Breckenridge Community School District
Breckenridge, Michigan

Financial Statements
With Supplementary Information
June 30, 2018

Roslund Prestage & Company
Certified Public Accountants
525 WEST WARWICK DRIVE, SUITE A, ALMA, MICHIGAN 48801

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

Change in Accounting Principle
As discussed in the notes to the financial statements, the District adopted new accounting guidance, GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. As a result of the implementation of this Statement, the financial statements have been changed to reflect the new presentation required by GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the 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 September 18, 2018, 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

September 18, 2018

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, 2018. 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 significant due to the addition of having to report other post-employment benefit liabilities, per GASB 75. A restatement of our Net position was done in order for relevance of numbers to be reflected.

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 213,116 during the year while current year depreciation was $657,946.

The current liabilities decreased from the previous year by $906,844 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 and because payments were made on this debt prior to June 30, 2018.

Noncurrent liabilities increased due to the addition of “net other post-employment benefit liability” of $3,322,162 for an overall increase year over year of $2,810,901. However a restatement of net position was completed and, after the restatement, the overall change in net position was a decrease of $67,977.

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, 2017 and 2018

	2018	2017	Difference
Current Assets	$ 2,027,278	$ 3,146,153	$ -1,118,875
Noncurrent Assets	6,004,498	6,449,328	-444,830
Total Assets	$ 8,031,776	$ 9,595,481	$ -1,563,705
Deferred Outflows of Resources	$ 2,462,745	1,391,602	$ 1,071,143
Current Liabilities	$ 1,472,352	$ 2,379,196	$ -906,844
Noncurrent Liabilities	16,788,485	13,977,584	2,810,901
Total Liabilities	$ 18,260,837	$ 16,356,780	$ 1,904,057
Deferred Inflows of Resources	$ 1,455,978	566,386	$ 889,592
Investment in Capital Assets (Net of Related Debt)	$ 1,868,553	$ 1,620,505	$ 248,048
Restricted	135,609	303,103	-167,494
Unrestricted	-11,226,456	-7,859,691	-3,366,765
Total Net Position	$ -9,222,294	$ -5,936,083	$ -3,286,211

Because of the need to comply with GASB 75, our **Statement of Activities** report was restated for previous year to include "net other post-employment benefit liability" bringing our overall beginning balance to ($9,154,317). However, after this restatement, our overall change in net position, year over year, was ($67,977) or a difference of more than 3%.

Expenses increased by $94,806, or 1%, which is very minimal year over year.

Charges for Services decreased by $38,495, or 16%, year over year.

Operating Grants and Contributions decreased year over year by $26,931 or 6%. Actual overall General revenues per our state of activities increased by approximately $25,914, or less than 1% year over year.

Property taxes increased by $69,525 or 5% year over year. This is a good trend to see for the district and the state.

Table 2
Comparative Summary of Program, General, and Total Revenues
Years Ended June 30, 2018 and 2017

	2018	2017	Difference
Charges for Services	$ 204,398	$ 242,893	$ -38,495
Operating Grants and Contributions	425,599	452,530	-26,931
Total Program Revenues	$ 629,997	$ 695,423	$ -65,426
Property Taxes	$1,633,577	$ 1,564,052	$ 69,525
State Aid Not Restricted to Specific Purposes	5,172,641	5,212,659	-40,018
Unrestricted Interest and Investment Earnings	1,526	3,002	-1,476
Restricted Interest and Investment Earnings	251	269	-18
Other	368,427	370,526	2,099
Total General Revenues	$7,176,422	$ 7,150,508	$ 25,914
Change in Net Position	$ -67,977	$ 66,341	$ -134,318

Looking at Table 3 and comparing to last year's numbers, **Total expenses** increased from the previous year by $94,806. Some of these components that make up total expenses decreased and some increased. Please find some explanation below as to why these variances occurred.

Instruction costs increased from the previous year by $162,294 as we had percentage increases to our salary schedules for teaching staff and increased other support staff as well.

The cost of **Support Services** decreased during the year by $50,162 due to a decrease in instructional staff support. Some of the areas that make up instructional staff support are counseling services, speech services, media and instruction related technology.

Food Service costs decreased from the previous year by $31,160. Costs continue to increase and we adjust our plan of how we serve food and what we charge to offset those increases. We also saw a decline in student participation and knew that we needed to adjust our labor force so as to not incur a large loss.

Community Services costs increased during the year due by $8,363 to the Husky Pups Learning Center running for the entire year within the district. This program will be evaluated at the end of each fiscal year to determine whether or not the program is operating at a net profit or break-even point. At this point we've been able to sustain our costs with the help of additional grant funds.

Depreciation is reported at $657,946 in this fiscal year which is an increase from last year of $24,893. 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, 2018 and 2017

	2018	2017	Difference
Instruction	$4,263,815	$4,101,521	162,294
Support Services	2,466,819	2,516,981	-50,162
Food Service	276,072	307,232	-31,160
Community Services	76,681	68,318	8,363
Interest and Fees on Long-term Debt	133,063	152,485	-19,432
Depreciation – Unallocated	657,946	633,053	24,893
Total Expenses	$7,874,396	$7,779,590	94,806

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, 2018 and 2017

	2018	2017	Difference
Net Position – Beginning	-$9,154,317	-$6,002,424	−3,151,893
Increase (Decrease) in Net Position	-67,977	66,341	-134,318
Net Position – Ending	-$9,222,294	-$5,936,083	

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 decrease 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:

<u>Instruction</u>:

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.

<u>Support Services</u>:

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 a small decrease in fund equity due to well managed budgeting and spending by administration.

The Capital Projects Fund shows the completion of the fund being spent as it went towards the purchase of a much needed bus and some technology for the district. These were items listed as allowable expenditures.

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	$6,959,114	$ -22,162	<1%
Food Service	259,112	-16,960	-6.55%
Total Debt Service	756,670	-48,041	-6.35%
Capital Projects	0	-102,493	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 2017-18 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 2017-18 this levy was set at 2.22 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 $102,493 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 17-18 on bus and 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, 2018 the original budget was adopted on June 27, 2017. 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, 2018 are as follows:

General Fund

Changes from Original Budget to Final Budget

Local Sources – There was little change in Original and Final Budgets for these revenues.

State Sources – The original budget was based on enrollment estimates. Final budget used actual numbers based on student count data. There was an 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.

Basic Programs – The original budget was amended to include an increase in expenses overall in this category. Increases were associated with higher number of students enrolling in dual enrollment classes. Adjustments to wages and benefits were increased and the net impact of all changes was an increase to Basic Programs.

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

General Administration – Increased between original and final budgets due to an increase in supply purchases at year end.

School Administration – Was increased minimally due to higher costs in supply accounts.

Business Services – 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. Improvement projects took place during the course of the year and towards the end of the year.

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

Variances between Final Budget and Actual Amounts

State Sources – Property tax revenue increased after finally seeing increases in property values.

Federal Sources – Federal grants were adjusted to reflect actual expenditures in those programs for the year.

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

Support Services – Expenses were lower than budgeted due to not completing projects that had been started, but not completed, by year end, for facilities and grounds.

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 – Minimal additions towards a new greenhouse that was erected on our properties for fiscal year 2017-18.

Equipment – A new phone system was put in place during fiscal year 2017-18.

Furniture – No changes in fiscal year 2017-18.

Vehicles – A new bus was purchased during the 2017-18 fiscal year.

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 still 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. For the last 5 years the district has seen, although in some years it was minimal, a decline in student enrollment.

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 2017-18 school year was based on a decline in student enrollment of 30 students, resulting in an expected loss. The final budget reflected a smaller actual loss of student fte's and less expenditures resulting in a relatively break-even year for 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, 2018

Assets	
Current assets	
Cash and investments	$ 919,077
Accounts receivable	334
Due from other governmental units	1,039,382
Other current assets	68,485
Total current assets	2,027,278
Noncurrent assets	
Capital assets being depreciated, net	6,004,498
Total assets	8,031,776
Deferred Outflows of Resources	
Deferred outflow - related to pension	2,232,932
Deferred outflow - related to other post-employment benefits	229,813
Total deferred outflows	2,462,745
Liabilities	
Current liabilities	
Accounts payable	13,963
Due to other funds	4,979
Accrued expenses	516,651
Accrued interest	21,102
Unearned revenue	68,341
Short-term note payable	85,045
Bonds payable, due within one year	665,000
Capital leases payable, due within one year	15,413
Compensated absences, due within one year	28,858
Retirement incentive, due within one year	53,000
Total current liabilities	1,472,352
Noncurrent liabilities	
Bonds payable, due beyond one year	3,360,000
Capital leases payable, due beyond one year	23,699
Compensated absences, due beyond one year	163,528
Premium on bonds, net of amortization	71,833
Retirement incentive, due beyond one year	84,680
Net pension liability	9,762,583
Net other post-employment benefit liability	3,322,162
Total noncurrent liabilities	16,788,485
Total liabilities	18,260,837
Deferred Inflows of Resources	
Deferred inflow - related to pension	884,205
Deferred inflow - related to other post-employment benefits	112,313
Deferred inflow - 147c allocation	459,460
Total deferred inflows of resources	1,455,978
Net position	
Net investment in capital assets	1,868,553
Restricted for:	
Debt service	90,908
Food service	44,701
Unrestricted	(11,226,456)
Total net position	$ (9,222,294)

The notes are an integral part of these financial statements.

Breckenridge Community School District
Statement of Activities
For the Year Ended June 30, 2018

		Program Revenues		Net (Expense)
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes Net Position
Governmental activities:				
Instruction	$ 4,263,815	$ 101,623	$ 218,953	$ (3,943,239)
Support services	2,466,819	46,730	-	(2,420,089)
Food service	276,072	52,343	206,646	(17,083)
Community services	76,681	3,702	-	(72,979)
Interest and fees on long-term debt	133,063	-	-	(133,063)
Depreciation - unallocated	657,946	-	-	(657,946)
Total governmental activities	$ 7,874,396	$ 204,398	$ 425,599	(7,244,399)
General revenues:				
Property taxes				1,633,577
State sources				5,172,641
Unrestricted interest and investment earnings				1,526
Restricted interest and investment earnings				251
Intermediate sources				318,026
Other general revenues				50,401
Total general revenues				7,176,422
Change in net position				(67,977)
Net position - beginning, as restated for net other post-employment benefit liability				(9,154,317)
Net position - ending				$ (9,222,294)

FUND FINANCIAL STATEMENTS

Breckenridge Community School District
Balance Sheet
Governmental Funds
June 30, 2018

	Major Fund General Fund	Total Non-major Funds	Totals
Assets			
Cash and investments	$ 820,579	$ 98,498	$ 919,077
Accounts receivable	334	-	334
Due from other funds	-	82,924	82,924
Due from other governmental units	1,037,835	1,547	1,039,382
Other current assets	68,485	-	68,485
Total assets	$ 1,927,233	$ 182,969	$ 2,110,202
Liabilities			
Accounts payable	$ 13,040	$ 923	$ 13,963
Due to other funds	36,487	46,437	82,924
Due to agency fund	4,979	-	4,979
Accrued expenditures	516,651	-	516,651
Unearned revenue	68,341	-	68,341
Short term note payable	85,045	-	85,045
Total liabilities	724,543	47,360	771,903
Fund balances			
Nonspendable	68,485	-	68,485
Restricted for:			
Food service	-	44,701	44,701
Debt service	-	90,908	90,908
Unassigned	1,134,205	-	1,134,205
Total fund balances	1,202,690	135,609	1,338,299
Total liabilities and fund balance	$ 1,927,233	$ 182,969	$ 2,110,202

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, 2018

Total fund balance - governmental funds		$	1,338,299
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	$	13,966,748
Deduct:	Accumulated depreciation		(7,962,250)
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		(875,000)
Deduct:	2010 Bonds		(615,000)
Deduct:	2012 Bonds		(2,535,000)
Deduct:	Capital Lease - copiers		(15,418)
Deduct:	Capital Lease - heating system server		(23,694)
Deduct:	Compensated absences payable		(192,386)
Deduct:	Retirement incentive payable		(137,680)
Deduct:	Accrued interest on long-term liabilities		(21,102)
Other amounts reported in the statement of activities that do not require current financial resources consist of:			
Add:	Deferred outflow - related to pension		2,232,932
Add:	Deferred outflow - related to other post-employment benefits		229,813
Deduct:	Net pension liability		(9,762,583)
Deduct:	Net other post-employment benefit liability		(3,322,162)
Deduct:	Deferred inflow - related to pension		(884,205)
Deduct:	Deferred inflow - related to other post-employment benefits		(112,313)
Deduct:	Deferred inflow - 147c allocation		(459,460)
Deduct:	Premium on bonds (net of amortization) - 2008 bonds		(20,054)
Deduct:	Premium on bonds (net of amortization) - 2012 bonds		(51,779)
Total net position - governmental activities		$	(9,222,294)

The notes are an integral part of these financial statements.

Breckenridge Community School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	Major Fund General Fund	Total Non-major Funds	Totals
Revenues			
Local sources	$ 1,122,713	$ 717,048	$ 1,839,761
State sources	5,299,524	105,529	5,405,053
Federal sources	218,953	193,105	412,058
Other sources	318,024	-	318,024
Total revenues	6,959,214	1,015,682	7,974,896
Expenditures			
Instruction			
Basic programs	3,341,208	-	3,341,208
Added needs	920,177	-	920,177
Total instruction	4,261,385	-	4,261,385
Support services			
Pupil	285,215	-	285,215
Instructional staff	174,458	-	174,458
General administration	346,313	-	346,313
School administration	453,577	-	453,577
Business services	77,902	-	77,902
Operation and maintenance	668,596	-	668,596
Pupil transportation	371,325	79,987	451,312
Central	8,894	22,506	31,400
Athletics	231,869	-	231,869
Total support services	2,618,149	102,493	2,720,642
Food service	-	276,072	276,072
Community services	78,479	-	78,479
Debt service			
Principal payments	15,048	665,000	680,048
Interest, fees and other	8,215	139,711	147,926
Total expenditures	6,981,276	1,183,276	8,164,552
Revenues over (under) expenditures	(22,062)	(167,594)	(189,656)
Other financing sources (uses)			
Transfers in	-	100	100
Transfers out	(100)	-	(100)
Total other financing sources (uses)	(100)	100	-
Net change in fund balances	(22,162)	(167,494)	(189,656)
Fund balances - beginning	1,224,852	303,103	1,527,955
Fund balances - ending	$ 1,202,690	$ 135,609	$ 1,338,299

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, 2018

Net change in fund balances - total governmental funds		$	(189,656)
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		213,116
Deduct:	Depreciation expense		(657,946)
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		841,330
Deduct:	Change in deferred outflow - related to other post-employment benefits		(56,098)
Deduct:	Change in net pension liability		(115,795)
Add:	Change in net other post-employment benefit liability		181,983
Deduct:	Change in deferred inflow - related to pension		(608,802)
Deduct:	Change in deferred inflow - related to other post-employment benefits		(112,313)
Deduct:	Change in accrual for compensated absences		(22,950)
Add:	Change in accrued interest on long term debt		2,033
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		305,000
Add:	2010 bonds		155,000
Add:	2012 bonds		205,000
Add:	Capital lease - copiers		7,151
Add:	Capital lease - heating system server		7,897
Deduct:	Increase in early retirement incentive		(67,280)
Revenue in support of pension contributions made subsequent to the measurement date.			
Deduct:	Change in deferred inflow - 147c allocation		(168,477)
Other amounts reported in the statement of activities that do not require current financial resources.			
Add:	2008 refunding bonds - amortization of premium		7,077
Add:	2012 bonds - amortization of premium		5,753
Change in net position - governmental activities		$	(67,977)

Breckenridge Community School District
Statement of Net Position
Fiduciary Fund
June 30, 2018

	Agency Fund
Assets	
Cash and cash equivalents	$ 153,468
Due from general fund	4,979
	158,447
Liabilities	
Accounts payable	7,246
Due to student and other groups	151,201
Total liabilities	158,447
Net Position	$ -

The notes are an integral part of these financial statements.

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 District accounts for its 2008 Bond, 2010 Bond and 2012 Bond in debt service 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 accounts for the proceeds of its 2012 Bond – Proposal 1 in a capital projects fund.

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). These funds are not reported in the District's government-wide financial statements.

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

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

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 acquisition 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 and improvements	7 – 50
Computers and related equipment	5 – 10
Furniture and 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.
- Related to other post-employment benefits - A deferred outflow is recognized for other post-employment benefits 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.
- Related to other post-employment benefits - Future resources yet to be recognized in relation to the OPEB actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the OPEB 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.

Pension
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 School 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.

Postemployment Benefits Other Than Pensions
For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School 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 2.22 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	914,560
Certificates of Deposit	4,053
Total	919,077

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, 2018, $250,000 of the District's bank balance of $1,198,200 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	41,466
Food Service	36,357	Food Service	-
2008 Bond	-	2008 Bond	46,437
2010 Bond	20,542	2010 Bond	-
2012 Bond	26,025	2012 Bond	-
Fiduciary Fund	4,979	Fiduciary Fund	-
Total	87,903	Total	87,903

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	911,616
Federal grants and other pass-through agencies	51,969
Other	75,797
Total	1,039,382

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 and improvements	11,358,317	71,604	-	11,429,921
Computers and related equipment	727,497	34,335	-	761,832
Furniture and equipment	1,044,895	-	(13,802)	1,031,093
Capital leases	75,330	-	-	75,330
Vehicles	685,356	107,177	(123,961)	668,572
Total capital assets being depreciated	13,891,395	213,116	(137,763)	13,966,748
Accumulated depreciation				
Buildings and improvements	(5,490,158)	(420,221)	-	(5,910,379)
Computers and related equipment	(457,319)	(127,844)	-	(585,163)
Furniture and equipment	(909,884)	(47,071)	13,802	(943,153)
Capital leases	(16,310)	(15,066)	-	(31,376)
Vehicles	(568,396)	(47,744)	123,961	(492,179)
Total accumulated depreciation	(7,442,067)	(657,946)	137,763	(7,962,250)
Capital assets being depreciated, net	6,449,328	(444,830)	-	6,004,498

Depreciation for the year ended June 30, 2018 totaled $657,946. 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 21, 2017, 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 was payable in installments ranging from $88,910 to $85,805 beginning on January 22, 2018 through July 20, 2018.

On August 20, 2018 (after the end of the fiscal year), the District borrowed $600,000 in one note from Chemical 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 2.47% and is payable on August 20, 2019. 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

Four 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 $3,000 to $15,000 each through the year 2022. 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
2019	16,014
2020	16,014
2021	7,897
Total minimum lease payments	39,925
Less: amount representing interest	(813)
Present value of minimum lease payments	39,112

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	1,000,000	600,000	(1,515,000)	85,000	85,000
Long-term debt					
Compensated abs	169,436	48,365	(25,415)	192,386	28,858
2008 Refunding Bonds	1,180,000	-	(305,000)	875,000	300,000
2010 Bonds	770,000	-	(155,000)	615,000	180,000
2012 Bonds	2,740,000	-	(205,000)	2,535,000	185,000
Early Retirement Incentive	70,400	99,680	(32,400)	137,680	53,000
Capital Lease – copiers	22,569	-	(7,151)	15,418	7,516
Capital Lease – heating system server	31,591	-	(7,897)	23,694	7,897
Total long-term debt	4,983,996	148,045	(737,863)	4,394,178	762,271

The annual requirements to pay principal and interest on the obligations outstanding at June 30, 2018, 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	6,004,498
Capital related general obligation bonds	(4,025,000)
Capital lease	(39,112)
Unamortized premium on bond refunding	(71,833)
Net investment in capital assets	1,868,553

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

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

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

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

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

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

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

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

The schedule below summarizes pension contribution rates in effect for the plan's fiscal year 2017.

Benefit Structure	Member	District
Basic	0.0 - 4.0%	19.03%
Member Investment Plan	3.0 - 7.0%	19.03%
Pension Plus	3.0 - 6.4%	18.40%
Defined Contribution	0.0%	15.27%

Required contributions to the pension plan from the District were $883,623 for the year ended September 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2018, the District reported a liability of $9,762,583 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. The District's proportion of the net pension liability was determined by dividing each District's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable Districts during the measurement period. At September 30, 2017, the

District's proportion was .03767264 percent, which was a decrease of .001000 percent from its proportion measured as of September 30, 2016.

For the year ending June 30, 2018, the District recognized pension expense of 960,619. At June 30, 2018, 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 actual and expected experience	84,844	47,903
Changes of Assumptions	1,069,568	-
Net difference between projected and actual earnings on pension plan investments	-	466,716
Changes in proportion and differences between District contributions and proportionate share of contributions	129,435	369,586
District contributions subsequent to the measurement date	949,085	-
Total	2,232,932	884,205

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2018	126,566
2019	269,461
2020	51,508
2021	(47,893)

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

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

September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- *Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.5188 for non-university employers or 1.1222 for university employers]*
- *Recognition period for assets in years is 5.0000*
- *Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

Long-Term Expected Return on Plan Assets

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
% Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
Total	100.0%	
**Long-term rates of return are net of administrative expenses and 2.3% inflation.*		

Rate of Return

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

Discount Rate

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for the Hybrid 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 higher:

1% Decrease (Non-Hybrid/Hybrid)* 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 8.5% / 8.0%
12,717,398	9,762,583	7,274,816
* The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.		

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)
At year end the District is current on all required pension plan payments. At June 30, 2018, the District reported a payable of $102,548 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018, consisting of pension contribution payable plus any other amounts owed to the pension plan including the UAAL payments for July and August 2018.

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (RETIREE HEALTH CARE)

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

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

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

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

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

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

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

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

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

Benefit Structure	Member	Employer
Premium Subsidy	3.00%	5.91%
Personal Healthcare Fund (PHF)	0.00%	5.69%

Required contributions to the OPEB plan from the District were 292,073 for the year ended September 30, 2017.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2018, the District reported a liability of $3,322,162 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the District's proportion was .03751 percent, which was the same percentage as its proportion measured as of October 1, 2016.

For the year ending June 30, 2018, the District recognized OPEB expense of $222,211. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	-	35,371
Changes of Assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	76,942
Changes in proportion and differences between employer contributions and proportionate share of contributions	157	-
Employer contributions subsequent to the measurement date	229,656	-
Total	229,813	112,313

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2018	(27,106)
2019	(27,106)
2020	(27,106)
2021	(27,106)
2022	(3,732)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

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

	of the table rates were used for males and 70% of the table rates were used for females.
Other Assumptions:	
Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
% Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
Total	100.0%	
*Long-term rates of return are net of administrative expenses and 2.3% inflation.		

Rate of Return
For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
3,891,212	3,322,162	2,839,217

Sensitivity of the District's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate
The following presents the District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend	1% Increase
2,813,425	3,322,162	3,899,798

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

Payables to the OPEB Plan
At year end the District is current on all required OPEB plan payments. At June 30, 2018, the District reported a payable of $47,661 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018, consisting of OPEB contribution payable plus any other amounts owed to the OPEB plan including the UAAL payments for July and August 2018.

NOTE 12 - 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 13 - TAX ABATEMENTS
Effective for the year ended June 30, 2018 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	11,426

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 14 – PRIOR PERIOD ADJUSTMENT
The prior period adjustment in these financial statements consists of a reclassification of prior year revenues to the proper funds.

NOTE 15 – RESTATEMENT OF NET POSITION
As of June 30, 2018, the beginning net position was restated as follows:

Description of Restatement	Beginning Balance Previously Reported	Restatement	Beginning Balance As Restated
Net Position	(5,936,083)	(3,218,234)	(9,154,317)

The beginning net position was restated to reflect the implementation of GASB 75. Net position was restated by $(3,218,234) which is the cumulative difference (as of June 30, 2017) between the net OPEB liability of $(3,504,145) and the deferred outflow – related to OPEB of $285,911. NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (RETIREE HEALTH CARE) contains additional information regarding the implementation of GASB 75.

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS
GASB Statement No. 84, Fiduciary Activities, was issued by the GASB in January 2017 and will be effective for the District's 2019-2020 fiscal year. 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.

GASB Statement No. 87, Leases, was issued by the GASB in June 2017 and will be effective for the District's 2020-2021 fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

Breckenridge Community School District
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Local sources	$ 1,167,023	$ 1,170,150	$ 1,122,713	$ (47,437)
State sources	5,041,982	5,254,848	5,299,524	44,676
Federal sources	164,168	221,814	218,953	(2,861)
Other sources	306,319	318,026	318,024	(2)
Total revenues	6,679,492	6,964,838	6,959,214	(5,624)
Expenditures				
Instruction				
Basic programs	3,313,978	3,397,895	3,341,208	56,687
Added needs	830,830	925,659	920,177	5,482
Total instruction	4,144,808	4,323,554	4,261,385	62,169
Support services				
Pupil	285,895	286,359	285,215	1,144
Instructional staff	171,286	182,876	174,458	8,418
General administration	327,485	360,973	346,313	14,660
School administration	453,086	459,048	453,577	5,471
Business services	84,481	82,844	77,902	4,942
Operation and maintenance	719,366	726,376	668,596	57,780
Pupil transportation	391,146	390,257	371,325	18,932
Central	66,752	28,916	8,894	20,022
Athletics	222,604	235,351	231,869	3,482
Total support services	2,722,101	2,753,000	2,618,149	134,851
Community services	62,200	77,023	78,479	(1,456)
Facilities construction and improvement	1,596	-	-	-
Debt service	16,235	16,745	23,263	(6,518)
Total expenditures	6,946,940	7,170,322	6,981,276	189,046
Revenues over (under) expenditures	(267,448)	(205,484)	(22,062)	183,422
Other financing sources (uses)				
Transfers out	-	(100)	(100)	-
Total other financing sources (uses)	-	(100)	(100)	-
Net change in fund balance	(267,448)	(205,584)	(22,162)	183,422
Fund balances - beginning	1,224,852	1,224,852	1,224,852	-
Fund balances - ending	$ 957,404	$ 1,019,268	$ 1,202,690	$ 183,422

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

Schedule of District's Proportionate Share of the Net Pension Liability	**Plan year Sept 30, 2017**	**Plan year Sept 30, 2016**	**Plan year Sept 30, 2015**	**Plan year Sept 30, 2014**
District's proportion of net pension liability (%)	0.03767%	0.03867%	0.03999%	0.03858%
District's proportionate share of net pension liability	$ 9,762,583	$ 9,646,788	$ 9,767,221	$ 8,498,904
District's covered employee payroll	$ 3,134,323	$ 3,314,745	$ 3,383,836	$ 3,262,514
District's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	311.47%	291.03%	288.64%	260.50%
Plan fiduciary net position as a percentage of total pension liability	63.27%	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 District's Contributions	**Fiscal year June 30, 2018**	**Fiscal year June 30, 2017**	**Fiscal year June 30, 2016**	**Fiscal year June 30, 2015**
Statutorily required Pension contributions	$ 1,010,363	$ 883,631	$ 926,377	$ 709,496
Contributions in relation to statutorily required contributions	$ 1,010,363	$ 883,631	$ 926,377	$ 709,496
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District’s covered-employee payroll	$ 3,254,045	$ 3,096,357	$ 3,262,279	$ 3,225,898
Contributions as a percentage of covered-employee payroll	31.05%	28.54%	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

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

Schedule of District's Proportionate Share of the Net OPEB Liability		Plan year Sept 30, 2017
District's proportion of net OPEB liability (%)		0.03752%
District's proportionate share of net OPEB liability	$	3,322,162
District's covered employee payroll	$	3,134,323
District's proportionate share of net pension liability as a percentage of its covered employee payroll (%)		105.99%
Plan fiduciary net position as a percentage of total pension liability		36.39%

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

Schedule of the Reporting Unit's Contributions

Schedule of the District's Contributions		Fiscal year June 30, 2018
Statutorily required OPEB contributions	$	255,989
Contributions in relation to statutorily required contributions	$	255,989
Contribution deficiency (excess)	$	-
District's covered-employee payroll	$	3,254,045
Contributions as a percentage of covered-employee payroll		7.87%

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

Breckenridge Community School District
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2018

	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	$ 7,720	$ 90,778	$ -	$ -	$ -	$ 98,498
Due from other funds	36,357	-	20,542	26,025	-	82,924
Due from other governmental units	1,547	-	-	-	-	1,547
Total assets	$ 45,624	$ 90,778	$ 20,542	$ 26,025	$ -	$ 182,969
Liabilities						
Accounts payable	$ 923	$ -	$ -	$ -	$ -	$ 923
Due to other funds	-	46,437	-	-	-	46,437
Total liabilities	923	46,437	-	-	-	47,360
Fund Balance						
Restricted						
Food service	44,701	-	-	-	-	44,701
Debt service	-	44,341	20,542	26,025	-	90,908
Capital projects	-	-	-	-	-	-
Total fund balance	44,701	44,341	20,542	26,025	-	135,609
Total liabilities and fund balance	$ 45,624	$ 90,778	$ 20,542	$ 26,025	$ -	$ 182,969

Breckenridge Community School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For The Year Ended June 30, 2018

		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	$ 52,366	$ 293,268	$ 155,686	$ 215,728	$ -	$ 717,048
State sources	13,541	40,475	21,157	30,356	-	105,529
Federal sources	193,105	-	-	-	-	193,105
Total revenues	259,012	333,743	176,843	246,084	-	1,015,682
Expenditures						
Pupil transportation	-	-	-	-	79,987	79,987
Central	-	-	-	-	22,506	22,506
Food service	276,072	-	-	-	-	276,072
Bond principal	-	305,000	155,000	205,000	-	665,000
Interest, fees and other	-	47,950	26,748	65,013	-	139,711
Total expenditures	276,072	352,950	181,748	270,013	102,493	1,183,276
Other financing sources (uses)						
Transfers in	100	-	-	-	-	100
Total other financing sources (uses)	100	-	-	-	-	100
Net change in fund balances	(16,960)	(19,207)	(4,905)	(23,929)	(102,493)	(167,494)
Fund balance, beginning of year	61,661	112,590	10,462	15,897	102,493	303,103
Prior period adjustment	-	(49,042)	14,985	34,057	-	-
Fund balance, end of year	$ 44,701	$ 44,341	$ 20,542	$ 26,025	$ -	$ 135,609

The notes are an integral part of these financial statements.

OTHER SUPPLEMENTARY INFORMATION

Breckenridge Community School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2018

Fiscal Year	Interest Rate (%)	Annual Principal Due	Interest Due November	Interest Due May	Total
2008 Refunding Bonds - $4,055,000					
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		875,000	34,700	34,700	944,400
2010 Bonds - $1,300,000					
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		615,000	22,834	22,834	660,668
2012 Bonds - $4,135,000					
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		2,535,000	173,051	173,051	2,881,102
Early Retirement Incentive					
2019		15,000	-	-	15,000
2020		15,000	-	-	15,000
2021		8,000	-	-	8,000
Total Retirement Incentive		38,000	-	-	38,000

Breckenridge Community School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2018

Fiscal Year	Interest Rate (%)	Annual Principal Due	Annual Interest Due		Total
Capital Lease - Copiers					
2019	5.00	$ 7,516	$ 601	$ -	$ 8,117
2020	5.00	7,902	215	-	8,117
Total Capital Lease - Copiers		15,418	816	-	16,234
Capital Lease - Heating System Server					
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		23,694	-	-	23,694
	DEBT SUMMARY				
	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
		4,102,112	231,401	230,585	4,564,098
	5 YEAR GROUPINGS				
	1st year	695,413	59,376	58,775	813,564
	2nd year	700,799	48,081	47,866	796,746
	3rd year	695,900	36,425	36,425	768,750
	4th year	335,000	24,706	24,706	384,412
	5th year	335,000	20,937	20,937	376,874
	2nd 5 years	1,340,000	41,876	41,876	1,423,752
		4,102,112	231,401	230,585	4,564,098

RPC
Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 18, 2018.

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
September 18, 2018