Breckenridge Community School District
Breckenridge, Michigan

Financial Statements
With Supplementary Information
June 30, 2017

Roslund Prestage & Company
Certified Public Accountants

Breckenridge Community School District
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June 30, 2017

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Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Education
Breckenridge Community School District

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 Breckenridge Community School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in

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

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sincerely,

Roslund, Prestage & Company, P.C.

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

October 3, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Breckenridge Community School District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2017. Please read this discussion and analysis in conjunction with the District's financial statement beginning on page 1.

I. Description of the Basic Financial Statements

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities on pages 1 and 2 provide information concerning the operation of the District as a whole. This reporting model takes into consideration the cost of capital assets of the district, as well as, reflects the District's operations on the accrual basis of accounting similar to that used in the private sector. Most notable is the fact that capital assets are not recorded as an expense at the time of purchase. Instead, under this model, capital assets are depreciated over their expected life. Accumulated depreciation is recorded as an offset to capital assets. This reporting model is intended to present a clearer picture of the cost of utilizing capital assets in the District's operations. This model generally has a long-term focus.

Fund Financial Statements

The Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance on pages 3 and 5 provide financial information for the individual governmental funds. The focus of this presentation is to present resources available at the beginning of the year, the receipt and use of resources during the year, and the balance of resources available at year-end to be used in future years. This model is referred to as modified accrual and is focused on available spendable resources. This model generally has a short-term focus.

Reconciliation

The statements on pages 4 and 6 reconcile the differences between the District-Wide Financial Statements and the Fund Financial Statements.

Trust and Agency Funds

The Statement of Net Position - Fiduciary Fund present the resource held for the benefit of other individuals and/or entities. These amounts are not reflected in the Government-Wide Financial Statements because these resources are not intended to be used to finance the operations of the District.

II. Condensed Government-Wide Financial Information

The change in assets, liabilities, and net position from the previous year for the government-wide financial statements were not significant.

The decrease in capital assets net of depreciation indicates that capital assets are depreciating at a faster rate than they are being replaced. This was expected since the District does not make large purchases of fixed assets every year. There were capital assets purchased of 86,256 during the year while current year depreciation was $546,797.

The current liabilities decreased from the previous year by $345,136 as short term debt, or debt due within one year, has decreased because of the decreasing amount that the district needed to borrow for operations.

Noncurrent liabilities decreased due to the decrease in bonds payable past one year. Legislation was passed on June 25, 2012 effective for our fiscal year ending 6/30/2015 known as GASB 68. GASB 68 is an accounting standard that requires us to recognize and report a proportionate share of the state's pension plan liability (MPSERS) and pension expense within the restatement of our net position as of July 1, 2014. The net pension liability decreased over prior year by $120,433, bringing our overall net position to ($5,936,083).

All information presented in Table 1 relates to governmental activities. The District does not have any business-type activities.

Table 1
Comparative Summary of Assets, Liabilities, and Net Position
At June 30, 2016 and 2017

	2017	2016	Difference
Current Assets	$ 3,146,153	$ 3,439,806	$ -293,653
Noncurrent Assets	6,449,328	6,996,125	-546,797
Total Assets	$ 9,595,481	$ 11,486,210	$ 840,450
Deferred Outflows of Resources	$ 1,391,602	1,309,464	$ 82,138
Current Liabilities	$ 2,379,196	$ 2,724,332	$ -345,136
Noncurrent Liabilities	13,977,584	14,726,118	-748,534
Total Liabilities	$ 16,356,780	$ 17,450,450	$ 1,093,670
Deferred Inflows of Resources	$ 566,386	297,369	$ 269,017
Investment in Capital Assets (Net of Related Debt)	$ 1,620,505	$ 1,606,754	$ 13,751
Restricted	303,103	509,821	-206,718
Unrestricted	-7,859,691	-8,118,999	-259,308
Total Net Position	$ -5,936,083	$ -6,002,424	$ -452,275

Total revenues reported on the Statement of Activities varied slightly from the previous year, less than 1%.

Charges for Services increased by $86,767 or 56.2%, year over year.

Operating Grants and Contributions stayed pretty consistent with last year’s numbers. Actual overall revenues per our state of activities fell by approximately $43,000, or less than 1% year over year.

Property taxes decreased by $145,649 or 8.6% year over year.

Table 2
Comparative Summary of Program, General, and Total Revenues
Years Ended June 30, 2017 and 2016

	2017	2016	Difference
Charges for Services	$ 242,893	$ 156,126	$ 86,767
Operating Grants and Contributions	452,530	470,302	-17,772
Total Program Revenues	$ 695,423	$ 626,428	$ 68,995
Property Taxes	$1,564,052	$ 1,709,701	-$ 145,649
State Aid Not Restricted to Specific Purposes	5,212,659	5,191,670	20,989
Unrestricted Interest and Investment Earnings	3,002	3,752	-750
Restricted Interest and Investment Earnings	269	420	-151
Other	370,526	287,903	82,230
Total General Revenues	$7,150,508	$ 7,193,446	$ -42,938
Change in Net Position	$ 66,341	$ -287,518	$ 353,859

Total expenses decreased from the previous year by $327,802. Most of these components that make up total expenses decreased, with the exception of those items as explained below.

Instruction costs decreased from the previous year by $376,829 as we had fewer staff from previous years. As teachers retired we did not fill every opening.

The cost of **Support Services** increased during the year by $21,224 due to an increase in instructional staff support. Some of the areas that make up instructional staff support are counseling services, speech services, media and instruction related technology.

Athletics related expenditures increased minimally from the previous year.

Food Service costs increased slightly from the previous year. Costs continue to increase and we adjust what we charge to offset those increases. We also saw an increase in participation of our students and staff in meals. We saw an increase in revenues for our Food Service program as well.

Community Services costs increased during the year due to the creation of a Husky Pups Learning Center in the district. It was thought to run the program and measure its' success after one year's time and move forward in an attempt to acquire enough revenue to sustain the program. It will be evaluated at the end of each fiscal year to determine whether or not the program will continue.

Depreciation is reported at $633,053 in this fiscal year. Assets are depreciated using a straight line calculation over their useful life.

Table 3
Comparative Summary of Program Expenses by Function and Total Expenses
Years Ended June 30, 2017 and 2016

	2017	2016	Difference
Instruction	$4,101,521	$4,478,350	-376,829
Support Services	2,298,777	2,277,553	21,224
Athletics	218,204	219,384	-1,180
Food Service	307,232	281,812	25,420
Community Services	68,318	11,102	57,216
Interest and Fees on Long-term Debt	152,485	174,086	-21,601
Depreciation – Unallocated	633,053	665,105	-32,052
Total Expenses	$7,779,590	$8,107,392	-327,802

III. Analysis of the Overall Financial Position and Results of Operations for Governmental Activities

Governmental Activities

The net position and changes in net position are presented in table 4 below. Since the District does not have any business-type activities, this change is entirely comprised of governmental type activities.

Table 4
Comparative Summary of Net Position and Changes in Net Position
Years Ended June 30, 2017 and 2016

	2017	2016	Difference
Net Position – Beginning	-$6,002,424	-$5,714,906	−$ 287,518
Increase (Decrease) in Net Position	66,341	-287,518	353,859
Net Position – Ending	-$5,936,083	-$6,002,424	

The District operates under the philosophy that it should maintain or grow fund balance from one year to the next based on the Fund Financial Statements (modified accrual). Most business officials contend that 12% to 18% fund balance is the optimal target for a district. With slight increases in funding, the district strives to break even while maintaining current programs and maintaining a fund balance above 10%.
The increase in Net Position is a function of the difference between the District-Wide Financial Statements and the Fund Financial Statements. The reconciliation between these two methods is presented on page 6.

Statement of Activities

The Statement of Activities on page 2 is significantly different from the Statement of Revenues, Expenditures, and Changes in Fund Balance. This statement is organized by program listing the expenses in the first column, charges for services in the second column, grants/contributions in the third column, and net expense/revenue in the fourth column. This manner of presentation illustrates the expenses each program generates as well as the corresponding revenues. The net expense/revenue indicates the portion of that program that must be financed with general revenues of the district.

To help the user better understand this statement, the significant program revenues have been identified as follows:

Instruction:

Basic Programs	Great Start Readiness Program Revenues.
Added Needs	State Special Education funding, At Risk grant, Title I - Part A grant, Title II - Part A grant, Medicaid revenues and county special education tax levy, and vocational education from the intermediate school district.

Support Services:

Pupil Services	State Special Education funding, county special education tax levy and vocational education revenue from intermediate school district and Technology Infrastructure grant.
Instructional Staff	Title I, A grant, Title II A grant, county special education tax levy from intermediate school district and Technology Infrastructure grant.
Operations & Maintenance	Universal Service Funds and Miscellaneous revenue.

Pupil Transportation	Special Education funding, sale of used buses, county special education tax levy and vocational transportation revenue from intermediate school district, and Great Start Readiness Program revenue.
Central	State Headlee Obligation for Data Collection grant, Technology Infrastructure Grant, and Universal Service Funds.
Food Service	School meals sales, State School Lunch funds, and Federal National School Lunch Program.
Athletics	Gate receipts, tournament fees.

All other revenues are considered General Revenues and are listed at the bottom of the Statement of Activities.

IV. Significant Transactions and Changes in Individual Funds

The overall financial position of the individual governmental funds of the District did not change significantly from the previous year.

The General Fund realized an increase in fund equity due to a growth in state unrestricted revenues and a decrease in overall expenditures.

The Capital Projects Fund shows little change year over year as there was activity of expense in the amount of $20,900 in that fund.

Food Service had a decrease in fund balance due to a decrease in participation.

The Debt Service Funds incurred a loss to the overall fund balance due to the levying of only what is needed for paying current debt service.

A comparison of the change in fund balance to the revenues and other financing sources for each of the governmental funds is as follows:

	Revenues and Other Financing Sources	Net Change in Fund Balance From Prior Year	Percent Change in Fund Balance as a Percent of Revenues and Other Financing Sources
General	$6,907,850	$ 284,653	4.30%
Food Service	288,992	-14,851	-4.81%
Total Debt Service	659,644	-170,968	-20.59%
Capital Projects	0	-20900	N/A

General Fund

Approximately 78% of the General Fund budget is spent on salaries and benefits. As this is a large portion of the budget, every attempt is made to settle bargaining agreements. Bargaining units had contracts during the 2016-17 fiscal year.

Food Service Fund

The Food Service program for the District has not required any contribution from the General Fund in recent years because it has been operating at a profit or small loss. The District regularly builds fund equity in the Food Service Fund to set aside funds necessary to replace large equipment.

Debt Service Funds

The Debt Service Funds collect property taxes and receive interest earnings on bank deposits to finance the payment of interest and principal on bonds issued to construct and upgrade facilities and technology throughout the district. The tax rate is set each year at a level to pay the current year principal and interest payments on the bond issue. For fiscal year 2016-17 this levy was set at 1.96 mills. The levy is determined to generate sufficient revenues to pay the principal and interest payment of the 2008, 2010 and 2012 bond issues.

Capital Projects

The District had expenditures of $20,900 related to the 2012 Bond Issue during the year. Main projects were completed as of September 1, 2014 and some residual dollars were spent in 16-17 on Chromebooks while the remainder of it will be spent in 2017-18 on CAD lab computers.

V. Changes to Budget and Comparison to Actual Results

It is required by State law to adopt the original budget before the beginning of the fiscal year. For the fiscal year ended June 30, 2017 the original budget was adopted on June 20, 2016. The original budget is adopted before the enrollment is known, some grants are awarded, and some staff is hired. Many assumptions are therefore made in constructing the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. The significant variances for the fiscal year ended June 30, 2017 are as follows:

General Fund

Changes from Original Budget to Final Budget

Local Sources – The district anticipated higher tax dollars based on increased delinquent taxes that had been received during the year.

State Sources – The original budget was based on enrollment estimates. Final budget used actual numbers based on student count data. There was a increase in this number and state revenues were shown to reflect this decrease.

Federal Sources – The original budget was amended to include actual dollars allocated to the district and actual dollars intended to be spent.

Other Sources – The original budget was amended to account for an increase in revenues received from the intermediate school district in relation to Vocational Education. We were reimbursed for Transportation in Voc Ed this year.

Basic Programs – The original budget was amended to include a decrease in expenses overall in this category. Decreases were associated with staffing positions that were not filled for the entire year. Adjustments to wages and benefits were increased but the net impact of all changes was a decrease to Basic Programs.

Pupil Services – Increased slightly due to insurances increases and increases to the category of improvement of instruction.

General Administration – Decreased very minimally between original and final budgets.

School Administration – Was decreased minimally to fewer costs in salary and benefits.

Business Services – A decrease was made to the final budget to reflect lower fees and payments and decreased unemployment costs.

Operations and Maintenance – The original budget was amended to reflect increased costs that were being incurred by the district for the year. A new lawn mower was needed that was not known at the time of the original budget.

Pupil Transportation – The original budget was amended minimally from original to final.

Variances between Final Budget and Actual Amounts

State Sources – Property tax revenue decreased after board of review notices came out.
Federal Sources – Federal grants were adjusted to reflect actual expenditures in those programs for the year.
Central Services – The Community Education position became available mid year as the intent to bring the program back was approved by the Board of Education.

Food Service Fund

Changes from Original Budget to Final Budget

Local Sources – The original budget was amended to more closely reflect actual student lunch sales.
State Sources – State sources were reflected to match what was seen on the state aid status report.
Federal Sources – The original budget was amended to reflect additional Federal reimbursement revenue in the school lunch program.
Food Service – The original budget was amended to reflect minimal additional expense associated with contractual services.

Variances between Final Budget and Actual Amounts

Central Services – Expenses were higher due to the program being new and not known at the final budget, what expenses were going to be. Hours turned in by the person running the program were turned in at year end.

VI. Capital Assets and Long-Term Debt Activity during the Year

Capital Assets

A summary of the changes in the District's capital assets is presented on page 15. The significant additions and disposals are described as follows:

Buildings and Additions – No changes for fiscal year 2016-17.

Equipment – A new phone system was put in place during fiscal year 2016-17.

Furniture – No changes in fiscal year 2016-17.

Long-Term Debt

A summary of the changes in long-term debt is presented on page 17. Detailed notes for these long-term debts are on page 16 and 17.

VII. Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations.

One of the most significant factors facing Breckenridge Community School District continues to be the economic condition of the State of Michigan. With state funding the primary source of revenue, the district monitors the state's periodic revenue-estimating conference in order to project revenue for the upcoming fiscal year's budget. In addition, local student enrollment is another revenue producing factor that the district monitors. The state foundation is based on a blended student count. This count is taken in October and February of each fiscal year. The blended count consists of 90% of count taken in October and 10% of the count taken in February, of the previous fiscal year. In addition to the state required count days, the district conducts monthly enrollment updates in order to monitor this important revenue source. For budgeting purposes, an estimated student count is used based on the district's enrollment history.

The District along with other schools throughout Michigan are faced with significant budget challenges as the State of Michigan continues to struggle to determine an effective method to provide adequate funding for public education. Districts must continue to provide quality educational services to their students while effectively managing their resources within the ever changing financial landscape for Michigan Schools.

The budget prepared for the 2016-17 school year was based on a decline in student enrollment of 36 students, resulting in an expected loss. The final budget reflected a smaller actual loss of student fte's and additional revenues and less expenditures resulting in a nice gain in fund balance.

Request for Information

This financial report is designed to provide our stakeholders with a general overview of the district's finances and to show the district's accountability for the funding it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Breckenridge Community School District, Central Office, 700 Wright Street, Breckenridge, MI 48615.

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

Breckenridge Community School District
Statement of Net Position
June 30, 2017

Assets	
Current assets	
Cash and investments	$ 1,908,683
Accounts receivable	1,174
Due from other funds	223
Due from other governmental units	1,169,973
Other current assets	66,100
Total current assets	3,146,153
Noncurrent assets	
Capital assets being depreciated, net	6,449,328
Total assets	9,595,481
Deferred Outflows of Resources	
Deferred outflow - related to pension	1,391,602
Liabilities	
Current liabilities	
Accounts payable	37,644
Accrued expenses	580,554
Accrued interest	23,135
Short-term note payable	1,000,000
Bonds payable, due within one year	665,000
Capital leases payable, due within one year	15,048
Compensated absences, due within one year	25,415
Retirement incentive, due within one year	32,400
Total current liabilities	2,379,196
Noncurrent liabilities	
Bonds payable, due beyond one year	4,025,000
Capital leases payable, due beyond one year	39,112
Compensated absences, due beyond one year	144,021
Premium on bonds, net of amortization	84,663
Retirement incentive, due beyond one year	38,000
Net pension liability	9,646,788
Total noncurrent liabilities	13,977,584
Total liabilities	16,356,780
Deferred Inflows of Resources	
Deferred inflow - related to pension	275,403
Deferred inflow - 147c allocation	290,983
Total deferred inflows of resources	566,386
Net position	
Net investment in capital assets	1,620,505
Restricted for:	
Capital projects	102,493
Debt service	138,949
Food service	61,661
Unrestricted	(7,859,691)
Total net position	$ (5,936,083)

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

Breckenridge Community School District
Statement of Activities
For the Year Ended June 30, 2017

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes Net Position
Governmental activities:				
Instruction	$ 4,101,521	$ 122,184	$ 223,850	$ (3,755,487)
Support services	2,516,981	55,292	-	(2,461,689)
Food service	307,232	59,386	228,680	(19,166)
Community services	68,318	6,031	-	(62,287)
Interest and fees on long-term debt	152,485	-	-	(152,485)
Depreciation - unallocated	633,053	-	-	(633,053)
Total governmental activities	$ 7,779,590	$ 242,893	$ 452,530	(7,084,167)
General revenues:				
Property taxes				1,564,052
State sources				5,212,659
Unrestricted interest and investment earnings				3,002
Restricted interest and investment earnings				269
Intermediate sources				315,804
Other general revenues				54,722
Total general revenues				7,150,508
Change in net position				66,341
Net position - beginning				(6,002,424)
Net position - ending				$ (5,936,083)

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

FUND FINANCIAL STATEMENTS

Breckenridge Community School District
Balance Sheet
Governmental Funds
June 30, 2017

	Major Fund General Fund	Total Non-major Funds	Totals
Assets			
Cash and investments	$ 1,613,677	$ 295,006	$ 1,908,683
Accounts receivable	334	840	1,174
Due from other funds	-	32,120	32,120
Due from agency fund	-	223	223
Due from other governmental units	1,168,431	1,542	1,169,973
Other current assets	66,100	-	66,100
Total assets	$ 2,848,542	$ 329,731	$ 3,178,273
Liabilities			
Accounts payable	$ 37,375	$ 269	$ 37,644
Due to other funds	5,761	26,359	32,120
Accrued expenditures	580,554	-	580,554
Short term note payable	1,000,000	-	1,000,000
Total liabilities	1,623,690	26,628	1,650,318
Fund balances			
Nonspendable	66,100	-	66,100
Restricted for:			
Food service	-	61,661	61,661
Debt service	-	138,949	138,949
Capital projects	-	102,493	102,493
Unassigned	1,158,752	-	1,158,752
Total fund balances	1,224,852	303,103	1,527,955
Total liabilities and fund balance	$ 2,848,542	$ 329,731	$ 3,178,273

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

Breckenridge Community School District
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Position of Governmental Activities on the Statement of Net Position
June 30, 2017

Total fund balance - governmental funds			$ 1,527,955
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:			
Add:	Cost of capital assets	$ 13,891,395	
Deduct:	Accumulated depreciation	(7,442,067)	
			6,449,328
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:			
Deduct:	2008 Refunding Bonds	(1,180,000)	
Deduct:	2010 Bonds	(770,000)	
Deduct:	2012 Bonds	(2,740,000)	
Deduct:	Capital Lease - copiers	(22,569)	
Deduct:	Capital Lease - heating system server	(31,591)	
Deduct:	Compensated absences payable	(169,436)	
Deduct:	Retirement incentive payable	(70,400)	
Deduct:	Accrued interest on long-term liabilities	(23,135)	
			(5,007,131)
Other amounts reported in the statement of activities that do not require current financial resources consist of:			
Add:	Deferred outflow - related to pension		1,391,602
Deduct:	Net pension liability		(9,646,788)
Deduct:	Deferred inflow - related to pension		(275,403)
Deduct:	Deferred inflow - 147c allocation		(290,983)
Deduct:	Premium on bonds (net of amortization) - 2008 bonds		(27,131)
Deduct:	Premium on bonds (net of amortization) - 2012 bonds		(57,532)
Total net position - governmental activities			$ (5,936,083)

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

Breckenridge Community School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	Major Fund General Fund	Total Non-major Funds	Totals
Revenues			
Local sources	$ 1,119,735	$ 654,727	$ 1,774,462
State sources	5,260,988	89,933	5,350,921
Federal sources	223,850	206,860	430,710
Other sources	315,803	-	315,803
Total revenues	6,920,376	951,520	7,871,896
Expenditures			
Instruction			
Basic programs	3,197,848	-	3,197,848
Added needs	837,729	-	837,729
Total instruction	4,035,577	-	4,035,577
Support services			
Pupil	281,754	-	281,754
Instructional staff	167,414	20,900	188,314
General administration	308,574	-	308,574
School administration	439,354	-	439,354
Business services	78,800	-	78,800
Operation and maintenance	664,049	-	664,049
Pupil transportation	344,754	-	344,754
Central	66,885	-	66,885
Athletics	218,204	-	218,204
Total support services	2,569,788	20,900	2,590,688
Food service	-	306,827	306,827
Community services	67,913	-	67,913
Facilities construction and improvement	5,092	-	5,092
Debt service			
Principal payments	14,699	670,000	684,699
Interest, fees and other	8,168	160,611	168,779
Total expenditures	6,701,237	1,158,338	7,859,575
Revenues over (under) expenditures	219,139	(206,818)	12,321
Other financing sources (uses)			
Proceeds from capital lease	39,488	-	39,488
Transfers in	-	100	100
Transfers out	(100)	-	(100)
Total other financing sources (uses)	39,388	100	39,488
Net change in fund balances	258,527	(206,718)	51,809
Fund balances - beginning	966,325	509,821	1,476,146
Fund balances - ending	$ 1,224,852	$ 303,103	$ 1,527,955

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

Breckenridge Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds		$	51,809
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Add:	Capital asset purchases		86,256
Deduct:	Depreciation expense		(633,053)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.			
Add:	Change in deferred outflow - related to pension		82,138
Add:	Decrease in net pension liability		120,433
Deduct:	Change in deferred inflow - related to pension		(243,051)
Add:	Decrease in accrual for compensated absences		510
Add:	Decrease in accrued interest on long term debt		3,483
Payment of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).			
Add:	2008 refunding bonds		310,000
Add:	2010 bonds		130,000
Add:	2012 bonds		230,000
Add:	Capital lease - copiers		6,802
Add:	Capital lease - heating system server		7,897
Deduct:	Increase in early retirement incentive		(34,240)
Deduct:	Proceeds from capital lease		(39,488)
Revenue in support of pension contributions made subsequent to the measurement date			
Deduct:	Change in deferred inflow - 147c allocation		(25,966)
Other amounts reported in the statement of activities that do not require current financial resources			
Add:	2008 refunding bonds - amortization of premium		7,058
Add:	2012 bonds - amortization of premium		5,753
Change in net position - governmental activities		$	66,341

Breckenridge Community School District
Statement of Net Position
Fiduciary Fund
June 30, 2017

		Agency Fund
Assets		
Cash and cash equivalents	$	171,078
Liabilities		
Accounts payable		1,133
Due to food service fund		223
Due to student and other groups		169,722
Total liabilities		171,078
Net Position	$	-

-

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the District's reporting entity, and which organizations are legally separate, component units of the District. Based on the application of the criteria, the District does not contain any component units.

Basis of Presentation - Government-wide Financial Statements

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

Basis of Presentation - Fund Financial Statements

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

The District reports the following major governmental funds:

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

The District reports the following non-major governmental funds:

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

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

- The *capital projects fund* accounts for the receipt of bond proceeds, transfers from the general fund (as applicable), and the acquisition of fixed assets or construction of capital projects.

The District reports the following fiduciary funds:

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

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

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

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

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

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

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

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

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

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

year ended June 30. The District does not consider these amendments to be significant.

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

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

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

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

Inventory
Inventory is valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventory is recorded as expenditures/expenses when consumed rather than when purchased.

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

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

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

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

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

Assets	Years
Buildings & improvements	10 – 50
Computer & related equipment	5
Furniture & equipment	5 – 20
Capital leases	5
Vehicles	5 – 8

Deferred Outflows

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

- Related to pension - A deferred outflow is recognized for pension related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows

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

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

Compensated Absences

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

Unearned Revenue

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

Long-term Obligations

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

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

Defined Benefit Plan

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

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

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

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

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

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

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

The District levied the following amounts per $1,000 of assessed valuation. The District levied 18.00 mills for school general operations on the non-homestead taxable value. The District also levied an additional 1.96 mills on all property in the District for the purpose of debt service.

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

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

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

Use of Estimates

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

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

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

Description	Amount
Petty Cash	464
Checking, Savings, & Money Market Accounts	1,900,454
Certificates of Deposit	7,765
Total	1,908,683

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

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

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

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2017, $250,000 of the District's bank balance of $1,967,432 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts. The fiduciary fund balances are not included in the above balances.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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 allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk: The District is not authorized to invest in investments which have this type of risk.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES
The amounts of interfund receivable and payable shown on the fund financial statements as of June 30th, are as follows:

Receivable fund	Amount	Payable fund	Amount
General Fund	-	General Fund	5,761
Food Service	5,984	Food Service	-
2008 Bond	-	2008 Bond	26,359
2010 Bond	10,462	2010 Bond	-
2012 Bond	15,897	2012 Bond	-
Fiduciary Fund	-	Fiduciary Fund	223
Total	32,343	Total	32,343

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS
As of June 30th, due from other governmental units is comprised of the following amounts:

Description	Amount
State aid	906,986
Federal grants and other pass-through agencies	60,409
Other	202,578
Total	1,169,973

No allowance for doubtful accounts is considered necessary.

NOTE 5 - CAPITAL ASSETS
A summary of changes in the District's capital assets follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets being depreciated				
Buildings & improvements	11,358,317	-	-	11,358,317
Computer & related equipment	727,497	-	-	727,497
Furniture & equipment	998,127	46,768	-	1,044,895
Capital leases	35,842	39,488	-	75,330
Vehicles	697,049	-	(11,693)	685,356
Total capital assets being depreciated	13,816,832	86,256	(11,693)	13,891,395
Accumulated depreciation				
Buildings & improvements	(5,073,517)	(416,641)	-	(5,490,158)
Computer & related equipment	(332,621)	(124,698)	-	(457,319)
Furniture & equipment	(864,004)	(45,880)	-	(909,884)
Capital leases	(7,168)	(9,142)	-	(16,310)
Vehicles	(543,397)	(36,692)	11,693	(568,396)
Total accumulated depreciation	(6,820,707)	(633,053)	11,693	(7,442,067)
Capital assets being depreciated, net	6,996,125	(546,797)	-	6,449,328

Depreciation for the year ended June 30, 2017 totaled $633,053. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 6 - ACCRUED EXPENSES

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

NOTE 7 - DEBT

Short-term debt

On August 22, 2016, the District borrowed $1,000,000 in one note from Isabella Bank in the form of a State Aid Anticipation note for the purpose of providing funds for school operations. The interest rate is stated at 0.83% and is payable on August 21, 2017.

On August 21, 2017 (after the end of the fiscal year), the District borrowed $600,000 in one note from the Michigan Finance Authority in the form of a State Aid Anticipation note for the purpose of providing funds for school operations. The interest rate is stated at 1.27% and is payable in installments ranging from $88,910 to $85,805 beginning on January 22, 2018 through July 20, 2018. This loan was acquired after the end of the fiscal year and, therefore, is not shown as a current liability.

Long-term debt

2008 REFUNDING BONDS

During the fiscal year ended June 30, 2008, the District advance refunded a general obligation bond issue with a general obligation bond refunding. The District issued $4,055,000 of general obligation refunding bonds for the purpose of advance refunding a portion of the District's outstanding 1998 bonds and paying costs associated with the issuance of the bonds. The proceeds of the bonds, together with funds on hand, will be used to establish an escrow fund to provide for payment of principal and interest and redemption premiums on the prior bonds being refunded. The escrow fund will consist of cash and direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

The bonds are a full faith and credit unlimited tax general obligation of the District and the principal thereof and interest thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the District without limitation as to rate or amount. The bonds are dated March 27, 2008.

2010 BONDS

During the fiscal year ended June 30, 2010, the District issued a general obligation bond in the amount of $1,300,000. The bonds are a full faith and credit unlimited tax general obligation of the District and the principal thereof and interest thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the District without limitation as to rate or amount. The bonds are dated February 24, 2010.

2012 BONDS

During the fiscal year ended June 30, 2013, the District issued a general obligation bond in the amount of $4,135,000. The bonds are a full faith and credit unlimited tax general obligation of the District and the principal thereof and interest thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the District without limitation as to rate or amount. The bonds are dated November 28, 2012.

RETIREMENT INCENTIVE PAYABLE

Ten individuals are currently participating in the early retirement incentive program offered by the District. Under this program, the individuals will receive annual payments ranging from $1,760 to $15,000 each through the year 2018. Payments are made to a 403(b) plan.

Capital leases

In fiscal year 2016, the District entered into a lease agreement as lessee for financing the acquisition of copiers valued at $35,842. The copiers have a 5 year estimated useful life. This year, $7,168 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

In fiscal year 2017, the District entered into a lease agreements as lessee for financing the acquisition of a heating system server valued at $39,488. The heating system server has a 5 year estimated useful life. This year, $1,974 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30th, were as follows:

Year Ending June 30	Amount
2018	16,014
2019	16,014
2020	16,014
2021	7,897
Total minimum lease payments	55,939
Less: amount representing interest	(1,779)
Present value of minimum lease payments	54,160

Summary of Debt Transactions
The changes in debt during the fiscal year are as follows:

	Beginning Balance	Additions	(Deletions)	Ending Balance	Due within one year
Short-term debt	1,285,000	1,000,000	(1,285,000)	1,000,000	1,000,000
Long-term debt					
Compensated abs	169,946	24,982	(25,492)	169,436	25,415
2008 Refunding Bonds	1,490,000	-	(310,000)	1,180,000	305,000
2010 Bonds	900,000	-	(130,000)	770,000	155,000
2012 Bonds	2,970,000	-	(230,000)	2,740,000	205,000
Early Retirement Incentive	36,160	96,000	(61,760)	70,400	32,400
Capital Lease – copiers	29,371	-	(6,802)	22,569	7,151
Capital Lease – heating system server	-	39,488	(7,897)	31,591	7,897
Total long-term debt	5,595,477	160,470	(771,951)	4,983,996	737,863

The annual requirements to pay principal and interest on the obligations outstanding at June 30, 2017, are shown in the *Schedule of Long-term Debt*.

NOTE 8 - NET INVESTMENT IN CAPITAL ASSETS
As of June 30th, the composition of net investment in capital assets was comprised of the following:

Net investment in capital assets	Amount
Capital asset being depreciated, net	6,449,328
Capital related general obligation bonds	(4,690,000)
Capital lease	(54,160)
Unamortized premium on bond refunding	(84,663)
Net investment in capital assets	1,620,505

NOTE 9 - RISK MANAGEMENT

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

NOTE 10 - RETIREMENT AND POST RETIREMENT 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 http://michigan.gov/mpsers-cafr.

Benefits Provided

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

Plan name	Plan Type	Plan status
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

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. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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

Pension Reform 2010

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

Pension Reform 2012

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. Members who elected under option 1 to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP).

Regular Retirement (no reduction factor for age)
Eligibility - 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 (PPP) members, age 60 with 10 years of credited service.

Annual Amount - Total credited service as of the Transition Date times 1.5% of final average compensation.

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

Option 1 - Credited Service after the Transition Date times 1.5% times FAC.

Option 2 - Credited Service after the Transition Date (until total service reaches 30 years) times 1.5% times FAC, PLUS Credited Service after the Transition Date and over 30 years times 1.25% times FAC.

Option 3 - Credited Service after the Transition Date times 1.25% times FAC.

Option 4 - None (Member will receive benefit through a Defined Contribution plan). As a DC participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS.

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.

Member Contributions
Depending on the plan selected, member contributions range from 0% - 7%. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions
Districts 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.

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:

October 1, 2015 - September 30, 2016	14.56% - 18.95%
October 1, 2016 - September 30, 2017	15.27% - 19.03%

The District's pension contributions for the year ended June 30, 2017 were equal to the required contribution total. Required and actual contributions to the plan for the years ended June 30, 2017 and 2016 were $884,992 and $932,835 respectively. These amounts include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (72.88% for pension and 27.12% for OPEB). The District UAAL/147c contributions for the years ended June 30, 2017 and 2016 were $290,983 and $265,017 respectively.

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

Pension Liabilities

At June 30, 2017, the District reported a liability of $9,646,788 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2015 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 districts, actuarially determined. At September 30, 2016 and 2015, the District's proportion is shown in the table below.

MPSERS (Plan) Non-university employers	September 30, 2016	September 30, 2015
Total Pension Liability	67,917,445,078	66,312,041,902
Plan Fiduciary Net Position	42,968,263,308	41,887,015,147
Net Pension Liability	24,949,181,763	24,425,026,755
Proportionate share	.038666%	.039989%
Net Pension Liability for the District	9,646,788	9,767,221

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

For the year ended June 30, 2017 and 2016, the District recognized pension expense of approximately $925,285 and $900,978 respectively. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate, these amounts have been recorded as a deferred outflow as of June 30, 2017.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	120,224	(22,863)
Changes of assumptions	150,820	-
Net difference between projected and actual plan investments earnings	160,330	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	204,873	(252,540)
District's contributions subsequent to the measurement date	755,355	-
Total	1,391,602	(275,403)

$755,355, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Description	Amount
June 30, 2018	81,793
June 30, 2019	69,185
June 30, 2020	216,412
June 30, 2021	(6,546)

Actuarial Assumptions

Investment rate of return - 8.0% 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).

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

Inflation - 2.5%

Mortality assumptions – RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2020 using projection scale AA for men and women were used.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2015. 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 plan investments - The rate was **8%** (**7%** Pension Plus Plan) net of investment and administrative expenses was determined using a 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.

The target allocation 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	28.00%	5.90%
Alternate Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.90%
Real Estate and Infrastructure Pools	10.00%	4.30%
Absolute Return Pools	15.50%	6.00%
Short Term Investment Pools	2.00%	0.00%

*Long term rate of return does not include 2.1% inflation.

Discount rate - The discount rate used to measure the total pension liability was **8%** (**7%** for Pension Plus Plan). The discount rate did not change from the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. 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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 8.0 percent (7% 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:

	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net pension liability	12,422,635	9,646,788	7,306,482

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2016 Comprehensive Annual Financial Report.

Payable to the Pension Plan - At year end the School District is current on all required pension plan payments. At June 30, 2017, the District reported a payable of $113,971 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017, consisting of pension contribution payable plus any other amounts owed to the pension plan including the UAAL payments for July and August 2017.

Benefit Provisions - Other Postemployment

Introduction
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. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, 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.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

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.

Employer Contributions

The employer contribution rate ranged from 5.52% - 6.45% of covered payroll for the period October 1, 2013 to March 9, 2015, 2.2% to 2.71% of covered payroll for the period from March 10, 2015 to September 30, 2015, and from 6.4% to 6.83% of covered payroll for the period from October 1, 2015 through September 30, 2016 5.69% to 5.91% of covered payroll for the period from October 1, 2016 through September 30, 2017 dependent upon the employee's date of hire and plan election.

The District's contributions to the plan for retiree healthcare benefits for the years ended June 30, 2017, 2016, and 2015 were $185,898, $181,872, and $174,536 respectively.

NOTE 11 - TRANSFERS

During the year the following transfers were made between funds:

- The transfer of $100 from the general fund to the food service fund as the At Risk section 31a breakfast transfer.

NOTE 12 - TAX ABATEMENTS

Effective for the year ended June 30, 2017 the District is required to disclose significant tax abatements as required by GASB statement 77 (Tax abatements).

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds by municipality under these programs are as follows:

Municipality	Amount
Wheeler Township	4,199

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

There are no significant abatements made by the District.

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, establishes requirements for governments that provide their employees with OPEB through a trust and replaces *GASB Statement No. 45* for those government employers. The most significant change is that governments will now be required to recognize their net OPEB liability, which is the difference between the total OPEB liability (the portion of the present value of projected benefit payments that is attributed to past periods) and the value of OPEB assets available to pay pension benefits. Additional note disclosure and the first two RSI schedules from *GASB 74* will be required. This requirement also applies to cost sharing, multiple-employer plans and plans that are not administered through a trust. Unlike pension plans, which most governments have been funding for quite a while, many OPEB plans are severely underfunded, and the liability to be recorded will be significant.

The statement mirrors the pension requirements of *GASB 68*. Most changes in the net OPEB liability will be included in current period expense. Other components, such as changes in economic assumptions, will be recognized over a closed period equal to the expected remaining service lives of all employees that are provided benefits. Differences between expected and actual investment rate of return will be recognized in expense over a closed five-year period. The pronouncement will be effective for years ending June 30, 2018.

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

REQUIRED SUPPLEMENTARY INFORMATION

Breckenridge Community School District
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Local sources	$ 1,049,210	$ 1,200,187	$ 1,119,735	$ (80,452)
State sources	5,117,713	5,172,250	5,260,988	88,738
Federal sources	248,863	219,610	223,850	4,240
Other sources	253,314	315,803	315,803	-
Total revenues	6,669,100	6,907,850	6,920,376	12,526
Expenditures				
Instruction				
Basic programs	3,290,818	3,109,980	3,197,848	(87,868)
Added needs	927,262	842,862	837,729	5,133
Total instruction	4,218,080	3,952,842	4,035,577	(82,735)
Support services				
Pupil	288,652	285,235	281,754	3,481
Instructional staff	167,862	177,113	167,414	9,699
General administration	304,576	313,239	308,574	4,665
School administration	444,785	451,655	439,354	12,301
Business services	93,618	79,611	78,800	811
Operation and maintenance	635,343	678,066	664,049	14,017
Pupil transportation	343,612	360,410	344,754	15,656
Central	16,318	23,391	66,885	(43,494)
Athletics	219,157	216,106	218,204	(2,098)
Total support services	2,513,923	2,584,826	2,569,788	15,038
Community services	10,220	63,537	67,913	(4,376)
Facilities construction and improvement	4,765	5,092	5,092	-
Debt service	25,750	17,000	22,867	(5,867)
Total expenditures	6,772,738	6,623,297	6,701,237	(77,940)
Revenues over (under) expenditures	(103,638)	284,553	219,139	(65,414)
Other financing sources (uses)				
Proceeds from capital lease	-	-	39,488	39,488
Transfers out	(1,058)	(100)	(100)	-
Total other financing sources (uses)	(1,058)	(100)	39,388	39,488
Net change in fund balance	(104,696)	284,453	258,527	(25,926)
Fund balances - beginning	966,325	966,325	966,325	-
Fund balances - ending	$ 861,629	$ 1,250,778	$ 1,224,852	$ (25,926)

Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability

Description	Plan year Sept 30, 2016	Plan year Sept 30, 2015	Plan year Sept 30, 2014
Reporting unit's proportion of net pension liability (%)	0.38666%	0.03999%	0.03858%
Reporting unit's proportionate share of net pension liability	$ 9,646,788	$ 9,767,221	$ 8,498,904
Reporting unit's covered employee payroll	$ 3,314,745	$ 3,383,836	$ 3,262,514
Reporting unit's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	291.03%	288.64%	260.50%
Plan fiduciary net position as a percentage of total pension liability	63.01%	62.92%	66.20%

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

Schedule of the Reporting Unit's Contributions

Schedule of the Reporting Unit's Contributions	Fiscal year June 30, 2017	Fiscal year June 30, 2016	Fiscal year June 30, 2015
Statutorily required contributions	$ 883,631	$ 926,377	$ 709,496
Contributions in relation to statutorily required contributions	$ 883,631	$ 926,377	$ 709,496
Contribution deficiency (excess)	$ -	$ -	$ -
Reporting unit’s covered-employee payroll	$ 3,096,357	$ 3,262,279	$ 3,225,898
Contributions as a percentage of covered-employee payroll	28.40%	28.40%	21.99%

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

Notes to Required Supplementary Information

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

OTHER SUPPLEMENTARY INFORMATION

Breckenridge Community School District
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2017

	Food Service	Debt Service Funds 2008 Bond	Debt Service Funds 2010 Bond	Debt Service Funds 2012 Bond	Capital Project Fund 2012 Bond Proposal 1	Total Non-major Funds
Assets						
Cash and investments	$ 53,564	$ 138,949	$ -	$ -	$ 102,493	$ 295,006
Accounts receivable	840	-	-	-	-	840
Due from other funds	5,761	-	10,462	15,897	-	32,120
Due from agency fund	223	-	-	-	-	223
Due from other governmental units	1,542	-	-	-	-	1,542
Total assets	$ 61,930	$ 138,949	$ 10,462	$ 15,897	$ 102,493	$ 329,731
Liabilities						
Accounts payable	$ 269	$ -	$ -	$ -	$ -	$ 269
Due to other funds	-	26,359	-	-	-	26,359
Total liabilities	269	26,359	-	-	-	26,628
Fund Balance						
Restricted						
Food service	61,661	-	-	-	-	61,661
Debt service	-	112,590	10,462	15,897	-	138,949
Capital projects	-	-	-	-	102,493	102,493
Total fund balance	61,661	112,590	10,462	15,897	102,493	303,103
Total liabilities and fund balance	$ 61,930	$ 138,949	$ 10,462	$ 15,897	$ 102,493	$ 329,731

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

Breckenridge Community School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For The Year Ended June 30, 2017

		Debt Service Funds			Capital Project Fund	
	Food Service	2008 Bond	2010 Bond	2012 Bond	2012 Bond Proposal 1	Total Non-major Funds
Revenues						
Local sources	$ 63,196	$ 175,265	$ 129,900	$ 286,366	$ -	$ 654,727
State sources	21,820	68,113	-	-	-	89,933
Federal sources	206,860	-	-	-	-	206,860
Total revenues	291,876	243,378	129,900	286,366	-	951,520
Expenditures						
Support services - instructional staff	-	-	-	-	20,900	20,900
Food service	306,827	-	-	-	-	306,827
Bond principal	-	310,000	130,000	230,000	-	670,000
Interest, fees and other	-	60,350	30,648	69,613	-	160,611
Total expenditures	306,827	370,350	160,648	299,613	20,900	1,158,338
Other financing sources (uses)						
Transfers in	100	-	-	-	-	100
Total other financing sources (uses)	100	-	-	-	-	100
Net change in fund balances	(14,851)	(126,972)	(30,748)	(13,247)	(20,900)	(206,718)
Fund balance, beginning of year	76,512	239,562	41,210	29,144	123,393	509,821
Fund balance, end of year	$ 61,661	$ 112,590	$ 10,462	$ 15,897	$ 102,493	$ 303,103

Breckenridge Community School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2017

Fiscal Year	Interest Rate (%)	Annual Principal Due	Interest Due November	Interest Due May	Total
2008 Refunding Bonds - $4,055,000					
2018	4.00	$ 305,000	$ 23,600	$ 23,600	$ 352,200
2019	4.00	300,000	17,500	17,500	335,000
2020	4.00	290,000	11,500	11,500	313,000
2021	4.00	285,000	5,700	5,700	296,400
Total 2008 Refunding Bonds		1,180,000	58,300	58,300	1,296,600
2010 Bonds - $1,300,000					
2018	3.20	155,000	13,374	13,374	181,748
2019	3.40	180,000	10,894	10,894	201,788
2020	3.55	210,000	7,834	7,834	225,668
2021	3.65	225,000	4,106	4,106	233,212
Total 2010 Bonds		770,000	36,208	36,208	842,416
2012 Bonds - $4,135,000					
2018	2.00	205,000	32,431	32,431	269,862
2019	2.00	185,000	30,381	30,381	245,762
2020	2.25	170,000	28,532	28,532	227,064
2021	2.25	170,000	26,619	26,619	223,238
2022	2.25	335,000	24,706	24,706	384,412
2023	2.50	335,000	20,937	20,937	376,874
2024	2.50	335,000	16,750	16,750	368,500
2025	2.50	335,000	12,563	12,563	360,126
2026	2.50	335,000	8,375	8,375	351,750
2027	2.50	335,000	4,188	4,188	343,376
Total 2012 Bonds		2,740,000	205,482	205,482	3,150,964
Early Retirement Incentive					
2018	-	32,400	-	-	32,400
2019		15,000	-	-	15,000
2020		15,000	-	-	15,000
2021		8,000	-	-	8,000
Total Retirement Incentive		70,400	-	-	70,400

Breckenridge Community School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2017

Fiscal Year	Interest Rate (%)	Annual Principal Due	Annual Interest Due		Total
Capital Lease - Copiers					
2018	5.00	$ 7,151	$ 966	$ -	$ 8,117
2019	5.00	7,516	601	-	8,117
2020	5.00	7,902	215	-	8,117
Total Capital Lease - Copiers		22,569	1,782	-	24,351
Capital Lease - Heating System Server					
2018	0.00	7,897	-	-	7,897
2019	0.00	7,897	-	-	7,897
2020	0.00	7,897	-	-	7,897
2021	0.00	7,900	-	-	7,900
Total Capital Lease - Server		31,591	-	-	31,591

DEBT SUMMARY

2018	712,448	70,371	69,405	852,224
2019	695,413	59,376	58,775	813,564
2020	700,799	48,081	47,866	796,746
2021	695,900	36,425	36,425	768,750
2022	335,000	24,706	24,706	384,412
2023	335,000	20,937	20,937	376,874
2024	335,000	16,750	16,750	368,500
2025	335,000	12,563	12,563	360,126
2026	335,000	8,375	8,375	351,750
2027	335,000	4,188	4,188	343,376
	4,814,560	301,772	299,990	5,416,322

5 YEAR GROUPINGS

1st year	712,448	70,371	69,405	852,224
2nd year	695,413	59,376	58,775	813,564
3rd year	700,799	48,081	47,866	796,746
4th year	695,900	36,425	36,425	768,750
5th year	335,000	24,706	24,706	384,412
2nd 5 years	1,675,000	62,813	62,813	1,800,626
	4,814,560	301,772	299,990	5,416,322

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

To the Board of Education
Breckenridge Community School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Breckenridge Community School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 3, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants
October 3, 2017