District has experienced a decline in enrollment over the last 17 years. In September 2001 the enrollment was close to 1,400, which shows an overall decrease of over 200 students. The following summarizes fall student enrollments in the past fifteen years:



The budgeted enrollment figure of 1,189 for the 2018-2019 school year show a budgeted decrease of 9 students. Positive enrollment figures show student counts for the coming year show the District actually increasing enrollment with 1,210 students enrolled for the 2018/19 school year.

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 2017-2018 school year, 176 students from other county school districts were enrolled at Blissfield Schools. This amounts to 14.7% of the District's total enrollment in 2017-2018.

Student Enrollment - Continued:



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. This District's voter approved millage expires in June 2019. The District Board is seeking a renewal of this levy in the November 2018 election.

The District's non-homestead property revenue for the 2017-18 fiscal year was $900,500.

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 $922,174, 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 1,195 and per-student funding of $7,611 per student. The actual final count of 1,198 and funding of $7,631 per student increased our revenue by $47,000.

  Another main change in these revenue dollars was the UAAL Rate Stabilization and ERIP dollars that made up $674,002 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.

General Fund Budgetary Highlights - Continued

Federal grant dollars also increased following the original budget approval, by $46,729. This increase was the result of greater final grant allocations received than originally had been forecasted.

The District overall was under budget in General Fund revenue dollars by $2,133. Most of this difference was a combination of more than expected local tax revenue and less grant revenues than budgeted due to carry-over of grant expenditures to next fiscal year (grant funds not all used in 2017/2018 means revenues are not recognized).

- The final expenditure budget was higher than the initial expense budget by $485,665. As was the case in the budgeted revenue change, UAAL and ERIP expenditures accounted for an additional $674,002 in expenses not originally budgeted (offset by the same amount in UAAL and ERIP revenue described above). Other changes were due to staff changes (resignations and rehires) late in the summer that reduced overall salary/benefit costs. The District was overall under budget in General Fund expenditures by $80,024.

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. With Capital improvement funding from the Capital Project Sinking Fund committed through 2010, the management believes that financial reserves are important to maintain at current levels if possible to guard against any sudden and significant expenditure having a negative impact on education programs.

Since budget amounts must be prepared and approved by the Board prior to June 30th 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 25, 2018 budget amendment was the final budget for the fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

For the 2018/2019 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 August 2012 for seven years and a Headlee rollback is not expected in the current economic climate. The District Board approved putting an early renewal of the 18.00 non-homestead millage on the November 2018 ballot for approval by district voters.

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 four years has shown some positive growth and leveling off in student enrollment - positive news for the District.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS - CONTINUED

In summary, the overall financial strength of the District improved during the 2017/2018 school year, with an increase to the General Fund balance of $302,311. 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.

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, 2018

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 3,334,845
Restricted cash and cash equivalents	562,392
Investments	894,612
Restricted investments	916,290
Accounts receivable	86,668
Due from other governmental units	1,719,932
Prepaids	320
Inventories	5,423
Total current assets	7,520,482
Noncurrent assets	
Restricted investments	2,460,199
Capital assets not being depreciated	81,000
Capital assets, net of accumulated depreciation	8,074,232
Total noncurrent assets	10,615,431
TOTAL ASSETS	18,135,913
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	3,251,342
Deferred outflows of resources related to OPEB	314,438
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,565,780
LIABILITIES	
Current liabilities	
Accounts payable	53,424
Accrued payroll	608,675
Other accrued liabilities	489,083
Unearned revenue	379,286
Current portion of compensated absences	79,670
Total current liabilities	1,610,138
Noncurrent liabilities	
Noncurrent portion of long-term debt	4,994,570
Net pension liability	14,200,256
Net OPEB liability	4,855,360
Total noncurrent liabilities	24,050,186
TOTAL LIABILITIES	25,660,324
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	1,747,138
Deferred inflows of resources related to OPEB	164,146
TOTAL DEFERRED INFLOWS OF RESOURCES	1,911,284
NET POSITION	
Net investment in capital assets	3,160,662
Restricted for debt service	3,938,881
Restricted for capital projects	216,329
Unrestricted	(13,185,787)
TOTAL NET POSITION	$ (5,869,915)

See accompanying notes to financial statements.

Blissfield Community Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities				
Instruction	$ 7,289,038	$ 575	$ 1,326,111	$ (5,962,352)
Supporting services	3,477,363	7,249	1,316,239	(2,153,875)
Food service	458,079	174,498	256,661	(26,920)
Athletics	335,177	81,829	-	(253,348)
Community service	8,346	-	-	(8,346)
Interest and costs on long-term debt	277,715	-	251,309	(26,406)
Unallocated depreciation	790,454	-	-	(790,454)
TOTAL	$ 12,636,172	$ 264,151	$ 3,150,320	(9,221,701)
General revenues				
Property taxes				1,419,838
State school aid - unrestricted				7,817,207
Investment earnings				63,773
Miscellaneous				37,603
TOTAL GENERAL REVENUES				9,338,421
CHANGE IN NET POSITION				116,720
Restated net position, beginning of year				(5,986,635)
Net position, end of year				$ (5,869,915)

See accompanying notes to financial statements.

Blissfield Community Schools

Governmental Funds

BALANCE SHEET

June 30, 2018

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 3,057,248	$ -	$ 277,597	$ 3,334,845
Restricted cash and cash equivalents	-	562,392	-	562,392
Investments	750,000	-	144,612	894,612
Restricted investments	-	3,376,489	-	3,376,489
Accounts receivable	86,668	-	-	86,668
Due from other governmental units	1,716,462	-	3,470	1,719,932
Prepaids	320	-	-	320
Inventories	-	-	5,423	5,423
Due from other funds	1,571	-	2,166	3,737
TOTAL ASSETS	$ 5,612,269	$ 3,938,881	$ 433,268	$ 9,984,418
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 53,318	$ -	$ 106	$ 53,424
Accrued payroll	608,469	-	206	608,675
Other accrued liabilities	489,083	-	-	489,083
Unearned revenue	372,190	-	7,096	379,286
Due to other funds	2,166	-	1,571	3,737
TOTAL LIABILITIES	1,525,226	-0-	8,979	1,534,205
FUND BALANCES				
Nonspendable				
Prepaids	320	-	-	320
Restricted				
Capital projects	-	-	216,329	216,329
Debt service	-	3,938,881	-	3,938,881
Food and nutrition	-	-	38,948	38,948
Committed				
Capital projects	1,000,000	-	169,012	1,169,012
Athletics	49,477	-	-	49,477
Assigned				
Subsequent year's expenditures	159,442	-	-	159,442
Unassigned	2,877,804	-	-	2,877,804
TOTAL FUND BALANCES	4,087,043	3,938,881	424,289	8,450,213
TOTAL LIABILITIES AND FUND BALANCES	$ 5,612,269	$ 3,938,881	$ 433,268	$ 9,984,418

See accompanying notes to financial statements.

Blissfield Community Schools

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

June 30, 2018

Total fund balances - governmental funds		$ 8,450,213
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	$ 21,318,470	
Accumulated depreciation is	(13,163,238)	
Capital assets, net		8,155,232
Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension 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	3,251,342	
Deferred inflows of resources related to pensions	(1,747,138)	
Deferred outflows of resources related to OPEB	314,438	
Deferred inflows of resources related to OPEB	(164,146)	
		1,654,496
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	5,430	
Bonds payable	(5,000,000)	
Compensated absences	(79,670)	
Net pension liability	(14,200,256)	
Net OPEB liability	(4,855,360)	
		(24,129,856)
Net position of governmental activities		$ (5,869,915)

See accompanying notes to financial statements.

Blissfield Community Schools

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2018

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local sources	$ 1,055,836	$ 32,392	$ 739,217	$ 1,827,445
State sources	9,517,816	-	33,884	9,551,700
Federal sources	320,492	251,309	237,586	809,387
Other	564,360	-	-	564,360
TOTAL REVENUES	11,458,504	283,701	1,010,687	12,752,892
EXPENDITURES				
Current				
Instruction	7,198,313	-	-	7,198,313
Supporting services	3,594,888	-	846	3,595,734
Athletics	330,955	-	-	330,955
Food service	-	-	452,312	452,312
Community service	8,346	-	-	8,346
Debt service				
Interest, fiscal, and other charges	-	275,000	-	275,000
Capital outlay	-	-	319,654	319,654
TOTAL EXPENDITURES	11,132,502	275,000	772,812	12,180,314
EXCESS OF REVENUES OVER EXPENDITURES	326,002	8,701	237,875	572,578
OTHER FINANCING SOURCES (USES)				
Transfers in	-	553,691	-	553,691
Transfers out	(23,691)	-	(530,000)	(553,691)
TOTAL OTHER FINANCING SOURCES (USES)	(23,691)	553,691	(530,000)	-0-
NET CHANGE IN FUND BALANCES	302,311	562,392	(292,125)	572,578
Fund balances, beginning of year	3,784,732	3,376,489	542,951	7,704,172
Prior period adjustment	-	-	173,463	173,463
Fund balances, end of year	$ 4,087,043	$ 3,938,881	$ 424,289	$ 8,450,213

See accompanying 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, 2018

Net change in fund balances - total governmental funds		$ 572,578
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	$ 483,876	
Depreciation expense	(790,454)	
Excess of depreciation expense over capital outlay		(306,578)
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	(655,051)	
Change in deferred outflows of resources related to pensions	1,322,306	
Change in deferred inflows of resources related to pensions	(786,492)	
Decrease in net OPEB liability	265,969	
Change in deferred outflows of resources related to OPEB	(130,217)	
Change in deferred inflows of resources related to OPEB	(164,146)	
Decrease in compensated absences	1,066	
		(146,565)
Change in net position of governmental activities		$ 116,720

See accompanying notes to financial statements.

Blissfield Community Schools

Fiduciary Funds

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2018

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	$ 99,862	$ 214,781
Investments	757,470	-
Student loans receivable	932,130	-
TOTAL ASSETS	1,789,462	$ 214,781
LIABILITIES		
Due to student groups	-	$ 214,781
NET POSITION		
Held in trust for student loans	$ 1,789,462	

See accompanying notes to financial statements.

Blissfield Community Schools

Fiduciary Fund

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2018

	Private Purpose Trust Fund
ADDITIONS	
Unrealized gain on investments	$ 41,619
Interest	34,735
TOTAL ADDITIONS	76,354
DEDUCTIONS	
Administrative expenses	19,028
CHANGE IN NET POSITION	57,326
Net position - beginning of year	1,732,136
Net position - end of year	$ 1,789,462

See accompanying notes to financial statements.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; these financial statements present the financial activities of Blissfield Community Schools. The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements of the District contain all the funds controlled by the District.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the district-wide financial statements) present information for the district as a whole. All non-fiduciary activities of the District are included (i.e., fiduciary fund activities are not included in the district-wide financial statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal accounting entity with a self-balancing set of accounts. The District utilizes governmental and fiduciary funds.

The governmental fund financial statements present the District’s major funds and nonmajor funds. A separate column is shown for each major fund on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column. Fiduciary funds are reported by type.

The major governmental funds of the District are:

a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District.

b. Debt Service Fund - The Debt Service Fund was established to account for resources for payment of debt related to the bond.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The district-wide and fiduciary private purpose trust fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources, when applicable, are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned, and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenses.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected with sixty (60) days of the end of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

If/when both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports unearned revenue on its financial statements, when applicable. Unearned revenues arise when the District receives resources before it has a legal claim to them. In subsequent periods, when revenue recognition criteria are met, the unearned revenue is removed from the balance sheet and revenue is recognized.

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General and Special Revenue Funds. All unexpended appropriations lapse at fiscal year-end.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

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 for financing them.

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 (P.A. 621 of 1978). 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 not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.

d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.

e. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.

f. The budget, as presented, has been amended in a legally permissible manner.

6. Cash and Cash Equivalents

Cash and cash equivalents consist checking, savings, money market accounts, and pooled investment funds. The cash equivalents are recorded at market value.

7. Investments

Investments consist of certificates of deposit with original maturities of greater than 90 days, U.S. treasury bills, municipal bonds, mutual funds, and corporate stocks. Investments are recorded at market value.

8. 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.

9. Short-term Interfund Receivables/Payables

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

10. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The State of Michigan's funding stream of State Aid payments results in the final two (2) payments, related to the fiscal year ended June 30, 2018, to be paid in July and August 2018. The total amount of $1,718,547 due from other governmental units consists of $1,701,384 and $17,163 related to State Aid and grant and local programs, respectively.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Inventories

Inventories are stated at cost on a first in/first out basis. The Food Service Fund inventory consists of food and paper goods. Inventory that will be sold, rather than used in providing services (i.e., food in the Food Service Fund), and for which the proceeds from the sales are restricted for food service activities are not classified as "nonspendable" but instead are reflected as a component of restricted fund balance in accordance with GASB Statement No. 54.

12. 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:

Buildings and building improvements	20-50 years
Furniture and equipment	20 years
Vehicles	8 years

13. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated vacation amounts to be paid at termination are considered payable from current resources and are recorded along with the related payroll taxes as a current liability in the district-wide financial statements.

14. Long-term Obligations

Long-term debt is recognized as a liability in the district-wide financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the Debt Service Funds for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

15. 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 Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

16. 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 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.

17. 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 qualifies for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension and other postemployment benefit 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.

18. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied.

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.

19. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. Prior to the fiscal year ended June 30, 1995, the State utilized a district power equalizing approach. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2018, the foundation allowance was based on the average of pupil membership counts taken in October 2017 and February 2017. The average calculation was weighted 90% for the October 2017 count and 10% for the February 2017 count.

The State portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the year and two (2) payments made after year-end. The local revenue is recognized as outlined above under Property Taxes.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

20. State Categorical Revenue

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

21. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Transfers of resources to other funds are recorded as operating transfers. Transfers are netted as part of the reconciliation to the district-wide financial statements.

22. Restrictions of Net Position

Restrictions of net position shown in the district-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

23. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, 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:

1. 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.
2. 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.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or federal agency obligation repurchase agreements.
6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
8. 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.

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.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

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, 2018, the carrying amount of the District's deposits was $4,608,115 and the bank balance was $5,377,932 of which $2,498,025 covered by the Federal Depository Insurance Corporation, and the remaining $2,879,907 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 (3) 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 risk and others.

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs 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.

The District had the following fair value measurements as of June 30, 2018:

	Fair Value Measurements					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Weighted Average Maturity	Moody's /S&P Rating
U.S. Treasury bills	$ 195,250	$ -	$ -	$ 195,250	2.85 years	AAA
Municipal bonds	-	197,886	-	197,886	2.05 years	BAA2
Mutual funds	1,219,465	-	-	1,219,465	N/A	N/A
Corporate bonds	1,052,933	-	-	1,052,933	1.78 years	N/A
Corporate stocks	221,734	-	-	221,734	N/A	N/A
Federal Farm Credit Bank	49,580	-	-	49,580	3.78	AAA
Federal Home Loan Mortgage	33,969	-	-	33,969	1.18	AAA
Federal National Mortgage	14,519	-	-	14,519	1.28	AA
Federal Home Loan Bank	44,819	-	-	44,819	2.33	AAA
Federal National Mortgage Association	48,083	-	-	48,083	3.61	AAA
Uncategorized pooled investment funds						
MILAF+	-	145,258	-	145,258	58 days	AAAm
Michigan CLASS	-	1,408,840	-	1,408,840	67 days	AAAm
Total investments at fair value	$ 2,880,352	$ 1,751,984	$ -0-	$ 4,632,336		

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

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 participates in the Michigan Liquid Asset Fund Plus (MILAF+) and the portfolio securities are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. It is MILAF+'s policy to compare amortized cost and fair values of the securities periodically throughout each month and as of the last business day of each month. Fair value is determined by reference to quoted market prices. MILAF+'s annual financial statement may be obtained at www.milaf.org.

MILAF+ portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Money market securities are valued using amortized cost, as outlined in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Generally, amortized cost approximates the fair value of a security, but since the value is not obtained from a quoted market price in an active market, such securities held by the MILAF+ Portfolio are categorized as Level 2 investments.

The District participates in the Michigan CLASS portfolio investments. Michigan CLASS is a nonprofit organization which falls under the Financial Accounting Standards Board (FASB). Under the fair value hierarchy, all of Michigan CLASS' investments are valued as Level 2 investments.

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, 2018, 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.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Custodial Credit Risk - continued

As of June 30, 2018, 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:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	$ 3,334,845	$ 314,643	$ 3,649,488
Cash - restricted	562,392	-	562,392
Investments - current	894,612	757,470	1,652,082
Investments - current, restricted	916,290	-	916,290
Investments - noncurrent, restricted	2,460,199	-	2,460,199
	$ 8,168,338	$ 1,072,113	$ 9,240,451

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2018, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	$ 1,571
Due to nonmajor governmental funds from:	
General Fund	$ 2,166

Amounts appearing as interfund payables and receivables arise from three types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. A second type of transaction is where one fund provides a good or service to another fund. The third type of transaction is where one fund borrows cash from another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE D: 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	$ 23,691
Nonmajor governmental funds	530,000
	$ 553,691

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

NOTE E: CAPITAL ASSETS

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

	Balance July 1, 2017	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2018
Capital assets not being depreciated				
Land	$ 81,000	$ -	$ -	$ 81,000
Construction in progress	24,950	-	(24,950)	-0-
Total capital assets not being depreciated	105,950	-0-	(24,950)	81,000
Capital assets being depreciated				
Buildings and building improvements	18,442,501	408,280	-	18,850,781
Furniture and equipment	550,728	100,546	-	651,274
Vehicles	1,830,044	-	(94,629)	1,735,415
Subtotal	20,823,273	508,826	(94,629)	21,237,470
Less accumulated depreciation for:				
Buildings and building improvements	(10,795,469)	(644,466)	-	(11,439,935)
Furniture and equipment	(401,706)	(14,175)	-	(415,881)
Vehicles	(1,270,238)	(131,813)	94,629	(1,307,422)
Total accumulated depreciation	(12,467,413)	(790,454)	94,629	(13,163,238)
Net capital assets being depreciated	8,355,860	(281,628)	-0-	8,074,232
Capital assets, net	$ 8,461,810	$ (281,628)	$ (24,950)	$ 8,155,232

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

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Amounts Due within One Year
2010 School Building and Site Bonds	$ 5,000,000	$ -	$ -	$ 5,000,000	$ -
Capitalized bond discount	(8,145)	-	(2,715)	(5,430)	(2,715)
Compensated absences	80,736	10,162	11,228	79,670	79,670
	$ 5,072,591	$ 10,162	$ 8,513	$ 5,074,240	$ 76,955

NOTE F: LONG-TERM DEBT - CONTINUED

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

General Obligation Bond

$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

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

Year Ending June 30,	General Obligation Bonds Principal	Interest
2019	$ -	$ 275,000
2020	5,000,000	275,000
	$ 5,000,000	$ 550,000

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 district-wide financial statements as compensated absences in the amount of $79,670.

NOTE G: RETIREMENT AND POST EMPLOYMENT 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/mpsers-cafr.

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

NOTE G: RETIREMENT AND POST EMPLOYMENT 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:

Plan Name	Plan Type	Plan Status
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%. 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.

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

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

Pension Reform 2012 - continued

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

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

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

Option 2: Members voluntarily elected to increase their contribution to the pension fund as stated in Potion 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 transient 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 199% 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 (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.

NOTE G: RETIREMENT AND POST EMPLOYMENT 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 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

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

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

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 Post-Employment 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, 2016 valuation will be amortized over a 22-year period for fiscal 2017.

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

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

The District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately $1,485,402 with $1,472,544 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2018 were equal to the required contribution total. OPEB benefits were approximately $340,665 with $332,278 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 MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

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

Pension Liabilities

At June 30, 2018, the District reported a liability of $14,200,256 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.05479709 percent.

MPSERS (Plan) Non-University Employers	September 30, 2017
Total Pension Liability	$ 72,407,218,688
Plan Fiduciary Net Position	46,492,967,561
Net Pension Liability	25,914,251,127
Proportionate Share	0.05479709%
Net Pension Liability for the District	$ 14,200,256

For the year ended June 30, 2018, the District recognized pension expense of $1,334,381.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 123,410	$ 69,678
Net difference between projected and actual earnings on pension plan investments	-	678,866
Changes of assumptions	1,555,751	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	165,363	324,591
State aid related to pensions	-	674,003
District's contributions subsequent to the measurement date	1,406,818	-
Total	$ 3,251,342	$ 1,747,138

$1,406,818, 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. $674,003 reported as deferred inflows of resources under the caption "State aid related to pensions" will be recognized as an increase to State Aid revenue during the year ending June 30, 2019.

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

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

Pension Liabilities - continued

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

Year Ending September 30,	Amount
2018	$ 121,209
2019	411,205
2020	255,148
2021	(16,173)

Defined Contribution Pension Plan

Benefit provisions of MPSERS also requires the District to contribute to a defined contribution tax-deferred investment account for all eligible employees. The District is required to match 50% of an employee's contributions up to 1% of an employee's salary. The retirement benefits are determined by the final average compensation and years of service with disability and survivor benefits available to members. The District contributions for the year ended June 30, 2018, was $12,858.

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

OPEB Liabilities

At June 30, 2018, the District reported a liability of $4,855,360 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.05482893 percent.

MPSERS (Plan) Non-University Employers	September 30, 2017
Total Other Postemployment Benefit Liability	$ 13,920,945,991
Plan Fiduciary Net Position	5,065,474,936
Net Other Postemployment Benefit Liability	8,855,471,055
Proportionate Share	0.05482893%
Net Other Postemployment Benefit Liability for the District	$ 4,855,360

For the year ended June 30, 2018, the District recognized OPEB expense of $324,821.

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

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

OPEB Liabilities - continued

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 51,695
Net difference between projected and actual earnings on pension plan investments	-	112,451
Changes in proportion and differences between the District's contributions and proportionate share of contributions	257	-
District's contributions subsequent to the measurement date	314,181	-
Total	$ 314,438	$ 164,146

$314,181, 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 Ending September 30,	Amount
2018	$ (39,608)
2019	(39,608)
2020	(39,608)
2021	(39,608)
2022	(5,457)

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

Actuarial Assumptions

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

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

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

Inflation: 3.0%

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

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

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

Cost of Living Pension Adjustments: 3.0% annual non-compounded for MIP members.

Healthcare Cost Trend Rate for Other Postemployment Benefit: 7.5% for year one and graded to 3.5% to year twelve.

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

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

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

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

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

Actuarial Assumptions - continued

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

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

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

Pension Discount rate: The discount rate used to measure the total pension liability was 7.5% (7.0% for Pension Plus Plan). This discount rate was based on the long-term rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that plan members 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.

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for Pension Plus Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease (Non-Hybrid/Hybrid) 6.5% / 6.0%	Discount Rate (Non-Hybrid/Hybrid) 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 8.5% / 8.0%
District's proportionate share of the net pension liability	$ 18,498,210	$ 14,200,256	$ 10,581,652

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

Actuarial Assumptions - continued

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net other postemployment benefit liability	$ 5,687,030	$ 4,855,360	$ 4,149,533

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the District'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 Benefit		
	1% Decrease (6.5% decreasing to 2.5%)	Healthcare Cost Trend Rates (7.5% decreasing to 3.5%)	1% Increase (8.5% decreasing to 4.5%)
District's proportionate share of the net other postemployment benefit liability	$ 4,111,837	$ 4,855,360	$ 5,699,578

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 2017 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).

Other Information

On December 20, 2017, the Michigan Supreme Court affirmed that Public Act 75 of 2010 is unconstitutional as it substantially impaired the employee's employment contracts by involuntarily reducing the employee's wages by 3%. As a result, the funds collected pursuant to Public Act 75 before the effective date of Public Act 300 of 2012, must be refunded to the employees in accordance with the Michigan Court of Clams judgment on the aforementioned court case. Effective September 30, 2017, the 3% contribution collected under Public Act 75, which amounted to approximately $554 million (including interest), was posted as a liability on the plan's CAFR report.

NOTE H: 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 I: CONTINGENT LIABILITIES

The District participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The periodic program compliance audits of many of the programs have not yet been completed or final resolution has not been received. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE J: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, Blissfield Community Schools' highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the Board of Education. Committed fund balances do not lapse at year end.

NOTE J: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

For assigned fund balance, the Board of Education is authorized to assign amounts to a specific purpose. The authorization policy is a full vote and approval by the Board of Education.

For the classification of fund balances, Blissfield Community Schools considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, Blissfield Community Schools considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE K: 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.

NOTE L: NEW ACCOUNTING STANDARDS

For the year ended June 30, 2018, the District implemented the following new pronouncements: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Summary

GASB Statement No. 75 requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

GASB Statement No. 82*, Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*, was implemented during the year. The statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

See Note O for details of the restatement of net position as a result of GASB statement No. 75.

NOTE M: UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes guidance regarding what constitutes fiduciary activities for accounting and financial reporting purposes, the recognition of liabilities to beneficiaries, and how fiduciary activities should be reported. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019-2020 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. The statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

NOTE N: RECONCILIATION OF FEDERAL REVENUES

The following reconciles the federal revenues reported in the June 30, 2018, financial statements to the expenditures of the District administered Federal programs:

	Federal Revenue	Less: Build America Bonds Federal Interest Subsidy which is not subject to the Single Audit Act	Federal Expenditures
General Fund	$ 320,492	$ -	$ 320,492
Food Service Fund	237,586	-	237,586
Debt Service Fund	251,309	(251,309)	-0-
	$ 809,387	$ (251,309)	$ 558,078

NOTE O: PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF BEGINNING NET POSITION

As discussed in Note L, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* during the year. In addition, the District had a prior period adjustment of $173,463 to the Education Legacy (Nonmajor) Fund as a result of understated cash and investments in the prior year. Details of these adjustments to the beginning net position of governmental activities are as follows:

	Governmental Activities
Net position as previously stated July 1, 2017	$ (1,483,424)
Adoption of GASB Statement 75	
Net other postemployment benefit liability	(5,121,329)
Deferred outflows of resources related to subsequent other post employment benefits contributions	444,655
Prior period adjustment - understated cash and investments	173,463
Net position as restated on July 1, 2017	$ (5,986,635)

REQUIRED SUPPLEMENTARY INFORMATION

Blissfield Community Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Local sources	$ 1,034,019	$ 1,045,264	$ 1,055,836	$ 10,572
State sources	8,739,654	9,509,358	9,517,816	8,458
Federal sources	302,790	349,519	320,492	(29,027)
Other	462,000	556,496	564,360	7,864
TOTAL REVENUES	10,538,463	11,460,637	11,458,504	(2,133)
EXPENDITURES				
Current				
Instruction	7,138,314	7,250,261	7,198,313	51,948
Supporting services	3,254,392	3,616,636	3,594,888	21,748
Athletics	318,000	331,018	330,955	63
Community services	16,155	14,611	8,346	6,265
TOTAL EXPENDITURES	10,726,861	11,212,526	11,132,502	80,024
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(188,398)	248,111	326,002	77,891
OTHER FINANCING (USES)				
Transfers out	-	(23,700)	(23,691)	9
NET CHANGE IN FUND BALANCE	(188,398)	224,411	302,311	77,900
Fund balance, beginning of year	3,784,732	3,784,732	3,784,732	-0-
Fund balance, end of year	$ 3,596,334	$ 4,009,143	$ 4,087,043	$ 77,900

Blissfield Community Schools

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Michigan Public School Employee Retirement Plan

Last Four Measurement Dates (ultimately ten years will be displayed)
(Amounts were determined as of 9/30 of each fiscal year)

	2017	2016	2015	2014
Blissfield Community Schools' proportion of net pension liability (%)	0.05479709%	0.05429118%	0.05384543%	0.0575500%
Blissfield Community Schools' proportionate share of net pension liability	$ 14,200,256	$ 13,545,205	$ 13,151,761	$ 12,675,554
Blissfield Community Schools' covered-employee payroll	$ 4,592,463	$ 4,604,542	$ 4,502,257	$ 5,260,505
Blissfield Community Schools' proportionate share of net pension liability as a percentage of its covered-employee payroll	309.21%	294.17%	292.11%	240.96%
Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.20%

Blissfield Community Schools

SCHEDULE OF PENSION CONTRIBUTIONS

Michigan Public School Employee Retirement Plan

Last Four Fiscal Years (ultimately ten fiscal years will be displayed)
(Amounts were determined as of 6/30 of each fiscal year)

	2018	2017	2016	2015
Statutorily required contributions	$ 1,472,544	$ 1,236,007	$ 1,038,748	$ 1,004,314
Contributions in relation to statutorily required contributions	1,472,544	1,236,007	1,038,748	1,004,314
Contribution deficiency (excess)	$ -0-	$ -0-	$ -0-	$ -0-
Blissfield Community Schools' covered-employee payroll	$ 4,523,196	$ 4,734,761	$ 4,502,257	$ 4,713,401
Contributions as a percentage of covered-employee payroll	32.56%	26.10%	23.07%	21.31%

Blissfield Community Schools

SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY

Michigan Public School Employee Retirement Plan

Last Measurement Date (ultimately ten years will be displayed)
(Amounts were determined as of 9/30 of each fiscal year)

	2017
Blissfield Community Schools' proportion of net OPEB liability (%)	0.05482893%
Blissfield Community Schools' proportionate share of net OPEB liability	$ 4,855,360
Blissfield Community Schools' covered-employee payroll	$ 4,592,463
Blissfield Community Schools' proportionate share of net OPEB liability as a percentage of its covered-employee payroll	105.72%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%

Blissfield Community Schools

SCHEDULE OF OPEB CONTRIBUTIONS

Michigan Public School Employee Retirement Plan

Last Fiscal Year (ultimately ten fiscal years will be displayed)
(Amounts were determined as of 6/30 of each fiscal year)

	2018
Statutorily required contributions	$ 332,278
Contributions in relation to statutorily required contributions	332,278
Contribution deficiency (excess)	$ -0-
Blissfield Community Schools' covered-employee payroll	$ 4,523,196
Contributions as a percentage of covered-employee payroll	7.35%

NOTE A: MICHIGAN PUBLIC SCHOOL EMPLOYEE RETIREMENT PLAN

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

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

OTHER SUPPLEMENTARY INFORMATION

Blissfield Community Schools

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2018

	Special Revenue Fund	Capital Projects Funds		
	School Lunch Fund	Education Legacy Fund	Capital Project Sinking Fund	Total
ASSETS				
Cash and cash equivalents	$ 37,463	$ 24,400	$ 215,734	$ 277,597
Investments	-	144,612	-	144,612
Due from other governmental units	3,470	-	-	3,470
Inventories	5,423	-	-	5,423
Due from other funds	-	-	2,166	2,166
TOTAL ASSETS	$ 46,356	$ 169,012	$ 217,900	$ 433,268
LIABILITIES				
Accounts payable	$ 106	$ -	$ -	$ 106
Accrued payroll	206	-	-	206
Unearned revenue	7,096	-	-	7,096
Due to other funds	-	-	1,571	1,571
TOTAL LIABILITIES	7,408	-0-	1,571	8,979
FUND BALANCES				
Restricted				
Capital projects	-	-	216,329	216,329
Food and nutrition	38,948	-	-	38,948
Committed				
Capital projects	-	169,012	-	169,012
TOTAL FUND BALANCES	38,948	169,012	216,329	424,289
TOTAL LIABILITIES AND FUND BALANCES	$ 46,356	$ 169,012	$ 217,900	$ 433,268

Blissfield Community Schools

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2018

	Special Revenue Fund	Capital Projects Funds		
	School Lunch Fund	Education Legacy Fund	Capital Project Sinking Fund	Total
REVENUES				
Local sources	$ 177,320	$ 844	$ 561,053	$ 739,217
State sources	19,075	-	14,809	33,884
Federal sources	237,586	-	-	237,586
TOTAL REVENUES	433,981	844	575,862	1,010,687
EXPENDITURES				
Current				
Supporting services	-	846	-	846
Food service	452,312	-	-	452,312
Capital outlay	-	4,449	315,205	319,654
TOTAL EXPENDITURES	452,312	5,295	315,205	772,812
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(18,331)	(4,451)	260,657	237,875
OTHER FINANCING (USES)				
Transfers out	-	-	(530,000)	(530,000)
NET CHANGE IN FUND BALANCES	(18,331)	(4,451)	(269,343)	(292,125)
Fund balances, beginning of year	57,279	-	485,672	542,951
Prior period adjustment	-	173,463	-	173,463
Fund balances, end of year	$ 38,948	$ 169,012	$ 216,329	$ 424,289

STEVENS KIRINOVIC & TUCKER P.C.

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*

Board of Education
Blissfield Community Schools
Blissfield, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blissfield Community Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Blissfield Community Schools' basic financial statements, and have issued our report thereon dated October 3, 2018.

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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

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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.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

October 3, 2018