Breckenridge Community School District
Breckenridge, Michigan

Financial Statements
With Supplementary Information
June 30, 2019

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

Breckenridge Community School District
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June 30, 2019

To the Board of Education
Breckenridge Community School District

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Breckenridge Community School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

Other Matters

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

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

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sincerely,

Roslund, Prestage & Company, P.C.

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

September 20, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Breckenridge Community School District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2019. Please read this discussion and analysis in conjunction with the District's financial statement beginning on page 1.

I. Description of the Basic Financial Statements

District-Wide Financial Statements

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

Fund Financial Statements

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

Reconciliation

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

Trust and Agency Funds

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

II. Condensed Government-Wide Financial Information

The change in assets, liabilities, and net position from the previous year for the government-wide financial statements were significant due to the addition of having to report other post-employment benefit liabilities, per GASB 75. A restatement of our Net position was done in order for relevance of numbers to be reflected.

The decrease in capital assets net of depreciation indicates that capital assets are depreciating at a faster rate than they are being replaced. This was expected since the District does not make large purchases of fixed assets every year. A bus was purchased in this fiscal year for a cost of $87,232. Current year depreciation was $666,155.

The current liabilities decreased slightly from the previous year by $26,122 as short-term debt, or debt due within one year, has decreased because of the decreasing amount that the district needed to borrow for operations and because payments were made on this debt prior to June 30, 2019.

Noncurrent liabilities increased due to an increase in “Net other post-employment benefit liability” by $524,204. However, net position has decreased overall by $192,242.

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

Table 1
Comparative Summary of Assets, Liabilities, and Net Position
At June 30, 2018 and 2019

	2019	2018	Difference
Current Assets	$ 1,935,652	$ 2,027,278	$ -91,626
Noncurrent Assets	5,425,575	6,004,498	-578,923
Total Assets	$ 7,361,227	$ 8,031,776	$ -670,549
Deferred Outflows of Resources	$ 4,180,152	2,462,745	$ 1,717,407
Current Liabilities	$ 1,446,230	$ 1,472,352	$ -26,122
Noncurrent Liabilities	17,312,689	16,788,485	524,204
Total Liabilities	$ 18,758,919	$ 18,260,837	$ 498,082
Deferred Inflows of Resources	$ 2,196,996	1,455,978	$ 741,018
Investment in Capital Assets (Net of Related Debt)	$ 1,982,875	$ 1,868,553	$ 114,322
Restricted	130,446	135,609	-5,163
Unrestricted	-11,527,857	-11,226,456	-301,401
Total Net Position	$ -9,414,536	$ -9,222,294	$ -192,242

The overall change in our **Statement of Activities** net position, year over year, was ($192,242) or 2%.

Expenses increased by $275,228 or 3.5%. This can be attributed to an increase in pay given to all staff last year of approximately 1.25% and corresponding benefits increasing as well.

Charges for Services decreased by $16,837, or 8%, year over year. Community services decreased in this last year as we did not offer as many community related events.

Operating Grants and Contributions increased year over year by $24,610 or 6%. In this fiscal year we were able to breakfast and lunches to all students. This helped to increase participation of students eating lunch in all buildings and increased revenues.

Actual overall General revenues per our statement of activities increased by approximately $143,190, or 2% year over year.

Property taxes increased by $38,812 or 2.4% year over year. This is a good trend to see for the district and the state. Although it's not exactly the 3-5% increase we would like to see year over year, it is still an increase and when factored into historic trends, averages out to approximately 3%.

Table 2
Comparative Summary of Program, General, and Total Revenues
Years Ended June 30, 2019 and 2018

	2019	2018	Difference
Charges for Services	$ 187,561	$ 204,398	$ -16,837
Operating Grants and Contributions	450,209	425,599	24,610
Total Program Revenues	$ 637,770	$ 629,997	$ 7,773
Property Taxes	$1,672,389	$ 1,633,577	$ 38,812
State Aid Not Restricted to Specific Purposes	5,346,420	5,172,641	173,779
Unrestricted Interest and Investment Earnings	1,100	1,526	-426
Restricted Interest and Investment Earnings	365	251	114
Other	299,338	368,427	-69,089
Total General Revenues	$7,319,612	$ 7,176,422	$ 143,190
Change in Net Position	$ -192,242	$ -67,977	$ -124,265

Looking at Table 3 and comparing to last year's numbers, **Total expenses** increased from the previous year by $940,383. Some of these components that make up total expenses decreased and some increased. Please find some explanation below as to why these variances occurred.

Instruction costs increased from the previous year by $621,227 as we had a 1.25% increase in salary for teaching staff. We also saw a higher amount paid out for vocational education.

The cost of **Support Services** increased during the year by $366,504 due to an increase in technology expenses. Every year there is a need to purchase new Chromebooks so that we can cycle out old, out of useful life, Chromebooks. Some of the areas that make up instructional staff support are counseling services, speech services, media and instruction related technology.

Food Service costs decreased from the previous year by $10,924. This year the district was able to offer two different time frames of offering free breakfast to all students. We were able to do this while still controlling costs and actually decreasing costs. Revenues increased year over year.

Community Services costs decreased during the year due by $11,042 to the Husky Pups Learning Center beginning start up costs decreasing. Most large items to get the program up and running were purchased last year.

Depreciation has been allocated to various functions district wide. In previous years we included one line item to disclose total depreciation but from this point forward will have it within multiple functions. Because of this, we have taken out the line item from Table 3 that, in previous years, included a comparative of depreciation expense.

Table 3
Comparative Summary of Program Expenses by Function and Total Expenses
Years Ended June 30, 2019 and 2018

	2019	2018	Difference
Instruction	$4,885,042	$4,263,815	621,227
Support Services	2,833,323	2,466,819	366,504
Food Service	265,148	276,072	-10,924
Community Services	65,639	76,681	-11,042
Interest and Fees on Long-term Debt	100,472	133,063	-32,591
Total Expenses	$8,149,624	$7,216,450	933,174

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

Governmental Activities

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

Table 4
Comparative Summary of Net Position and Changes in Net Position
Years Ended June 30, 2019 and 2018

	2019	2018	Difference
Net Position – Beginning	-$9,222,294	-$9,154,317	−67,977
Increase (Decrease) in Net Position	-192,242	-67,977	-124,265
Net Position – Ending	-$9,414,536	-$9,222,294	

The District operates under the philosophy that it should maintain or grow fund balance from one year to the next based on the Fund Financial Statements (modified accrual). Most business officials contend that 12% to 18% fund balance is the optimal target for a district. With slight increases in funding, the district strives to break even while maintaining current programs and maintaining a fund balance above 10%.

The decrease in Net Position is a function of the difference between the District-Wide Financial Statements and the Fund Financial Statements. The reconciliation between these two methods is presented on page 6.

Statement of Activities

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

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

Instruction:

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

Support Services:

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

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

IV. Significant Transactions and Changes in Individual Funds

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

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

The Capital Projects Fund was completed and spent the previous year.

Food Service had an increase in fund balance due to an increase in participation as we offered breakfast at two separate times for students.

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

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

	Revenues and Other Financing Sources	Net Change in Fund Balance From Prior Year	Percent Change in Fund Balance as a Percent of Revenues and Other Financing Sources
General	$6,880,416	$ -40,603	<1%
Food Service	263,182	11,000	24.61%
Total Debt Service	767,288	-16,163	-3.81%

General Fund

Approximately 78% of the General Fund budget is spent on salaries and benefits. As this is a large portion of the budget, every attempt is made to settle bargaining agreements. Bargaining units had contracts during the 2018-19 fiscal year.

Food Service Fund

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

Debt Service Funds

The Debt Service Funds collect property taxes and receive interest earnings on bank deposits to finance the payment of interest and principal on bonds issued to construct and upgrade facilities and technology throughout the district. The tax rate is set each year at a level to pay the current year principal and interest payments on the bond issue. For fiscal year 2018-19 this levy was set at 2.22 mills. The levy is determined to generate sufficient revenues to pay the principal and interest payment of the 2008, 2010 and 2012 bond issues.

Capital Projects

V. Changes to Budget and Comparison to Actual Results

It is required by State law to adopt the original budget before the beginning of the fiscal year. For the fiscal year ended June 30, 2019 the original budget was adopted on June 25, 2018. The original budget is adopted before the enrollment is known, some grants are awarded, and some staff is hired. Many assumptions are therefore made in constructing the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. The significant variances for the fiscal year ended June 30, 2019 are as follows:

General Fund

Changes from Original Budget to Final Budget

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

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

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

Other Sources – The original budget was amended to account for an decrease in revenues received from the intermediate school district in relation to Vocational Education.

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

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

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

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

Business Services – Decrease was made to the final budget to reflect lower fees and payments.

Operations and Maintenance – The original budget was amended to reflect increased costs that were being incurred by the district for the year. Improvement projects took place during the course of the year and towards the end of the year.

Pupil Transportation – The original budget was amended and increased to reflect the overall cost of purchasing a bus, rather than leasing a bus.

Variances between Final Budget and Actual Amounts

Very minimal changes to report between final budget and actual revenues.

Expenditures were budgeted by 1.9% higher than actual. This was due to Chromebooks that were expected to be purchased did not actually get received in time to record into the fiscal year. That cost will be put into the next fiscal year, 2019-2020. Also, some operational costs for maintenance were left higher to account for any last minute expenses that might have occurred.

Food Service Fund

Changes from Original Budget to Final Budget

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

Variances between Final Budget and Actual Amounts

Expenses were lower than budgeted and revenues higher than budgeted as the food service budget is amended only once a year. Final amounts were very close to actuals with little difference in itemized categories.

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

Capital Assets

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

Buildings and Additions – Final work on the new greenhouse that was erected in 2017-18 was completed during fiscal year 2018-19.

Equipment – No changes or additions were put in place during fiscal year 2018-19.

Furniture – No changes in fiscal year 2018-19.

Vehicles – A new bus was purchased during the 2018-19 fiscal year.

Long-Term Debt

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

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

One of the most significant factors facing Breckenridge Community School District still continues to be the economic condition of the State of Michigan. With state funding the primary source of revenue, the district monitors the state's periodic revenue-estimating conference in order to project revenue for the upcoming fiscal year's budget. In addition, local student enrollment is another revenue producing factor that the district monitors. The state foundation is based on a blended student count. This count is taken in October and February of each fiscal year. The blended count consists of 90% of count taken in October and 10% of the count taken in February, of the previous fiscal year. In addition to the state required count days, the district conducts monthly enrollment updates in order to monitor this important revenue source. For budgeting purposes, an estimated student count is used based on the district's enrollment history. For the last 10 years the district has seen, although in some years it was minimal, an estimated decline of approximately 27 students every year. This information is also taken into consideration when setting the next year's budget.

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

The budget prepared for the 2018-19 school year was based on a decline in student enrollment of 25 students, resulting in an expected loss. The final budget reflected a larger actual loss of student fte's by 6 but more in categorical state revenues. Expenditures were also monitored closely during the course of the year and the overall loss was less than expected.

Request for Information

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

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

Breckenridge Community School District
Statement of Net Position
June 30, 2019

Assets	
Current assets	
Cash and cash equivalents	$ 860,877
Due from other governmental units	1,007,675
Other current assets	67,100
Total current assets	1,935,652
Noncurrent assets	
Capital assets being depreciated, net	5,425,575
Total assets	7,361,227
Deferred Outflows of Resources	
Deferred outflow - related to pension	3,629,148
Deferred outflow - related to other post-employment benefits	551,004
Total deferred outflows	4,180,152
Liabilities	
Current liabilities	
Accounts payable	30,848
Due to other funds	384
Accrued expenses	525,757
Accrued interest	15,955
Unearned revenue	86,130
Bonds payable, due within one year	670,000
Capital leases payable, due within one year	15,799
Compensated absences, due within one year	26,357
Retirement incentive, due within one year	75,000
Total current liabilities	1,446,230
Noncurrent liabilities	
Bonds payable, due beyond one year	2,690,000
Capital leases payable, due beyond one year	7,900
Compensated absences, due beyond one year	149,357
Premium on bonds, net of amortization	59,001
Retirement incentive, due beyond one year	105,680
Net pension liability	11,320,016
Net other post-employment benefits liability	2,980,735
Total noncurrent liabilities	17,312,689
Total liabilities	18,758,919
Deferred Inflows of Resources	
Deferred inflow - related to pension	1,112,657
Deferred inflow - related to other post-employment benefits	671,275
Deferred inflow - 147c allocation	413,064
Total deferred inflows of resources	2,196,996
Net position	
Net investment in capital assets	1,982,875
Restricted for:	
Debt service	74,745
Food service	55,701
Unrestricted	(11,527,857)
Total net position	$ (9,414,536)

The notes are an integral part of these financial statements.

Breckenridge Community School District
Statement of Activities
For the Year Ended June 30, 2019

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes Net Position
Governmental activities:				
Instruction	$ 4,885,042	$ 90,388	$ 233,193	$ (4,561,461)
Support services	2,833,323	50,993	-	(2,782,330)
Food service	265,148	46,130	217,016	(2,002)
Community services	65,639	50	-	(65,589)
Interest and fees on long-term debt	100,472	-	-	(100,472)
Total governmental activities	$ 8,149,624	$ 187,561	$ 450,209	(7,511,854)
General revenues:				
Property taxes				1,672,389
State sources				5,346,420
Unrestricted interest and investment earnings				1,100
Restricted interest and investment earnings				365
Intermediate sources				281,276
Other general revenues				18,062
Total general revenues				7,319,612
Change in net position				(192,242)
Net position - beginning				(9,222,294)
Net position - ending				$ (9,414,536)

FUND FINANCIAL STATEMENTS

Breckenridge Community School District
Balance Sheet
Governmental Funds
June 30, 2019

	Major Fund General Fund	Total Non-major Funds	Totals
Assets			
Cash and cash equivalents	$ 829,171	$ 31,706	$ 860,877
Due from other funds	-	101,783	101,783
Due from other governmental units	1,006,115	1,560	1,007,675
Other current assets	67,100	-	67,100
Total assets	$ 1,902,386	$ 135,049	$ 2,037,435
Liabilities			
Accounts payable	$ 26,245	$ 4,603	$ 30,848
Due to other funds	101,783	-	101,783
Due to agency fund	384		384
Accrued expenditures	525,757	-	525,757
Unearned revenue	86,130	-	86,130
Total liabilities	740,299	4,603	744,902
Fund balances			
Nonspendable	67,100	-	67,100
Restricted for:			
Food service	-	55,701	55,701
Debt service	-	74,745	74,745
Unassigned	1,094,987	-	1,094,987
Total fund balances	1,162,087	130,446	1,292,533
Total liabilities and fund balance	$ 1,902,386	$ 135,049	$ 2,037,435

Breckenridge Community School District
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Position of Governmental Activities on the Statement of Net Position
June 30, 2019

Total fund balance - governmental funds		$ 1,292,533
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Add:	Cost of capital assets	14,053,980
Deduct:	Accumulated depreciation	(8,628,405)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Those liabilities consist of:		
Deduct:	2008 refunding bonds	(575,000)
Deduct:	2010 bonds	(435,000)
Deduct:	2012 bonds	(2,350,000)
Deduct:	Capital lease - copiers	(7,902)
Deduct:	Capital lease - heating system server	(15,797)
Deduct:	Compensated absences payable	(175,714)
Deduct:	Retirement incentive payable	(180,680)
Deduct:	Accrued interest on long-term liabilities	(15,955)
Deduct:	Premium on bonds (net of amortization) - 2008 bonds	(12,976)
Deduct:	Premium on bonds (net of amortization) - 2012 bonds	(46,025)
Other amounts reported in the statement of activities that do not require current financial resources consist of:		
Add:	Deferred outflow - related to pension	3,629,148
Add:	Deferred outflow - related to other post-employment benefits	551,004
Deduct:	Net pension liability	(11,320,016)
Deduct:	Net other post-employment benefits liability	(2,980,735)
Deduct:	Deferred inflow - related to pension	(1,112,657)
Deduct:	Deferred inflow - related to other post-employment benefits	(671,275)
Deduct:	Deferred inflow - 147c allocation	(413,064)
Total net position - governmental activities		$ (9,414,536)

The notes are an integral part of these financial statements.

Breckenridge Community School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	Major Fund General Fund	Total Non-major Funds	Totals
Revenues			
Local sources	$ 1,178,050	$ 701,427	$ 1,879,477
State sources	5,187,997	124,819	5,312,816
Federal sources	233,193	204,224	437,417
Other sources	281,276	-	281,276
Total revenues	6,880,516	1,030,470	7,910,986
Expenditures			
Instruction			
Basic programs	3,219,177	-	3,219,177
Added needs	898,762	-	898,762
Total instruction	4,117,939	-	4,117,939
Support services			
Pupil	276,375	-	276,375
Instructional staff	197,187	-	197,187
General administration	344,615	-	344,615
School administration	469,864	-	469,864
Business services	72,469	-	72,469
Operation and maintenance	683,069	-	683,069
Pupil transportation	447,890	-	447,890
Central	13,564	-	13,564
Athletics	221,285	-	221,285
Total support services	2,726,318	-	2,726,318
Food service	-	252,282	252,282
Community services	61,349	-	61,349
Debt service			
Principal payments	15,413	665,000	680,413
Interest, fees and other	-	118,451	118,451
Total expenditures	6,921,019	1,035,733	7,956,752
Revenues over (under) expenditures	(40,503)	(5,263)	(45,766)
Other financing sources (uses)			
Transfers in	-	100	100
Transfers out	(100)	-	(100)
Total other financing sources (uses)	(100)	100	-
Net change in fund balances	(40,603)	(5,163)	(45,766)
Fund balances - beginning	1,202,690	135,609	1,338,299
Fund balances - ending	$ 1,162,087	$ 130,446	$ 1,292,533

Breckenridge Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds		$	(45,766)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Add:	Capital asset purchases		87,232
Deduct:	Depreciation expense		(666,155)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.			
Add:	Change in deferred outflow - related to pension		1,396,216
Add:	Change in deferred outflow - related to other post-employment benefits		321,191
Deduct:	Change in net pension liability		(1,557,433)
Add:	Change in net other post-employment benefits liability		341,427
Deduct:	Change in deferred inflow - related to pension		(228,452)
Deduct:	Change in deferred inflow - related to other post-employment benefits		(558,962)
Add:	Change in accrual for compensated absences		16,672
Add:	Change in accrued interest on long term debt		5,147
Payment of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).			
Add:	2008 refunding bonds		300,000
Add:	2010 bonds		180,000
Add:	2012 bonds		185,000
Add:	Capital lease - copiers		7,516
Add:	Capital lease - heating system server		7,897
Deduct:	Increase in early retirement incentive		(43,000)
Add:	2008 refunding bonds - amortization of premium		7,078
Add:	2012 bonds - amortization of premium		5,754
Revenue in support of pension contributions made subsequent to the measurement date.			
Add:	Change in deferred inflow - 147c allocation		46,396
Change in net position - governmental activities		$	(192,242)

Breckenridge Community School District
Statement of Net Position
Fiduciary Fund
June 30, 2019

		Agency Fund
Assets		
Cash and cash equivalents	$	136,906
Due from general fund		384
		137,290
Liabilities		
Due to student and other groups		137,290
Total liabilities		137,290
Net Position	$	-

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Basis of Presentation - Government-wide Financial Statements

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

Basis of Presentation - Fund Financial Statements

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

The District reports the following major governmental funds:

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

The District reports the following non-major governmental funds:

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

- The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District accounts for its 2008 refunding bond, 2010 bond, and 2012 bond debt activity in the debt service funds.

The District reports the following fiduciary funds:

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

Budgetary Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Assets	Years
Buildings and improvements	7 - 50
Computers and related equipment	5 - 10
Furniture and equipment	5 - 20
Capital leases	5
Vehicles	5 - 8

The District reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a related expense is recognized in the current year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The District levied the following amounts per $1,000 of assessed valuation. The District levied 18.00 mills for school general operations on the non-homestead taxable value. The District also levied an additional 2.22 mills on all property in the District for the purpose of debt service.

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

The state portion of the Foundation is provided primarily by a state education property tax millage of 6.00 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

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

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

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS
At June 30th, the carrying amount of the District's cash, cash equivalents and investments were as follows:

Description	Amount
Petty cash	464
Checking, Savings, & Money Market Accounts	856,342
Certificates of Deposit	4,071
Total	860,877

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

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

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

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2019, $663,374 of the District's bank balance of $913,374 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts. The fiduciary fund balances are not included in the above balances.

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

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

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

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

Description	Due from Other Funds	Due to Other Funds
General Fund	-	101,783
Food Service Fund	47,135	-
2008 Bond Fund	13,496	-
2010 Bond Fund	12,221	-
2012 Bond Fund	28,931	-
Total	101,783	101,783

The outstanding balances between funds result mainly 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.

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

Description	Amount
State aid	904,463
Federal grants and other pass-through agencies	45,031
Other	58,181
Total	1,007,675

No allowance for doubtful accounts is considered necessary.

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets being depreciated					
Buildings and improvements	11,429,921	-	-	-	11,429,921
Computers and related equipment	761,832	7,567	-	-	769,399
Furniture and equipment	1,031,093	-	-	-	1,031,093
Capital leases	75,330	-	-	-	75,330
Vehicles	668,572	79,665	-	-	748,237
Total capital assets being depr.	13,966,748	87,232	-	-	14,053,980
Accumulated depreciation					
Buildings and improvements	(5,910,379)	(421,414)	-	-	(6,331,793)
Computers and related equipment	(585,163)	(129,140)	-	-	(714,303)
Furniture and equipment	(943,153)	(45,711)	-	-	(988,864)
Capital leases	(31,376)	(15,067)	-	-	(46,443)
Vehicles	(492,179)	(54,823)	-	-	(547,002)
Total accumulated depreciation	(7,962,250)	(666,155)	-	-	(8,628,405)
Net capital assets being depreciated	6,004,498	(578,923)	-	-	5,425,575
Net capital assets	6,004,498	(578,923)	-	-	5,425,575

Depreciation for the year ended June 30, 2019th totaled $666,155 and was allocated as follows:

Governmental Activities	Amount
Instruction	552,493
Support services	100,796
Food services	12,866
Total depreciation	666,155

NOTE 6 - ACCRUED EXPENSES
Accrued expenses as of year-end include amounts due for accrued wages, retirement, FICA, employee benefit insurances, and termination benefits (if any). Accrued wages represent the remaining balance on teacher contracts to be paid during the summer and other salaries and wages earned as of June 30th.

NOTE 7 - DEBT

Short-term debt
On August 20, 2018, the District borrowed $600,000 in one note from Chemical Bank in the form of a State Aid Anticipation note for the purpose of providing funds for school operations. The interest rate is stated at 2.47% and is payable on August 20, 2019. The District elected to pay the State Aid Note off prior to June 30th and, therefore, there was no short-term debt outstanding at year-end.

On August 20, 2019 (after the end of the fiscal year), the District borrowed $730,000 in one note from Isabella Bank in the form of a State Aid Anticipation note for the purpose of providing funds for school operations. The interest rate is stated at 1.90% and is payable on August 20, 2020. This loan was acquired after the end of the fiscal year and, therefore, is not shown as a current liability.

	Beginning Balance	Additions	(Deletions)	Ending Balance
Short-term debt	85,045	600,000	(685,045)	-

Premiums and Discounts
Debt may be issued at par value, with a premium (applicable to debt issued in excess of par value) or at a discount (applicable to debt issued at amounts less than the par value). Premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

The changes in premium and discounts during the fiscal year are as follows:

	Beginning Balance	Additions	(Deletions)	Ending Balance
Premium on 2008 refunding bonds	20,054	-	(7,078)	12,976
Premium on 2012 bonds	51,779	-	(5,754)	46,025
Total premiums and discounts	71,833	-	(12,832)	59,001

Long-term debt

General obligation bonds:	Amount
2008 refunding bonds due in annual installments of $285,000 to $290,000 through May 1, 2021, with an interest rate of 4.00%	575,000
2010 bonds due in annual installments of $225,000 to $210,000 through May 1, 2021, with an interest rate from 3.55% to 3.65%	435,000
2012 bonds due in annual installments of $170,000 to $335,000 through May 1, 2027, with an interest rate from 2.25% to 2.50%	2,350,000
Total general obligation bonds:	3,360,000
Direct borrowings and direct placements:	
Capital lease – June 2015 financing of copiers. Payments due in monthly installments of $676 through June 30, 2020 with an interest rate of 5.00%.	7,902
Capital lease – September 2016 financing of a heating system server. Payments due in annual installments of $7,897 through June 30, 2021 with an interest rate of 0.00%.	15,797
Total direct borrowings and direct placements:	23,699

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

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

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

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

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

In fiscal year 2017, the District entered into a lease agreement as lessee for financing the acquisition of a heating system server valued at $39,488. The heating system server has a 5-year estimated useful life. This year, $7,899 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

Summary of Long-Term Debt
The changes in long-term debt during the fiscal year are as follows:

	Beginning Balance	Additions	(Deletions)	Ending Balance	Due within one year
Long-term debt					
Compensated absences	192,386	28,858	(45,530)	175,714	26,357
General obligation bonds	4,025,000	-	(665,000)	3,360,000	670,000
Direct borrowings and direct placements	39,112	-	(15,413)	23,699	15,799
Early retirement incentive	137,680	96,000	(53,000)	180,680	75,000
Total long-term debt	4,394,178	124,858	(778,943)	3,740,093	787,156

The requirements to pay principal and interest on the long-term debt outstanding at June 30, 2019, are shown below:

	General Obligation Bonds		Direct Borrowings and Direct Placements	
Year Ended June 30	Principal	Interest	Principal	Interest
2020	670,000	95,732	15,799	215
2021	680,000	72,850	7,900	-
2022	335,000	49,412	-	-
2023	335,000	41,874	-	-
2024	335,000	33,500	-	-
2025-2029	1,005,000	50,252	-	-
Total long-term debt	3,360,000	343,620	23,699	215

NOTE 8 - NET INVESTMENT IN CAPITAL ASSETS

As of June 30th, the composition of net investment in capital assets was comprised of the following:

Net investment in capital assets	Amount
Capital assets being depreciated, net	5,425,575
Capital related general obligation bonds	(3,360,000)
Capital leases	(23,699)
Unamortized premium/discount on bond refunding	(59,001)
Net investment in capital assets	1,982,875

NOTE 9 - RISK MANAGEMENT

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

NOTE 10 - RETIREMENT BENEFITS

Plan Description

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

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

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

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

Benefits Provided

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

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

Contributions

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, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2018.

Benefit Structure	Member	District
Basic	0.0 - 4.0%	17.89%
Member Investment Plan	3.0 - 7.0%	17.89%
Pension Plus	3.0 - 6.4%	16.61%
Pension Plus 2	6.2%	19.74%
Defined Contribution	0.0%	13.54%

Required contributions to the pension plan from the District were $1,025,376 for the year ended September 30, 2018.

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

At June 30, 2019, the District reported a liability of $11,330,016 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. The Districts' 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, 2018, the Districts' proportion was .03765581 percent, which was a decrease of .00001683 percent from its proportion measured as of September 30, 2017.

For the year ending June 30, 2019, the District recognized pension expense of $1,365,522. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	52,527	82,261
Changes of Assumptions	2,621,706	-
Net difference between projected and actual earnings on pension plan investments	-	774,001
Changes in proportion and differences between District contributions and proportionate share of contributions	53,997	256,395
District contributions subsequent to the measurement date	900,918	-
Total	3,629,148	1,112,657

Contributions subsequent to the 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 ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2019	666,271
2020	448,403
2021	349,079
2022	151,820

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	7.05%
- Pension Plus Plan:	7.00%
- Pension Plus Plan 2:	6.00%
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
- Retirees	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Active Members	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

- *Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, 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: 4.5304*
- *Recognition period for assets in years: 5.0000*
- *Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

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

major asset class included in the pension plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.7%
Private Equity Pools	18.0	9.2
International Equity Pools	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	0.0
Total	100.0%	
**Long-term rates of return are net of administrative expenses and 2.3% inflation.*		

Rate of Return
For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate
A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.0% for the Hybrid Plan), as well as what District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 6.05% / 6.0% / 5.0%	Current Single Discount Rate Assumption 7.05% / 7.0% / 6.0%	1% Increase 8.05% / 8.0% / 7.0%
14,862,307	11,320,016	8,376,948
* Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus and Pension Plus 2 plans. University employers provide only the Basic and MIP plans.		

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

Payables to the Michigan Public School Employees' Retirement System (MPSERS)
At year end the District is current on all required pension plan payments. At June 30, 2019, the District reported a payable of $139,899 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019, consisting of pension contribution payable plus any other amounts owed to the pension plan including the UAAL payments for July and August 2019.

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

Plan Description

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

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

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System. The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

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

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement.

Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2018.

Benefit Structure	Member	Employer
Premium Subsidy	3.00%	6.44%
Personal Healthcare Fund (PHF)	0.00%	6.13%

Required contributions to the OPEB plan from the District were $243,401 for the year ended September 30, 2018.

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

At June 30, 2019, the District reported a liability of $2,980,735 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018, the district's proportion was 0.0003749846 percent, which was a decrease of 0.000000169 percent from its proportion measured as of October 1, 2017.

For the year ending June 30, 2019, the District recognized OPEB expense of $145,118. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	-	554,791
Changes of Assumptions	315,661	-
Net difference between projected and actual earnings on OPEB plan investments	-	114,557
Changes in proportion and differences between employer contributions and proportionate share of contributions	122	1,927
Employer contributions subsequent to the measurement date	235,221	-
Total	551,004	671,275

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2019	(87,730)
2020	(87,730)
2021	(87,730)
2022	(64,368)
2023	(27,934)

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	7.15%
Projected Salary Increases:	2.75 – 11.5%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.0% Year 12
Mortality:	
- Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP- 2017 from 2006.
Other Assumptions:	
- Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
- Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree’s death
- Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- *Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.6018 for non-university employers.*
- *Recognition period for assets in years: 5.0000*
- *Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at* www.michigan.gov/orsschools*.*

Long-Term Expected Return on Plan Assets
The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.7%
Private Equity Pools	18.0	9.2
International Equity Pools	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	0.0
Total	100.0%	
*Long-term rates of return are net of administrative expenses and 2.3% inflation.		

Rate of Return
For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
3,578,311	2,980,735	2,478,100

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
2,451,621	2,290,735	3,587,735

OPEB Plan Fiduciary Net Position
Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan
The District reported payables to the defined benefit OPEB plan in the amount of $24,986 as of June 30, 2019.

NOTE 12 - TRANSFERS
During the year the following transfers were made between funds:

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

NOTE 13 – RETIREMENT INCENTIVE PLAN
Certain teachers and administrators of the District have elected to participate in a retirement incentive program established by the District for those meeting various eligibility requirements. The District deposits funds into a special pay plan created in accordance with Section 403b of the Internal Revenue Code on behalf of the qualifying employee. The employee may utilize such funds in a manner specified by the special pay plan. The expenditures for this plan were $53,000 for the year ended June 30. The outstanding long-term liability under this plan at year-end is included in NOTE 7 – DEBT.

NOTE 14 – CONTINGENT LIABILITIES
Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability for the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE 15 – ECONOMIC DEPENDENCE
The District receives over 75% of its General Fund revenues from the Michigan Department of Education. Due to the significance of this revenue source, the District is considered to be economically dependent.

NOTE 16 - TAX ABATEMENTS
The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds by municipality under these programs are as follows:

Municipality	Amount
Wheeler Township	11,291

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

There are no significant abatements made by the District.

NOTE 17 - UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 84, Fiduciary Activities, was issued by the GASB in January 2017 and will be effective for the District's 2019-2020 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

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

REQUIRED SUPPLEMENTARY INFORMATION

Breckenridge Community School District
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Local sources	$ 1,155,105	$ 1,177,758	$ 1,178,050	$ 292
State sources	5,255,822	5,179,445	5,187,997	8,552
Federal sources	198,960	233,179	233,193	14
Other sources	316,936	281,276	281,276	-
Total revenues	6,926,823	6,871,658	6,880,516	8,858
Expenditures				
Instruction				
Basic programs	3,311,866	3,233,568	3,219,177	14,391
Added needs	955,714	905,283	898,762	6,521
Total instruction	4,267,580	4,138,851	4,117,939	20,912
Support services				
Pupil	290,664	278,247	276,375	1,872
Instructional staff	190,673	205,045	197,187	7,858
General administration	342,804	352,548	344,615	7,933
School administration	461,796	471,298	469,864	1,434
Business services	81,070	72,469	72,469	-
Operation and maintenance	712,643	723,660	683,069	40,591
Pupil transportation	416,665	462,945	447,890	15,055
Central	48,591	15,614	13,564	2,050
Athletics	213,654	216,930	221,285	(4,355)
Total support services	2,758,560	2,798,756	2,726,318	72,438
Community services	85,015	64,931	61,349	3,582
Facilities construction and imrpovement	8,473	-	-	-
Debt service	17,535	17,970	15,413	2,557
Total expenditures	7,137,163	7,020,508	6,921,019	99,489
Revenues over (under) expenditures	(210,340)	(148,850)	(40,503)	108,347
Other financing sources (uses)				
Transfers out	(100)	(102)	(100)	2
Total other financing sources (uses)	(100)	(102)	(100)	2
Net change in fund balance	(210,440)	(148,952)	(40,603)	108,349
Fund balances - beginning	1,202,690	1,202,690	1,202,690	-
Fund balances - ending	$ 992,250	$ 1,053,738	$ 1,162,087	$ 108,349

Breckenridge Community School District
Michigan Public School Employees Retirement Plan
Prospective 10-year trend information

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

Schedule of District's Proportionate Share of the Net Pension Liability	Plan year Sept 30, 2018	Plan year Sept 30, 2017	Plan year Sept 30, 2016	Plan year Sept 30, 2015	Plan year Sept 30, 2014
District's proportion of net pension liability (%)	0.03766%	0.03767%	0.03867%	0.03999%	0.03858%
District's proportionate share of net pension liability	$ 11,320,016	$ 9,762,583	$ 9,646,788	$ 9,767,221	$ 8,498,904
District's covered employee payroll	$ 3,233,256	$ 3,134,323	$ 3,314,745	$ 3,383,836	$ 3,262,514
District's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	350.11%	311.47%	291.03%	288.64%	260.50%
Plan fiduciary net position as a percentage of total pension liability	62.36%	63.27%	63.01%	62.92%	66.20%

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

Schedule of the Reporting Unit's Contributions

Schedule of the District's Contributions	Fiscal year June 30, 2019	Fiscal year June 30, 2018	Fiscal year June 30, 2017	Fiscal year June 30, 2016	Fiscal year June 30, 2015
Statutorily required Pension contributions	$ 960,309	$ 1,010,363	$ 883,631	$ 926,377	$ 709,496
Contributions in relation to statutorily required contributions	$ 960,309	$ 1,010,363	$ 883,631	$ 926,377	$ 709,496
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 3,090,818	$ 3,254,045	$ 3,096,357	$ 3,262,279	$ 3,225,898
Contributions as a percentage of covered-employee payroll	31.07%	31.05%	28.54%	28.40%	21.99%

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

Notes to Required Supplementary Information

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

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

Schedule of District's Proportionate Share of the Net OPEB Liability	Plan year Sept 30, 2018	Plan year Sept 30, 2017
District's proportion of net OPEB liability (%)	0.03750%	0.03752%
District's proportionate share of net OPEB liability	$ 2,980,735	$ 3,322,162
District's covered employee payroll	$ 3,233,256	$ 3,134,323
District's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	92.19%	105.99%
Plan fiduciary net position as a percentage of total pension liability	42.95%	36.39%

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

Schedule of the Reporting Unit's Contributions

Schedule of the District's Contributions	Fiscal year June 30, 2019	Fiscal year June 30, 2018
Statutorily required OPEB contributions	$ 261,125	$ 255,989
Contributions in relation to statutorily required contributions	$ 261,125	$ 255,989
Contribution deficiency (excess)	$ -	$ -
District’s covered-employee payroll	$ 3,090,818	$ 3,254,045
Contributions as a percentage of covered-employee payroll	8.45%	7.87%

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

Notes to Required Supplementary Information

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

OTHER SUPPLEMENTARY INFORMATION

Breckenridge Community School District
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2019

	Food Service	Debt Service Funds 2008 Bond	2010 Bond	2012 Bond	Total Non-major Funds
Assets					
Cash and cash equivalents	$ 11,609	$ 20,097	$ -	$ -	$ 31,706
Due from other funds	47,135	13,496	12,221	28,931	101,783
Due from other governmental units	1,560	-	-	-	1,560
Total assets	$ 60,304	$ 33,593	$ 12,221	$ 28,931	$ 135,049
Liabilities					
Accounts payable	$ 4,603	$ -	$ -	$ -	$ 4,603
Total liabilities	4,603	-	-	-	4,603
Fund Balance					
Restricted					
Food service	55,701	-	-	-	55,701
Debt service	-	33,593	12,221	28,931	74,745
Total fund balance	55,701	33,593	12,221	28,931	130,446
Total liabilities and fund balance	$ 60,304	$ 33,593	$ 12,221	$ 28,931	$ 135,049

The notes are an integral part of these financial statements.

Breckenridge Community School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For The Year Ended June 30, 2019

	Food Service	Debt Service Funds 2008 Bond	2010 Bond	2012 Bond	Total Non-major Funds
Revenues					
Local sources	$ 46,166	$ 277,642	$ 165,208	$ 212,411	$ 701,427
State sources	12,792	47,435	28,259	36,333	124,819
Federal sources	204,224	-	-	-	204,224
Total revenues	263,182	325,077	193,467	248,744	1,030,470
Expenditures					
Food service	252,282	-	-	-	252,282
Bond principal	-	300,000	180,000	185,000	665,000
Interest, fees and other	-	35,825	21,788	60,838	118,451
Total expenditures	252,282	335,825	201,788	245,838	1,035,733
Other financing sources (uses)					
Transfers in	100	-	-	-	100
Total other financing sources (uses)	100	-	-	-	100
Net change in fund balances	11,000	(10,748)	(8,321)	2,906	(5,163)
Fund balance, beginning of year	44,701	44,341	20,542	26,025	135,609
Fund balance, end of year	$ 55,701	$ 33,593	$ 12,221	$ 28,931	$ 130,446

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

To the Board of Education
Breckenridge Community School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Breckenridge Community School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 20, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants
September 20, 2019

MEMORANDUM

TO: Michigan Department of Education

FROM: Roslund, Prestage & Company, P.C.

REGARDING: Management Letter - Breckenridge Community School District

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According the requirements set forth in the Michigan School Audit Manual, this memorandum is to serve as notification that a management letter has not been issued for Breckenridge Community School District as of June 30, 2019.

RPC
Roslund Prestage & Company
Certified Public Accountants

Communication with Those Charged with Governance at the Conclusion of the Audit

To the Members of the Board of Education
Breckenridge Community School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Breckenridge Community School District (the District) for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you during planning. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Matters</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the 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 District's financial statements were:

> The State of Michigan's Office of Retirement Services provided certain estimates to management including proportionate share, net pension liability, net OPEB liability, deferred inflows and deferred outflows of resources information which was used in the preparation of the financial statements. We evaluated the key factors and assumptions used to develop these items in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the liability of the payout of employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimated lives of capital assets are based on the expected life of the asset. We evaluated the key factors and assumptions used to develop the estimated lives of the capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

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 and Uncorrected 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.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District'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 District'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 the management's discussion and analysis, the budgetary comparison schedule and the prospective 10-year trend information, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Sincerely,

Roslund, Prestage & Company, P.C.

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