

**BRITTON DEERFIELD SCHOOLS
BRITTON, MICHIGAN**

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

YEAR ENDED JUNE 30, 2017

**Britton Deerfield Schools
Financial Report
For the Fiscal Year Ended
June 30, 2017**

Table of Contents

Independent Auditor’s Report	1 - 3
Management’s Discussion and Analysis	4 – 10
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Changes in Net Position	16
Fiduciary Fund	
Statement of Fiduciary Net Position	17
Notes to Financial Statements	18 – 46
Required Supplementary Information:	47
Budgetary Comparison Schedule – General Fund	48
Schedule of Britton Deerfield’s Contributions to Michigan Public Schools Employees Retirement Plan	49
Schedule Britton Deerfield’s Proportionate Share of the Net Pension Liability - Michigan Public Schools Employees Retirement Plan	50
Notes to Required Supplementary Information	51

**Britton Deerfield Schools
Financial Report
For the Fiscal Year Ended
June 30, 2017**

Table of Contents

Additional Information:	52
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 <i>Government Auditing Standards</i>	53 - 54
Schedule of Findings and Responses	55 -56
Nonmajor Governmental Fund Types	
Combining Balance Sheet	57
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	58
Special Revenue Funds	
Balance Sheet	59
Statement of Revenues, Expenditures and Changes in Fund Balances	60
Debt Funds	
Combining Balance Sheet	61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	62
Capital Projects Funds	
Combining Balance Sheet	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	64
Statement of Cash Receipts, Disbursements and Liabilities – Agency Fund	65

DARNELL & MEYERING, P.C.

Certified Public Accountants

CLINTON MEYERING, C.P.A.
RANDALL H. DARNELL, C.P.A.
DALE A. VESTRAND, C.P.A.

20500 EUREKA ROAD • SUITE 300
TAYLOR, MICHIGAN 48180
(734) 246-9240
FAX (734) 246-8635

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Britton Deerfield Schools
Britton, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Britton Deerfield Schools (the School District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Schools 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 the 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 procedure selected depends 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, the combining and individual nonmajor fund, and the aggregate remaining fund information of the Britton Deerfield Schools, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison on pages 4 through 10 and page 48 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 Britton Deerfield Schools basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to

the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2017, on our consideration of Britton Deerfield Schools internal control over financial reporting and 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 Britton Deerfield Schools internal control over financial reporting and compliance.

DARNELL & MEYERING, P.C.

A handwritten signature in cursive script that reads "Darnell & Meyering, P.C.".

Taylor, Michigan
October 6, 2017

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

On July 1, 2011 Britton-Macon and Deerfield Public Schools consolidated and became the Britton Deerfield Schools. Our discussion and analysis of Britton Deerfield School District's (the School District) financial performance provides an overview of the School District's financial activities in the fiscal year ended June 30, 2017. The Britton Deerfield School District implemented GASB requirements in the June 30, 2017 audit as required by the Governmental Accounting Standards Board (GASB). Please read it in conjunction with the School District's financial statements, which immediately follow this section.

The management's discussion and analysis is provided at the beginning of the audit and organized so that the reader can understand the current position of the Britton Deerfield School District's financial condition. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the School District's revenues by program for the General Fund, Debt Service Fund, Capital Projects Fund, and Special Revenue Fund.

USING THIS ANNUAL REPORT

The School District's Annual Report consists of a series of financial statements that show information for the School District as a whole, its funds, and its fiduciary responsibilities. The *District Wide Financial Statements*, which include the **Statement of Net Position** and the **Statement of Activities** provide information about the district as a whole and present a longer-term view of the School District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The *Fund Financial Statements* provide detailed information about the School District's most significant funds, not the School District as a whole.

Reporting the School District as a whole

These two statements report the School District's Net Position-the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources as reported in the **Statement of Net Position** – as one way to measure the School District's financial health or financial position. The **Statement of Net Position**, for the first time, combines and consolidates governmental fund's current financial resources with capital assets and long-term obligations, regardless if they are currently available or not. In comparison to "other assets", capital assets are those assets that are tangible, valued over a specified amount, and usually have a long life. They are depreciated over a useful life. More detail on capital assets and their recorded useful lives is found in the footnote section of the audit. Long-term obligations (liabilities) are those that are longer than one year. Some liabilities are classified as "short-term" for the portion due in a year, and "long-term" for the portion due in the future years (such as leases payable, compensated absences, and debt obligations). "Other liabilities" are considered to be obligations due within a year. Over time, increases or decreases in the School District's Net Position – as reported in the **Statement of Activities** – is one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the School District's operating results.

BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

However, the School District's goal is to provide services to our students, not to generate a profit as commercial entities do. There are other factors to consider such as quality of education and school safety to assess the overall health of the School District.

The **Statement of Net Position** and **Statement of Activities** report the governmental activities and business-type activities. These statements for the Britton Deerfield School District will include only governmental activities, which encompass all of the School District's services including instruction, supporting services, athletics, and food service. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the School District's most significant funds

The School District's fund financial statements provide detailed information about the School District's most significant funds, not the School District as a whole. The fund statements are similar to financial presentations in the past, but the new focus is on the School District's major funds rather than fund types. The two Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. Some funds are required by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (such as **Food Service**) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies (such as **Debt and Capital Projects**). The School District's major fund is the **General Fund**.

Most of the School District's services are reported in governmental funds. Governmental fund reporting focuses on how money flows into and out of the funds and the balances left at year-end that are available for spending in future periods. They are reported using an accounting method called "modified accrual" accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between *governmental activities* (reported in the **Statement of Net Position** and the **Statement of Activities**) and *governmental funds* in reconciliation on pages 14 and 16.

Fund types include the General Fund, Special Revenue Fund, Debt Retirement Fund, Capital Projects Fund, and Fiduciary Fund. The General Fund is used primarily to account for the general education requirements of the School District. Its revenues are derived from property taxes, state and federal distributions and grants and other intergovernmental revenues. The Debt Fund is used to record the funding and payment of principal and interest on Bonded Debt. The Special Revenue Fund is used to record the funding and expenditures of monies specified for a specific purpose (Food Service). The Fiduciary Funds account for assets held by the School District in a trustee capacity or as an agent for various student groups and related activities.

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The School District as a Whole

The School District's net position was (\$5,386,516) at the end of June 30, 2017 and (\$5,082,865) as of June 30, 2016, representing a net decrease of \$303,651. Of the total amount \$(9,601,225) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those funds for day-to-day operations. Our analysis below focuses on the **Net Position** (Table 1) and **Change in Net Position** (Table 2) of the School District's governmental activities.

Net Position (Table 1)		
	<u>2017</u>	<u>2016</u>
Assets:		
Current assets	\$ 1,875,462	\$ 2,125,697
Noncurrent assets	<u>7,123,105</u>	<u>7,425,179</u>
Total assets	8,998,567	9,550,876
Deferred Outflows of Resources related to pension	<u>1,487,448</u>	<u>1,370,032</u>
Total assets and deferred outflows of resources	10,486,015	10,920,908
Liabilities:		
Current liabilities	1,858,231	2,026,759
Noncurrent liabilities	<u>13,195,148</u>	<u>13,941,212</u>
Total liabilities	15,053,379	15,967,971
Deferred Inflows of Resources related to pension	<u>819,152</u>	<u>35,802</u>
Total liabilities and deferred inflows of resources	15,872,531	16,003,773
Net position:		
Net investment in capital assets	4,087,863	3,911,007
Restricted for School Lunch program	13,160	23,381
Restricted for Debt Service	98,296	148,099
Restricted for Sinking Fund	15,390	23,518
Unrestricted	<u>(9,601,225)</u>	<u>(9,188,870)</u>
Total net position (deficit)	\$ (5,386,516)	\$ (5,082,865)

The Statement of Activities presented later in the government-wide financial statement, provides greater detail on the School District's annual activity. The Statement of Activities (Table 2) shown below details the cost of the School District's governmental activities and how those activities were financed.

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Table 2		
Changes in Britton Deerfield's Net Position		
	2017	2016
Revenues:		
Program revenues:		
Operating and grants contribution	\$ 1,462,285	\$ 1,771,433
Charges for services	245,879	247,215
General revenues:		
Property taxes	1,076,018	869,173
State aid - unrestricted	3,768,390	4,491,014
Investment income	2,764	3,387
Other	111,755	63,392
Total revenues	6,667,091	7,445,614
Expenses:		
Instruction	4,029,529	4,494,076
Support services	1,928,917	2,249,209
Community services	1,102	-
Food services	327,561	355,818
Athletics	240,219	249,903
Interest expense	93,793	161,907
Other	33,447	51,375
Unallocated depreciation	316,174	302,974
Total expenses	6,970,742	7,865,262
Change in net position	\$ (303,651)	\$ (419,648)

Financial Analysis of the School District's Funds

The financial performance of the district as a whole is reflected in its governmental funds as well.

GENERAL FUND Factors affecting Revenue

State Aid funding -The State of Michigan provides a \$7,511 per pupil foundation allowance that provides a substantial portion of our district's revenue, 72 percent. In addition we also receive various grants from the state. This means that the financial stability of the School District rests primarily with the economic health of the State of Michigan. State aid payments are made with the first payment of the school year beginning in October, and the last payment being made in August. Therefore, at the end of the School District's fiscal year end, there is adjustment made that includes 2 months of state aid payments into revenue that has not yet been made.

Sinking Fund Millage – Revenues are generated by taxes going toward building improvements.

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Factors affecting Expenses

- *Salaries and Benefits* - A significant portion of the School District's expenses are related to compensation, 76% in 2016-17.
- *Instructional purchases* - Another part of each year's budgetary expenditures includes textbooks and supplemental learning materials, supplies, and purchased services.
- *Operation and Maintenance* - Each year's budgetary expenditures also include the general operation and maintenance of our school buildings.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, the School District amends its budget during the school year. In fact, all Michigan school districts must complete a second full budget after the state's official student membership count date (the first Wednesday in October), because only then are they knowledgeable of their Foundation Grant's income level. These revisions are made in order to deal with the unexpected changes in revenues and expenditures. The following analysis describes the reasons for changes in the budget during the year.

Original Budget versus Final Budget

- *Revenues*-Original estimated budgets for revenues were \$5,984,022 versus the final budget of \$6,414,131. Major components of revenue and their original budget versus final budget increase was due to the tax revenue from Consumers Power that was not anticipated in the original budget.
- *Expenditures* – The original budget for expenditures was \$6,134,064 versus the final budget of \$6,670,013.

Final Budget versus Actual Figures

- The majority (about 58%) of *Local Revenues* are property taxes received from eight townships including Deerfield, Blissfield, Ridgeway, Summerfield, Macon, Raisin, Dundee and Milan.
- *State Revenues* were budgeted at \$4,797,031 versus actual of \$4,773,155. This was a decrease of \$23,876.
- *Federal Revenues* were budgeted at \$70,920 versus actual of \$64,648. This was a decrease of \$6,272.

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

- *Overall revenues* were under budget by \$20,523 from the final budget amounts. This is an insignificant amount compared to the total revenue budget of \$6,414,131.
- *Expenses*- Final estimated budgets for expenses were \$6,670,013 versus an actual final amount of \$6,551,194. The overall variation from final budget to actual was \$118,819 favorable variance.

SPECIAL REVENUE FUNDS

- *School Lunch Fund*-The School Lunch Fund receives its revenues from the sale of goods, State reimbursement and federal grants.

CAPITAL PROJECTS FUND

Consist of 2007 Sinking Fund and Building Capital Project. These funds are used to do improvements to the District. These funds are restricted for improvements to the district. At the end of the fiscal year 2016-17 there was a fund balance of \$45,323.

DEBT SERVICE FUND

This fund is directly funded through taxes. For fiscal year 2016-17 the collection of property taxes for the retirement of principal and interest relating to the 2016 refunding bonds and the 2005 refunding bonds debt for both Britton and Deerfield Schools was \$489,369. Principal and interest requirements for the 2016-17 retirement was \$538,101.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets-At June 30, 2017, the School District had \$7,123,105 invested in capital assets, net of accumulated depreciation. The School District had bonded debt outstanding of \$3,005,000. As these items also relate to capital assets, the amount *Net investment in capital assets* is \$4,087,863. Assets, net of accumulated depreciation will probably continue to decrease because the School District at this time has no intention of purchasing many capital assets. Those already on the books will continue to depreciate.

The District's capital assets are as follows:

Table 3 Britton Deerfield's Capital Assets				
	Cost	Accumulated Depreciation	2017 Net Book Value	2016 Net Book Value
Land	\$ 71,075	\$ -	\$ 71,075	\$ 71,075
Land Improvements	141,902	131,400	10,502	12,097
Building and Improvements	10,966,167	4,556,750	6,409,417	6,605,477
Machinery, Equipment & Furniture	2,891,130	2,706,544	184,586	198,341
Property in Open	864,159	542,386	321,773	359,979
Transportation Equipment	594,157	468,405	125,752	178,210
Total	<u>\$ 15,528,590</u>	<u>\$ 8,405,485</u>	<u>\$ 7,123,105</u>	<u>\$ 7,425,179</u>

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Long-term debt Activity

At year-end, the School District had outstanding long-term debt obligations in the amount of \$3,131,822 (more detailed information about the School District’s long-term liabilities is presented in Note 6 of the financial statements.)

Table 4		
Britton Deerfield School's Outstanding Long-Term Debt		
	2017	2016
2016 Refunding Bond	\$ 3,005,000	\$ 3,310,000
2005 Refunding Bond	-	145,000
Bus loan payable	60,175	89,105
Compensated absences	66,647	67,164
Total	\$ 3,131,822	\$ 3,611,269

Economic Factors and Next Year’s Budget

The following factors will affect the School District in the future and were considered in preparing the School District’s budget for the 2018 fiscal year budget.

One of the most important factors affecting the budget is our student count. The other is the state foundation revenue determined by multiplying the blended student count by the foundation allowance per pupil. The 2017-2018 budget was adopted in June 2017, based on an estimated number of students who will be enrolled in September 2017. In an effort to sustain student enrollment and maximize funding from the state, the School District continues to provide opportunities to students through Schools of Choice.

Prudent fiscal responsibility and cost containment remain critical to the School District’s ability to effectively operate in a volatile and difficult economic climate. Over the past years, the School District has made a series of budget adjustments to protect its financial future. The School District continues to explore avenues that allow it to reduce costs by restructuring its delivery of services.

On the May 2017 election, the District’s voters approved the sinking fund millage for 5 years 2017 to 2021 not to exceed 2 mills.

Contacting the District’s Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the School District’s finances and to demonstrate the School District’s accountability for the money it receives. If you have questions about this report or need additional information, please contact:

Business Office Britton Deerfield Schools 201 College Ave. Britton, MI 49229.

Britton Deerfield Schools
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Current Assets:	
Cash and equivalents	\$ 431,356
Investments	214,186
Receivables:	
Accounts receivable	343
Due from other governmental units	1,187,143
Prepaid expenditures	41,571
Inventory	863
Total Current Assets	1,875,462
Noncurrent Assets:	
Capital assets	15,528,590
Less accumulated depreciation	(8,405,485)
Total Noncurrent Assets	7,123,105
Total Assets	8,998,567
Deferred outflows of resources related to pension	1,487,448
Total assets and deferred outflows of resources	10,486,015
Liabilities	
Current Liabilities:	
Accounts payable	136,080
Accrued expenditures	137,679
Accrued interest	10,017
Accrued salary	343,840
State Aid Note Payable	848,477
Unearned revenue	42,441
Current portion of long term obligations	339,697
Total Current Liabilities	1,858,231
Noncurrent Liabilities:	
Noncurrent portion of long term obligations	2,725,478
Noncurrent portion of compensated absences	66,647
Net Pension Liability	10,403,023
Total Noncurrent Liabilities	13,195,148
Total Liabilities	15,053,379
Deferred inflows of resources related to pension	819,152
Total liabilities and deferred inflows of resources	15,872,531
Net Position (Deficit):	
Net investment in capital assets	4,087,863
Restricted for school lunch program	13,160
Restricted for debt service	98,296
Restricted for sinking fund	15,390
Unrestricted	(9,601,225)
Total Net Position (Deficit)	\$ (5,386,516)

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

Britton Deerfield Schools
Statement of Activities
Year Ended June 30, 2017

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Net (expense) Revenue and Changes in Net Position</u>
Governmental activities:				
Instruction	\$ 4,029,529	\$ 52,918	\$ 1,219,068	\$ (2,757,543)
Support services	1,928,917	2,010	54,606	(1,872,301)
Community services	1,102	-	-	(1,102)
Food services	327,561	137,752	188,611	(1,198)
Athletics	240,219	53,199	-	(187,020)
Interest expense	93,793	-	-	(93,793)
Other	33,447	-	-	(33,447)
Unallocated depreciation	316,174	-	-	(316,174)
Total governmental activities	\$ 6,970,742	\$ 245,879	\$ 1,462,285	(5,262,578)
General revenues:				
Property taxes, levied for general purposes				586,649
Property taxes, levied for debt service				489,369
Investment earnings				2,764
State of Michigan school aid unrestricted				3,768,390
Miscellaneous				105,455
Special items:				
Gain on disposal of assets				6,300
Total general revenues				4,958,927
Change in net position				(303,651)
Net position, beginning of year, previously restated				(5,110,107)
Prior period adjustment (Note 15)				27,242
Net position, beginning of year, as restated				(5,082,865)
Net position, end of year (deficit)				\$ (5,386,516)

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

**Britton Deerfield Schools
Balance Sheet
Governmental Funds
June 30, 2017**

	General Fund	Other Nonmajor Governmental Fund	Total Governmental Funds
Assets			
Assets:			
Cash and equivalents	\$ 265,497	\$ 165,859	\$ 431,356
Investments	214,186	-	214,186
Receivables			
Accounts	343	-	343
Other governmental units	1,180,674	6,469	1,187,143
Due from other fund	-	1,124	1,124
Inventory	-	863	863
Prepaid expenditures	41,571	-	41,571
Total Assets	<u><u>\$ 1,702,271</u></u>	<u><u>\$ 174,315</u></u>	<u><u>\$ 1,876,586</u></u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 134,992	\$ -	\$ 134,992
Accrued expenditures	136,451	1,228	137,679
Accrued salary	340,071	3,769	343,840
Due to other funds	2,212	-	2,212
Unearned revenue	39,919	2,522	42,441
State aid loan payable	848,477	-	848,477
Total Liabilities	<u>1,502,122</u>	<u>7,519</u>	<u>1,509,641</u>
Deferred Inflows of Resources:			
Unavailable revenue	41,606	-	41,606
Total Deferred Inflows of Resources	<u>41,606</u>	<u>-</u>	<u>41,606</u>
Fund Balances:			
Nonspendable prepaid expenditures	41,571	-	41,571
Restricted for:			
School lunch program	-	13,160	13,160
Debt service	-	108,313	108,313
Capital outlay	-	45,323	45,323
Unassigned reported in general fund	116,972	-	116,972
Total Fund Balances	<u>158,543</u>	<u>166,796</u>	<u>325,339</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 1,702,271</u></u>	<u><u>\$ 174,315</u></u>	<u><u>\$ 1,876,586</u></u>

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

Britton Deerfield Schools
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2017

Total governmental fund balances \$ 325,339

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 are not reported in the funds

The cost of capital assets is:	\$ 15,528,590	
Accumulated depreciation is:	<u>(8,405,485)</u>	7,123,105

Long term liabilities are not due and payable in the current period and are not reported in the funds

Long term obligations	
Bonds payable	(3,005,000)
Bus loan payable	(60,175)
Compensated absences	(66,647)
Interest payable on long term debt	(10,017)
Net pension liability	(10,403,023)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflow of resources related to pension (see Note 7)	1,487,448
Deferred inflow of resources related to pension (see Note 7)	(819,152)

Receivables collected after 60 days are considered unavailable in the governmental funds.

Net position of governmental activities (deficit)	<u>41,606</u>
	<u><u>\$ (5,386,516)</u></u>

Britton Deerfield Schools
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2017

	General Fund	Other Nonmajor Governmental Fund	Total Governmental Funds
Revenues:			
Local sources			
Property taxes	\$ 586,649	\$ 489,369	\$ 1,076,018
Investment earnings	2,551	213	2,764
Food service	-	137,752	137,752
Athletics	53,199	-	53,199
Preschool/Kids care	52,918	-	52,918
Special Education reimbursements	234,080	-	234,080
Other	81,907	2,628	84,535
Total local sources	<u>1,011,304</u>	<u>629,962</u>	<u>1,641,266</u>
Intermediate sources	544,501	-	544,501
State sources	4,773,155	16,807	4,789,962
Federal sources	<u>64,648</u>	<u>171,804</u>	<u>236,452</u>
Total revenues	<u>6,393,608</u>	<u>818,573</u>	<u>7,212,181</u>
Expenditures:			
Current:			
Instruction	4,394,134	-	4,394,134
Support	1,920,108	-	1,920,108
Community service	1,102	-	1,102
Food service activities	-	319,212	319,212
Athletic activities	235,850	-	235,850
Capital Outlay	-	8,128	8,128
Debt service:			
Interest & fiscal charges	-	96,537	96,537
Total expenditures	<u>6,551,194</u>	<u>423,877</u>	<u>6,975,071</u>
Excess (deficiency) of revenues over expenditures:	<u>(157,586)</u>	<u>394,696</u>	<u>237,110</u>
Other financing sources (uses):			
Redemption of principal	-	(450,000)	(450,000)
Indirect cost transfer	20,000	(20,000)	-
Prior year adjustments	(16,883)	-	(16,883)
Proceeds from sale of capital assets	6,300	-	6,300
Total other financing sources (uses):	<u>9,417</u>	<u>(470,000)</u>	<u>(460,583)</u>
Net change in fund balance	(148,169)	(75,304)	(223,473)
Fund balances:			
Beginning of year	306,712	242,100	548,812
End of year	<u>\$ 158,543</u>	<u>\$ 166,796</u>	<u>\$ 325,339</u>

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

Britton Deerfield Schools
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance of Governmental Fund
To the Statement of Activities
Year Ended June 30, 2017

Net change in fund balance total governmental fund \$(223,473)

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

Governmental funds report capital outlays as expenditures.

In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Capital outlay	14,100
Depreciation expense	(316,174)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).

Principal repayment on long-term obligations from bonds payable	450,000
Principal repayment on long-term obligations from bus loan payable	28,930

Accrued interest on long-term debt is recorded in the statement of activities when incurred, it is not recorded in the governmental funds until it is paid.

Accrued interest payable beginning of the year	17,169
Accrued interest payable end of the year	(10,017)

Compensated absences are reported on the accrual method in the statement of activities, and recorded as expenditure when financial resources are use in the governmental funds:

Compensated payable beginning of the year	67,164
Compensated payable end of the year	(66,647)

Change in deferred outflows of pension resources	117,416
--------------------------------------------------	---------

Change in deferred inflows of pension resources	(783,350)
-------------------------------------------------	-----------

Change in net proportionate share of net pension liability	405,850
------------------------------------------------------------	---------

Governmental funds report revenues when they are collected within 60 days after the year end.

Revenues are recorded in the statement of activities when earned.	(4,619)
-------------------------------------------------------------------	---------

Change in net position of governmental activities (decrease) \$(303,651)

Britton Deerfield Schools
Statement of Fiduciary Net Position
June 30, 2017

	<u>Agency Fund</u>
Assets:	
Cash and cash equivalents	\$ 187,567
Due from other fund	1,088
	<u>\$ 188,655</u>
Liabilities:	
Due to student groups	\$ 178,134
Due to others	10,521
	<u>\$ 188,655</u>

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District is governed by the Board of Education (the “Board”) of Britton Deerfield Schools, which has responsibility and control over all activities related to public school education within the School District. The School 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 School District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the School District’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

B. Government-Wide And Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School District. The government-wide financial statements categorize primary activities as either governmental or business-type. All of the School District’s activities are classified as governmental activities.

Amounts reported in the funds as interfund receivables and payables are eliminated in the governmental activities column of the statement of net position. Amounts reported in the funds as receivable from or payable to fiduciary funds are included in the statement of net position as receivable from or payable to external parties, rather than as internal balances. Therefore, all internal balances are eliminated in the total primary government column.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, property taxes, certain revenue from the intermediate district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net position, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The School District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate School District sources, interest income, and other revenues).

The School District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the School District as an entity and the change in the School District's net position resulting from the current year's activities.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the School District’s expendable financial resources and the related current liabilities are accounted for through governmental funds. Effective July 1, 2010, the School District has implemented their Fund Balance Policy in Accordance with GASB Statement No. 54 as follows:

Purpose - The following policy has been adopted by the Board of Education in order to address the implications of Governmental Accounting Standards Board (“GASB”) Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of the School District and jeopardize the continuation of necessary public services. This policy will ensure that the School District maintains adequate fund balances and reserves in order to:

- a. Provide sufficient cash flow for daily financial needs,
- b. Secure and maintain investment grade bond ratings,
- c. Offset significant economic downturns or revenues shortfalls and,
- d. Provide funds for unforeseen expenditures related to emergencies.

This policy and the procedures promulgated under it supersede all previous regulations regarding the School District’s fund balance and reserve policies.

Fund type definitions - The following definitions will be used in reporting activity in governmental funds across the School District. The School District may or may not report all fund types in any given reporting period, based on actual circumstances and activity.

- General fund is used to account for all financial resources not accounted for and reported in another fund.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

- Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.
- Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.
- Capital projects funds are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.
- Permanent funds are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the School District's purposes.

Fund balance reporting in governmental funds - Fund balance will be reported in governmental funds under the following categories:

Nonspendable fund balance

Definition – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact.

Classification – Nonspendable amounts will be determined before all other classifications and consist of the following items (as applicable in any given fiscal year):

- The School District will maintain a fund balance equal to the balance of any long-term outstanding balances due from others (including other funds of the government).
- The School District will maintain a fund balance equal to the value of inventory balances and prepaid items (to the extent that such balances are not offset with liabilities and actually result in fund balance).
- The School District will maintain a fund balance equal to the corpus (principal) of any permanent funds that are legally or contractually required to be maintained in-tact.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

- The School District will maintain a fund balance equal to the balance of any land or other nonfinancial assets held for sale.

Restricted fund balance

Definition – includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers; or through enabling legislation.

Committed fund balance

Definition – includes amounts that can be used only for the specific purposes determined by a formal action of the School District’s highest level of decision-making authority (i.e., the Board of Education).

Authority to Commit – Commitments will only be used for specific purposes pursuant to a formal action of the Board of Education. A majority vote is required to approve a commitment and a two-thirds majority vote is required to remove a commitment.

Assigned fund balance

Definition – includes amounts intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Authority to Assign – The Board of Education delegates to the Superintendent or his/her/their designee the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned fund balance

Definition – includes the residual classification for the School District’s general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Operational Guideline – The following guidelines address in the classification and use of fund balance in governmental funds:

Classifying fund balance amounts – Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.

Encumbrance reporting – Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display of encumbered amounts. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate.

Prioritization of fund balance use – When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the School District to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the School District that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

The School District reports the following major governmental fund:

The General Fund

Other Non-major Funds

The Special Revenue Fund

The Debt Service Funds and

The Capital Projects Funds

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

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

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 School District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

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.

Modified Accrual Method

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. Revenue not meeting this definition is classified as deferred inflow of resources. For this purpose, the School District considers revenues to be available if they are 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, pensions and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School District.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation
(Continued)

State 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 School Districts. For the year ended June 30, 2017, the foundation allowance was based on pupil membership counts taken in February and October of 2016.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2016 to August 2017. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be 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, which are not expended by the close of the fiscal year is recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The School District reports its investments in accordance with GASB 40, *Deposit and Investment Risk Disclosures*, GASB 72 *Fair Value Measurements*. Under these standards, 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.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

The 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 School District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the School District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; 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 School District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. At June 30, 2017, the School District had \$214,186 in Money Market Deposit Account.

2. Property Taxes

Property taxes levied by the School District are collected by various municipalities and periodically remitted to the School 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. 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.

For the year ended June 30, 2017, the School District levied the following amounts per \$1,000 of assessed valuation.

Fund	Mills
General Fund -Non Personal Residence and commercial property	18.0
2005 Refunding Deerfield Debt- total taxable value	2.2
2016 Britton Debt - total taxable value	3.3

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

3. Inventories and Prepaid Expenditures

Inventories are valued at cost (first-in, first-out). Inventories in the Special Revenue Fund consisting of expendable supplies held for consumption, are recorded as expenditures when consumed or used rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

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

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and equipment	5 – 20 years
Transportation equipment	3 – 7 years

The School District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

5. Deferred Outflows/Inflows

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2017, the School District's statement of net position had deferred outflows of resources related to deferred pension plan expenses totaling \$1,487,448.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

In addition to liabilities, the statement of net position and/or balance sheet 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 then. At June 30, 2017, the School District's statement of net position had deferred inflows of resources related to its pension plan and revenue in support of pension payments made subsequent to the measurement date totaling \$470,659 and \$312,691, respectively. Furthermore, at June 30, 2017, the School District's balance sheet had deferred inflows of resources related to unavailable revenue totaling \$41,606.

6. Compensated absences

The liability for compensated absences reported in the government wide statement consists of earned and unused sick days. A liability for this amount is reported in the governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments are included.

7. Long term obligations

In the government-wide financial statements, long-term debt obligations are reported as liabilities on the statement of net position. Bond premiums and discounts, as well as deferred charges on refunding, are deferred and amortized over the life of the debt using the straight-line method over the term of related debt. The difference between the reacquisition price and the net carrying amount of the old debt are reported as a deferred outflow of resources or deferred inflow of resources. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance cost is reported as debt expenditures at the time they are incurred.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt 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.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

8. Pensions

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. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contribution as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

9. Fair Value Measurements

The School District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Academy's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The School District's money market investment is valued as Level 2 inputs.

10. Use of Estimates

The process of preparing basic 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 expenditures. 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.

11. Adoption of New Accounting Standards

As of June 30, 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statements No. 77, *Tax Abatement Disclosures*. This statement requires School Districts to disclose in their financial statements information related to tax abatement agreements. The adoption of this statement did not have an impact on amounts reported in the basic financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund.

The School District maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
(continued)

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

1. 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.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will 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.
4. The Superintendent and Business Manager are authorized to transfer 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.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. The budget was amended during the year with supplemental appropriation, the last one approved prior to June 30, 2017. The School District does not consider these amendments to be significant.
7. The School District did not have budget overdrafts for the year ended June 30, 2017.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the School District. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$452,051 of the School District's bank balance of \$951,931 (money market deposit account, savings and checking accounts) that were uninsured and uncollateralized.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the School 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 School 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 School District will do business.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Due from governmental units June 30, 2017 consist of the following:

	<u>General</u>	<u>Food Service</u>	<u>Total</u>
Receivables:			
State Aid	\$ 853,055	\$ 2,301	\$ 855,356
Federal	962	4,168	5,130
Other Governmental Entity	<u>326,657</u>	-	<u>326,657</u>
Net Total Receivables	<u>\$ 1,180,674</u>	<u>\$ 6,469</u>	<u>\$ 1,187,143</u>

No allowance for doubtful accounts is considered necessary.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 - CAPITAL ASSETS

A summary of changes in the School District's capital assets follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 71,075	\$ -	\$ -	\$ 71,075
Subtotal	<u>71,075</u>	<u>-</u>	<u>-</u>	<u>71,075</u>
Capital assets being depreciated				
Land Improvements	141,902	-	-	141,902
Building and Improvements	10,966,167	-	-	10,966,167
Machinery, Equipment & Furniture	2,877,030	14,100	-	2,891,130
Property in Open	864,159	-	-	864,159
Transportation Equipment	702,932	-	108,775	594,157
Total Depreciable Assets	<u>15,552,190</u>	<u>14,100</u>	<u>108,775</u>	<u>15,457,515</u>
Less: Accumulated depreciation for:				
Land Improvements	129,805	1,595	-	131,400
Building and Improvements	4,360,690	196,060	-	4,556,750
Machinery, Equipment & Furniture	2,678,689	27,855	-	2,706,544
Property in Open	504,180	38,206	-	542,386
Transportation Equipment	524,722	52,458	108,775	468,405
Subtotal	<u>8,198,086</u>	<u>316,174</u>	<u>108,775</u>	<u>8,405,485</u>
Net Depreciable Capital Assets	<u>7,354,104</u>	<u>(302,074)</u>	<u>-</u>	<u>7,052,030</u>
Governmental Activities Capital Assets, net	<u>\$ 7,425,179</u>	<u>\$ (302,074)</u>	<u>\$ -</u>	<u>\$ 7,123,105</u>

Depreciation is computed by the straight line method for all classes of assets. Depreciation for the fiscal year ended June 30, 2017 amounted to \$316,174. The School District determined that it was impractical to allocate depreciation and amortization to the various governmental activities as the assets serve multiple functions.

NOTE 6 - LONG-TERM DEBT

The School District has authorized refunding bonds, dated May 15, 2005, for the purpose of refunding a portion of a prior bond issue of the Deerfield School District. The bonds were issued for \$1,345,000 at an interest rate ranging from 3.0% to 4.2%. The net present value of the savings is \$2,451 or 5.02% of refunded maturities. As of June 30, 2017 the 2005 Deerfield bond was fully paid.

These bonds are in compliance with Section 380.1212 of the Revised School Code.

On February 10, 2016, the School District issued \$3,310,000 in General Obligation Bonds with an average interest rate of 2.02% to advance refund \$2,690,000 of outstanding 2006 Refunding Bonds and \$925,000 of outstanding 2005 Building and Site Bonds, with an average interest rates of 4.1% and 4.00%, respectively.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - LONG-TERM DEBT (Continued)

The net proceeds of \$3,416,942 (after payment of \$31,058 in underwriting fees, and other insurance costs) together with \$138,000 from the 2006 Debt Fund were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the callable 2006 Refunding Bonds and 2005 Building and Site Bonds. As a result, the callable 2006 Refunding Bonds and the 2005 Building and Site Bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt. As of June 30, 2017, the amount of defeased debt outstanding for the 2006 Refunding Bonds and 2005 Building and Site Bonds amounted to \$2,435,000 and \$640,000, respectively. The net present value savings of the refunding is approximately \$335,800. These bonds are in compliance with Section 380.1212 of the School District Revised School Code.

A schedule of the 2016 refunding bond issue for Britton is as follows:

Year Ended	Interest	Principal	Interest Due		Total Due
			June 30	Rate	
2018	2.000%	310,000	30,500	30,500	371,000
2019	2.000%	315,000	27,400	27,400	369,800
2020	2.000%	320,000	24,250	24,250	368,500
2021	2.000%	325,000	21,050	21,050	367,100
2022	2.000%	335,000	17,800	17,800	370,600
2023	2.000%	340,000	14,450	14,450	368,900
2024	2.000%	345,000	11,050	11,050	367,100
2025	2.000%	355,000	7,600	7,600	370,200
2026	2.000%	360,000	4,050	4,050	368,100
		<u>\$ 3,005,000</u>	<u>\$ 158,150</u>	<u>\$ 158,150</u>	<u>\$ 3,321,300</u>

The School District purchased two buses in 2013 and 2015 these were financed through a financing company. A schedule of the future payments related to these buses is as follows:

Fiscal Year Ending,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 29,697	\$ 1,633	\$ 31,330
2019	15,033	838	15,871
2020	15,445	426	15,871
Total	<u>\$ 60,175</u>	<u>\$ 2,897</u>	<u>\$ 63,072</u>

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - LONG-TERM DEBT (Continued)

The following is a schedule of the governmental long term obligations for the School District for the year ended June 30, 2017:

	2005 Refunding Bonds Deerfield	2016 Refunding Bonds Britton	Bus Loan Payable Deerfield	Compensated Absences	Total
Balance July 1, 2016	\$ 145,000	\$3,310,000	\$ 89,105	\$ 67,164	\$ 3,611,269
Additions	-	-	-	-	-
Deletions	145,000	305,000	28,930	517	479,447
Balance June 30, 2017	-	3,005,000	60,175	66,647	3,131,822
Less: Current Portion	-	310,000	29,697	-	339,697
Total due after one year	\$ -	\$2,695,000	\$ 30,478	\$ 66,647	\$ 2,792,125

The debt service requirements of governmental activities at June 30, 2017 were as follows:

Fiscal Year Ending,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 339,697	\$ 62,633	\$ 402,330
2019	330,033	55,638	385,671
2020	335,445	48,926	384,371
2021	325,000	42,100	367,100
2022	335,000	35,600	370,600
2023-2026	1,400,000	74,300	1,474,300
Total	\$ 3,065,175	\$ 319,197	\$ 3,384,372

Interest expense for the year amounted to \$80,949.

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) 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

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

MPSERS 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 MPSERS resides. The State Treasurer serves as the investment officer and custodian for MPSERS. MPSERS' financial statements are available at www.michigan.gov/mpsers-cafr

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 1.5 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. MPSERS also provides disability and survivor benefits to DB plan members.

A DB member 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.

Member Contributions

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987, through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Their options are described in detail under Pension Reform 2012 beginning on page 23. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

Basis of Accounting and Presentation

MPSERS financial statements are prepared using the accrual basis of accounting. Contributions from the employers are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of MPSERS. The reserves are described below and details are provided in the supporting schedules.

GASB Statement No. 67, which was adopted during the year ended September 30, 2015, addresses accounting and financial reporting requirements for pension plans. The requirements for GASB Statement No. 67 require changes in presentation of the financial statements, notes to the financial statements, and required supplementary information.

Significant changes include an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures. The implementation of GASB Statement No. 67 did not significantly impact the accounting for accounts receivable and investment balances.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

Contribution and Funded Status

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

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

The School District's required and actual contributions to the plan for the year ended June 30, 2017 were \$1,065,418. The School District's required and actual contributions include an allocation of \$312,691 in revenue received from the State of Michigan, and remitted to MPSERS to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the year ended June 30, 2017.

The schedule below summarizes pension contribution rates in effect for fiscal year 2016.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0 %	18.95 %
Member Investment Plan	3.0 - 7.0 %	18.95 %
Pension Plan	3.0 - 6/4 %	17.73 %
Defined Contribution	0.0 %	14.56 %

Required contributions from School District were \$936,324 for the year ended September 30, 2016.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

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

At June 30, 2017, the School District's reported a liability of \$10,403,023 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2015. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2016, School District's proportion was .04170 percent, which was a decrease of .00255 percent from its proportion measured as of September 30, 2015.

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

For the year ended June 30, 2017 the School District recognized total pension expense of \$897,704. At June 30, 2017 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferered Inflows of Resources
Difference between actual and expected experience	\$ 129,649	\$ 24,655
Changes of assumptions	162,643	-
Net difference between projected and actual earnings on pension plan investments	172,898	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	105,867	481,806
School District contributions subsequent to the measurement date	916,391	-
Total	\$ 1,487,448	\$ 506,461

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

Contributions subsequent to measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ending September 30

2017	\$ (11,911)
2018	\$ (25,508)
2019	\$ 145,306
2020	\$ (43,291)

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, 2016, are summarized in the following table:

Domestic Equity Pools		
% Alternative Investment	28.0%	5.9%
Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	0.9%
Real Estate and Infrastructure Pools	10.0%	4.3%
Absolute Return Pools	15.5%	6.0%
Short Term Investment Pools	2.0%	0.0%
 Total	 100.0%	

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

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

Discount Rate

A discount rate of 8.0% 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 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

As required by GASB Statement No. 68, the following presents the School District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Single Discount Rate	1% Increase
(Non-Hybrid/Hybrid)*	Assumption	(Non-Hybrid/Hybrid)*
7.0% / 6.0%	8.0% / 7.0%	9.0% / 8.0%
\$13,396,475	\$10,403,023	\$7,879,255

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

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

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

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

Actuarial Assumptions

Wage Inflation Rate:	3.50%
Investment Rate of Return	
-MIP and Basic Plans (Non-Hybrid):	8.00%
-Pension Plus Plan (Hybrid)	7.00%
Projected Salary Increases:	3.5% to 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 MPSERS. 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 MPSERS for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, 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: (4.6273 for non-university employers 1.2456 for university employers)
- Recognition period for assets in years is 5.0000

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN
(Continued)

- Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual financial Report (www.michigan.gov/mpsers-cafr).

Postemployment Benefits Other Than Pension (OPEB)

Under the MPSERS act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 6.4% to 6.83% of the covered payroll for the period July 1, 2016 through September 30, 2016 and from 5.69% to 5.91% of the covered payroll for the period October 1, 2016 through June 30, 2017 dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3% of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit or they can elect not to pay the 3% contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2% employee contribution into their 457 account as their transition date and create a 2% employer match into the employee's 403(b) account.

The School District's required and actual contributions to the plan for retiree healthcare benefits for the year ended June 30, 2017 were approximately \$164,000. In addition, a portion ranging from 35% to 100% of the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate is considered a contribution to the retiree healthcare plan.

NOTE 8 - INTERFUND BALANCES AND TRANSFERS

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All balances at June 30, 2017 are expected to be repaid within the next fiscal year.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - INTERFUND BALANCES AND TRANSFERS (Continued)

A schedule of interfund balances follows:

Fund	Interfund Receivable	Fund	Interfund Payable
Nonmajor	\$ 1,124	Major	\$ 1,124
	\$ 1,124		\$ 1,124

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. There were no interfund transfers in 2017.

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. The premiums are based on the ultimate cost of the experience to date of the participating members of the risk pool. The School District cannot estimate losses from reported and unreported claims at June 30, 2017. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2017 or any of the prior three years.

NOTE 10 - CONTINGENCIES

The School District had no contingencies at June 30, 2017.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - AT RISK

During the year, the School District received State categorical aid for at risk students, which amounted to \$176,433. The School District split all of these funds for at risk students.

NOTE 12 - SHORT-TERM DEBT - STATE AID NOTES

State School aid anticipation notes are issued under the provisions of Section 1225 of Act 451, Public Acts of Michigan, and Act 34 of Michigan for the purpose of providing money for school operations. The School District has pledged its state aid as collateral. In the event of unavailability or insufficiency of State school aid, the note is payable from taxes levied by the School District. The interest rate ranges from .760% to 1.20% and the maturity date is August 21, 2017. The interest expense related to this note at June 30, 2017 is \$12,844.

Short-term debt activity for the fiscal year ended June 30, 2017 was as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>
2015-2016	\$ 737,495	\$ -	\$ 737,495	\$ -
2016-2017	<u>-</u>	<u>1,412,844</u>	<u>564,367</u>	<u>848,477</u>
Totals	<u>\$ 737,495</u>	<u>\$ 1,412,844</u>	<u>\$ 1,301,862</u>	<u>\$ 848,477</u>

Note 13 - BUS LEASE

On June 2, 2016, an agreement was entered into by CH & H (lessor) and the School District (lessee) for the lease of 3 buses. The lease calls for annual rent of \$12,853 for each bus. The term of the lease is for 3 years.

The future minimum rental payments for the bus leases are as follows:

<u>Year Ending June 30,</u>	<u>Bus lease</u>
2018	\$ 38,559
2019	<u>38,559</u>
	<u>\$ 77,118</u>

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14 - NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net position reports \$126,846 of restricted net position at June 30, 2017, all of which is restricted by enabling legislation.

NOTE 15. PRIOR PERIOD ADJUSTMENT

For the year ended June 30, 2017, a prior period adjustment was made to report the adjustment to the capital assets and bus loan payable that was previously reported as operating lease. As a result, restatement of the beginning of the year net position is as follows:

Net position (deficit) as previously stated, July 1, 2016	\$	(5,110,107)
Adjustment to capital asset		116,347
Adjustment to long term obligations		<u>(89,105)</u>
Net position (deficit), as restated, July 1, 2016	\$	<u><u>(5,082,865)</u></u>

NOTE 16 - SUBSEQUENT EVENTS

In August 2017, the Academy issued a Revenue Anticipation Note in the amount of \$1,400,000 to assist in the operation cash flows prior to the receipt of state aid payments for the 2017-2018 school year. The note is secured by the future receipt of state aid payments.

NOTE 17 – UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for government that finance OPEB for employees of other governments. This OPEB standard will require the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the MPSERS plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District’s financial statements for the year ending June 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

Britton Deerfield Schools
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with final budget Favorable (Unfavorable)
Revenues:				
Local sources	\$ 489,836	\$ 778,621	\$ 1,011,304	\$ 232,683
Intermediate sources	632,964	767,559	544,501	(223,058)
State sources	4,800,836	4,797,031	4,773,155	(23,876)
Federal sources	60,386	70,920	64,648	(6,272)
Total revenues	<u>5,984,022</u>	<u>6,414,131</u>	<u>6,393,608</u>	<u>(20,523)</u>
Expenditures:				
Current:				
Instruction:				
Basic programs	2,911,858	3,378,442	3,335,913	42,529
Added needs	939,324	1,070,858	1,058,221	12,637
Total instruction	<u>3,851,182</u>	<u>4,449,300</u>	<u>4,394,134</u>	<u>55,166</u>
Support services:				
Pupil	167,226	180,524	179,720	804
Instructional staff	71,337	47,526	47,364	162
General administration	248,338	227,972	211,354	16,618
School administration	373,048	373,209	366,373	6,836
Business and fiscal services	128,787	109,697	106,445	3,252
Operation & maintenance	586,148	656,913	636,717	20,196
Transportation	382,239	306,057	295,230	10,827
Central	36,638	41,812	37,318	4,494
Other	47,808	39,783	39,587	196
Athletics	241,298	236,117	235,850	267
Total support services	<u>2,282,867</u>	<u>2,219,610</u>	<u>2,155,958</u>	<u>63,652</u>
Expenditures (concluded):				
Community service:	15	1,103	1,102	1
Total Community service	<u>15</u>	<u>1,103</u>	<u>1,102</u>	<u>1</u>
Total expenditures	<u>6,134,064</u>	<u>6,670,013</u>	<u>6,551,194</u>	<u>118,819</u>
Excess (deficiency) of revenues over expenditures	<u>(150,042)</u>	<u>(255,882)</u>	<u>(157,586)</u>	<u>98,296</u>
Other financing sources (uses):				
Indirect cost transfer	-	20,000	20,000	-
Prior year adjustments	-	(13,906)	(16,883)	(2,977)
Proceeds from sale of capital assets	-	6,300	6,300	-
Total other financing sources (uses)	<u>-</u>	<u>12,394</u>	<u>9,417</u>	<u>(2,977)</u>
Net change in fund balance	<u>(150,042)</u>	<u>(243,488)</u>	<u>(148,169)</u>	<u>95,319</u>
Fund balance:				
Beginning of year	306,712	306,712	306,712	-
End of year	<u>\$ 156,670</u>	<u>\$ 63,224</u>	<u>\$ 158,543</u>	<u>\$ 95,319</u>

Britton Deerfield Schools
Required Supplemental Information
Schedule of Britton Deerfield Schools' Contribution to
Michigan Public Schools Employees Retirement Plan
Determined as of the Year Ended June 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 757,727	\$ 853,703	\$ 808,326
Contribution in relation to statutorily required contribution	<u>757,727</u>	<u>853,703</u>	<u>808,326</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 3,346,148	\$ 3,328,195	\$ 3,850,746
Contribution as a percentage of covered-employee payroll	22.64%	25.65%	20.99%

Britton Deerfield Schools
Required Supplemental Information
Schedule of Britton Deerfield Schools' Proportionate Share of the Net Pension Liability
Michigan Public Schools Employees Retirement Plan
Determined as of the Plan Year Ended September 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability	0.04170%	0.04250%	0.04370%
School District's proportionate share of the net pension liability	\$ 10,403,023	\$ 10,808,873	\$ 9,624,941
School District's covered-employee payroll	3,429,007	3,752,650	3,850,746
School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	303.38%	288.03%	249.95%
Plan fiduciary net position as a percentage of total pension liability	63.27%	63.17%	66.20%

BRITTON DEERFIELD SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

NOTE 1: CHANGES OF BENEFIT TERMS

There were no changes of benefit terms in 2016.

NOTE 2: CHANGES OF ASSUMPTIONS

There were no changes of benefit assumptions in 2016.

ADDITIONAL INFORMATION

DARNELL & MEYERING, P.C.

Certified Public Accountants

CLINTON MEYERING, C.P.A.
RANDALL H. DARNELL, C.P.A.
DALE A. VESTRAND, C.P.A.

20500 EUREKA ROAD • SUITE 300
TAYLOR, MICHIGAN 48180
(734) 246-9240
FAX (734) 246-8635

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
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
Britton Deerfield Schools
Britton, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Britton Deerfield Schools (the School District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 6, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the School 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School 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 School District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the School 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*.

SCHOOL DISTRICT'S RESPONSES TO FINDINGS

The School District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

PURPOSE OF THIS REPORT

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

DARNELL & MEYERING, P.C.

A handwritten signature in cursive script that reads "Darnell & Meyering, P.C.".

Taylor, MI
October 6, 2017

Britton Deerfield Schools
Schedule of Findings and Responses
June 30, 2017

Reference
Number

Findings

2017-001 **Finding Type – Significant Deficiency**

Finding: Adequate segregation of duties for the District is necessary to minimize the likelihood that fraud or errors could occur and not be detected. The District has not achieved a complete segregation of duties among employees who have both access to assets and accounting responsibilities. The small size of the business office staff creates an inherent lack of segregation of duties. As a result of this condition, the District lacks proper segregation of duties and is exposed to an increased risk of misstatement of its financial statements.

Identification of repeat finding. This is a repeat finding from the immediate previous audit 2016-1

Recommendations: We understand that in your environment of limited numbers of staff, the most desirable segregation of duties is not always feasible. Also the costs of administrative systems should not exceed their benefits. These recommendations were developed with these concepts in mind and should be considered in that light. We recommend that management and the Board of Education implement procedures as follows:

- All reconciliations, journal entries and monthly reports (i.e. bank reconciliation, payroll reports) should be reviewed by a designated individual other than the preparer to ensure accuracy and completeness and to verify that reconciled items and journal entries have been properly handled. In addition, review of the reconciliations, journal entries and monthly reports should be evidenced by appropriate signatures.
- To further enhance cash receipts on activity funds from its events (i.e. games, fundraising etc.) we recommend at least two individuals should be present at the event. An individual who is independent of cash collections should conduct a reconciliation of the cash to receipt records. In addition, we recommend that the cash receipts record should be evidenced by the individual's signature.

Britton Deerfield Schools
Schedule of Findings and Responses
June 30, 2017

Reference Number	Findings
2017-001	<p>Finding Type – Significant Deficiency (Continue)</p> <p>Individual Responsible for Corrective Action Plan: Stacy Johnson (Superintendent)</p> <p>View of Responsible Officials and Planned Corrective Actions: We agree with the auditor’s recommendation. However, the District has evaluated the manner in which they segregate duties and has implemented certain measures. However, the cost associated with adding additional staff to achieve a complete segregation is not justified by the expected benefits.</p>
2017-002	<p>Finding Type – Significant Deficiency</p> <p>Finding: Adequate design of internal control over the complete preparation of the financial statements and footnotes being audited. The District does not have personnel with level of knowledge to update the footnotes completely.</p> <p>Identification of repeat finding. This is a repeat finding from the immediate previous audit 2016-2</p> <p>Recommendations: We recommend that from information gleaned from various seminars attended, consider gathering information on footnotes that will fit the District’s needs, and apply appropriately. In addition, we recommend that the Business Manager continue to attend seminars that will enhance her knowledge in financial statement preparation.</p> <p>Individual Responsible for Corrective Action Plan: Sue Andries (Business Manager)</p> <p>View of Responsible Officials and Planned Corrective Actions: We agree with the auditor’s recommendation. The District has evaluated the manner in which they prepare the financial statements and footnotes to those financial statements and will attempt to follow the recommendation made.</p>

**Britton Deerfield Schools
Combining Balance Sheet
Nonmajor Governmental Fund
June 30, 2017**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
Assets				
Assets:				
Cash and equivalents	\$ 13,347	\$ 107,189	45,323	\$ 165,859
Receivables				
Other governmental units	6,469	-	-	6,469
Due from other fund	-	1,124	-	1,124
Inventory	863	-	-	863
Total Assets	<u>\$ 20,679</u>	<u>\$ 108,313</u>	<u>\$ 45,323</u>	<u>\$ 174,315</u>
Liabilities and Fund Balances				
Liabilities:				
Accrued expenditures	\$ 1,228	\$ -	\$ -	\$ 1,228
Accrued salary	3,769	-	-	3,769
Unearned revenue	2,522	-	-	2,522
Total Liabilities	<u>7,519</u>	<u>-</u>	<u>-</u>	<u>7,519</u>
Fund Balances:				
Restricted				
School lunch program	13,160	-	-	13,160
Debt service	-	108,313	-	108,313
Capital outlay	-	-	45,323	45,323
Total Fund Balances	<u>13,160</u>	<u>108,313</u>	<u>45,323</u>	<u>166,796</u>
Total Liabilities and Fund Balances	<u>\$ 20,679</u>	<u>\$ 108,313</u>	<u>\$ 45,323</u>	<u>\$ 174,315</u>

Britton Deerfield Schools
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended June 30, 2017

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds 2017
Revenues:				
Local sources:				
Property taxes	\$ -	\$ 489,369	\$ -	\$ 489,369
Investment earnings	-	213	-	213
Food sales	137,752	-	-	137,752
Other	2,628	-	-	2,628
Total local sources	140,380	489,582	-	629,962
State sources	16,807	-	-	16,807
Federal sources	171,804	-	-	171,804
Total revenues	328,991	489,582	-	818,573
Expenditures:				
Food service/activities	319,212	-	-	319,212
Capital outlay	-	-	8,128	8,128
Debt service				
Interest and fiscal charges	-	96,537	-	96,537
Total expenditures	319,212	96,537	8,128	423,877
Excess (deficiency) of revenues over expenditures	9,779	393,045	(8,128)	394,696
Other Financing Sources (Uses):				
Redemption of principal	-	(450,000)	-	(450,000)
Indirect cost transfer	(20,000)	-	-	(20,000)
Total other financing sources (uses)	(20,000)	(450,000)	-	(470,000)
Net change in fund balance	(10,221)	(56,955)	(8,128)	(75,304)
Fund balance:				
Beginning of year	23,381	165,268	53,451	242,100
End of year	\$ 13,160	\$ 108,313	\$ 45,323	\$ 166,796

Britton Deerfield Schools
Balance Sheet
Special Revenue Fund - Food Service
June 30, 2017

	2017
Assets	
Assets:	
Cash and equivalents	\$ 13,347
Receivables	
Other governmental units	6,469
Inventory	863
Total Assets	\$ 20,679
 Liabilities and Fund Balances	
Liabilities:	
Accrued expenditures	\$ 1,228
Accrued salary	3,769
Unearned revenue	2,522
Total Liabilities	7,519
 Fund Balances:	
Restricted for School lunch program	13,160
Total Fund Balances	13,160
 Total Liabilities and Fund Balances	\$ 20,679

Britton Deerfield Schools
Statement of Revenues, Expenditures and Changes in Fund Balance
Special Revenue - Food Service
Year Ended June 30, 2017

	2017
Revenues:	
Local sources:	
Food sales	\$ 137,752
Other	2,628
Total local sources	140,380
State sources	16,807
Federal sources	171,804
Total revenues	328,991
Expenditures:	
Cost of goods sold - net	163,904
Salaries and wages	101,737
Employee benefits	34,748
Contracted services	11,518
Miscellaneous	7,305
Total expenditures	319,212
Excess (deficiency) of revenues over expenditures	9,779
Other Financing Sources (Uses):	
Indirect cost transfer	(20,000)
Total other financing sources (uses)	(20,000)
Net change in fund balance	(10,221)
Fund balance:	
Beginning of year	23,381
End of year	\$ 13,160

**Britton Deerfield Schools
Combining Balance Sheet
Debt Funds
June 30, 2017**

	2005 Debt Refunding Deerfield	2016 Refunding Bonds Debt Britton	Total Debt Funds
Assets:			
Cash and equivalents	\$ 39,789	\$ 67,400	\$ 107,189
Due from other fund	-	1,124	1,124
Total Assets	<u>39,789</u>	<u>68,524</u>	<u>108,313</u>
Fund Balances:			
Restricted for debt service	39,789	68,524	108,313
Total Fund Balances	<u>39,789</u>	<u>68,524</u>	<u>108,313</u>
Total Fund Balances	<u>\$ 39,789</u>	<u>\$ 68,524</u>	<u>\$ 108,313</u>

Britton Deerfield Schools
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Debt Funds
Year Ended June 30, 2017

	2005 Debt Refunding Deerfield	2016 Debt Refunding Britton	Total 2017
Revenues:			
Local sources:			
Property taxes	\$ 166,848	\$ 322,521	\$ 489,369
Investment earnings	6	207	213
Total revenues	<u>166,854</u>	<u>322,728</u>	<u>489,582</u>
Expenditures:			
Interest	6,090	82,011	88,101
Fees	200	1,550	1,750
Property tax abated	-	6,686	6,686
Total expenditures	<u>6,290</u>	<u>90,247</u>	<u>96,537</u>
Excess of revenues over expenditures	<u>160,564</u>	<u>232,481</u>	<u>393,045</u>
Other Financing Sources (Uses):			
Redemption of principal	<u>(145,000)</u>	<u>(305,000)</u>	<u>(450,000)</u>
Total other financing sources (uses)	<u>(145,000)</u>	<u>(305,000)</u>	<u>(450,000)</u>
Net change in fund balance	15,564	(72,519)	(56,955)
Fund balance:			
Beginning of year	24,225	141,043	165,268
End of year	<u>\$ 39,789</u>	<u>\$ 68,524</u>	<u>\$ 108,313</u>

**Britton Deerfield Schools
Combining Balance Sheet
Capital Project Funds
June 30, 2017**

	2007 Sinking Fund	Building Capital Project Fund	Total Capital Project Funds
Assets			
Assets:			
Cash and equivalents	\$ 15,390	\$ 29,933	\$ 45,323
Total Assets	<u>15,390</u>	<u>29,933</u>	<u>45,323</u>
Fund Balances:			
Restricted for capital outlay	15,390	29,933	45,323
Total Fund Balances	<u>15,390</u>	<u>29,933</u>	<u>45,323</u>
Total Fund Balances	<u>\$ 15,390</u>	<u>\$ 29,933</u>	<u>\$ 45,323</u>

Britton Deerfield Schools
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Capital Project Funds
Year Ended June 30, 2017

	<u>2007</u> <u>Sinking</u> <u>Fund</u>	<u>Building</u> <u>Capital Project</u> <u>Fund</u>	<u>Total</u> <u>2017</u>
Revenues:			
Local sources:			
Property taxes	\$ -	\$ -	\$ -
Investment earnings	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
Capital outlay	<u>8,128</u>	<u>-</u>	<u>8,128</u>
Total expenditures	<u>8,128</u>	<u>-</u>	<u>8,128</u>
Excess (deficiency) of revenues over expenditures	<u>(8,128)</u>	<u>-</u>	<u>(8,128)</u>
Net change in fund balance	(8,128)	-	(8,128)
Fund balance:			
Beginning of year	<u>23,518</u>	<u>29,933</u>	<u>53,451</u>
End of year	<u>\$ 15,390</u>	<u>\$ 29,933</u>	<u>\$ 45,323</u>

Britton Deerfield Schools
Schedule of Cash Receipts, Disbursements and Liabilities
Agency Funds
Year Ended June 30, 2017

	Liability Balance <u>July 1, 2016</u>	<u>Receipts</u>	<u>Disbursements</u>	Liability Balance <u>June 30, 2017</u>
Cash and cash equivalents				
School activity accounts	\$ 157,485	\$ 184,841	\$ 165,280	\$ 177,046
Employee café plan	4,457	21,252	17,738	7,971
Britton parks and recreation	1,115	7,500	6,065	2,550
Totals	<u>\$ 163,057</u>	<u>\$ 213,593</u>	<u>\$ 189,083</u>	<u>\$ 187,567</u>

DARNELL & MEYERING, P.C.

Certified Public Accountants

CLINTON MEYERING, C.P.A.
RANDALL H. DARNELL, C.P.A.
DALE A. VESTRAND, C.P.A.

20500 EUREKA ROAD • SUITE 300
TAYLOR, MICHIGAN 48180
(734) 246-9240
FAX (734) 246-8635

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

October 6, 2017

Board of Education
Britton Deerfield Schools
Britton, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Britton Deerfield Schools (the School District) for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards and the Uniform Guidance*), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 8, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during June 30, 2017. We noted no transactions entered into by School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the depreciation expense is based on economic useful lives. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of Net Pension Liability for the fiscal year ended June 30, 2017 and computations of their deferred outflows of pension resources for the same year, was reviewed by us in determining the reasonableness in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was (were):

The disclosure of Fund Balance reporting in governmental funds in Note 1B to the financial statements provides the breakdown of the categories that may or may not be used.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 6, 2017.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to Management’s Discussion & Analysis, Budgetary Comparison Schedule (General Fund), Schedule of Britton Deerfield School’s Pension Contributions, Schedule of Britton Deerfield School’s Proportionate Share of New Pension Liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Britton Deerfield Schools
October 6, 2017
Page 4

Restriction on Use

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

Very truly yours,

Darnell & Meyering, P.C.

Darnell & Meyering PC