

BOYNE FALLS PUBLIC SCHOOLS
BOYNE FALLS, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2019



SCHULZE, OSWALD, MILLER & EDWARDS PC
CERTIFIED PUBLIC ACCOUNTANTS
989-354-8707

BOYNE FALLS PUBLIC SCHOOL

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BOYNE FALLS PUBLIC SCHOOL
ADMINISTRATION BOARD LIST
JUNE 30, 2019

ADMINISTRATION

Superintendent	Cynthia Pineda
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BOARD OF EDUCATION

President	Bill Cousineau
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Vice President	David Carson
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Secretary	Coleen Sherwood
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Treasurer	Laura Brunmeier
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Trustee	Eugene Pickering
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Trustee	Barb Loper
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Trustee	Patsy Grubaugh-Clink
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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Boyne Falls Public School

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Boyne Falls Public School* 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. 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 Boyne Falls Public School as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the statement of revenue, expenditures, and changed in fund balance – budget and actual general fund and food service on pages 4 - 9 and 36 - 37 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 *Boyne Falls Public School's* basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2019, on our consideration of *Boyne Falls Public School'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 *Boyne Falls Public School's* internal control over financial reporting and compliance.

Schulze, Oswald, Miller & Edwards PC

Alpena, Michigan
August 20, 2019

As management of the Boyne Falls Public School (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019.

Financial Highlights

- The net position of the District was a deficit of (\$964,401) at the close of the most recent fiscal year. Of this amount, (\$3,683,682) is unrestricted net position, \$2,572,447 is invested in capital assets (*net of related debt*) and \$146,834 is restricted.
- The District's total net position increased by \$217,439.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$982,016, a decrease of \$8,438 in comparison with the prior year. Approximately 80%, or \$785,050 is *available for spending* at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$785,050 or 27% percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements. The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick or vacation leave).

Management's Discussion and Analysis
Year Ended June 30, 2019

Both of the District-wide financial statements present functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, food service and community services. The District has no business-type activities as of and for the year ended June 30, 2019.

The district-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service funds, and the other non-major governmental fund (the special revenue fund – food service).

The District adopts an annual appropriated budget for its general and special revenue fund. Budgetary comparison statements or schedules have been provided for the general fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 12-15 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the District-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 16 of this report.

Management's Discussion and Analysis
Year Ended June 30, 2019

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-35 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of Boyne Falls Public School, liabilities exceeded its' assets by (\$964,401) at the close of the most recent fiscal year.

A portion of the District's net position, \$2,572,447, reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental Activities		
	2018	2019
Assets		
Current and Other Assets	\$ 1,563,816	\$ 1,610,055
Capital Assets, Net	5,680,506	5,522,447
Total Assets	<u>7,244,322</u>	<u>7,132,502</u>
Deferred Outflows of Resources		
Aggregate deferred outflows	843,243	1,575,046
Liabilities		
Current Liabilities	1,134,661	1,203,111
Long-term Liabilities	7,887,222	7,872,742
Total Liabilities	<u>9,021,883</u>	<u>9,075,853</u>
Deferred Inflows of Resources		
Aggregate deferred inflows	247,522	596,096
Net Position		
Invested in Capital Assets,		
Net of Related Debt	2,175,506	2,572,447
Restricted	157,496	146,834
Unrestricted	<u>(3,514,842)</u>	<u>(3,683,682)</u>
Total Net Position	\$ <u>(1,181,840)</u>	\$ <u>(964,401)</u>

An additional portion of the District's net position \$146,834 represents resources that are subject to external restrictions on how they may be used. The remaining balance is *unrestricted net position*, (\$3,683,682).

Management's Discussion and Analysis
Year Ended June 30, 2019

The District's net position increased by \$217,439 during the current fiscal year. Most of this increase is attributable to State Aid and Property Tax Revenue. The District's blended enrollment was approximately 188 students.

District's Changes in Net Position

Governmental Activities		
Revenue	2018	2019
Program Revenue		
Charges for Services	\$ 167,418	\$ 185,345
Operating Grants and Contributions	554,025	594,381
General Revenue:		
Property Taxes	2,617,607	2,678,734
State School Aid	18,541	19,637
Interest and investment earnings	1,471	6,906
Other	242,899	331,233
Total Revenue	3,601,961	3,816,236
Expenses		
Instruction	1,744,817	1,973,322
Support Services	1,166,034	1,098,130
Food Service	204,618	203,885
Deferred refunding charges	8,339	8,339
Depreciation - unallocated	236,626	247,323
Interest on Long Term Debt	78,716	67,798
Total Expenses	3,439,150	3,598,797
Increase (Decrease) in Net Position	162,811	217,439
Net Position, Beginning of Year	(22,639)	(1,181,840)
Prior period adjustment regarding adoption of GASB 75	(1,322,012)	-
Net Position, End of Year	\$ (1,181,840)	\$ (964,401)

Governmental activities. Governmental activities increased the District's net position by \$217,439.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

Management's Discussion and Analysis
Year Ended June 30, 2019

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$982,016, a decrease of \$8,438 in comparison with the prior year. Approximately 80% of this total amount, \$785,050, constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because the underlying assets are included in debt retirement and food service and are not available for current expenditure. Assigned *fund balance* of \$50,132 is for 2019-20 budget purposes.

The general fund is the principal operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$785,050. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent approximately 26% and 28% respectively of total general fund expenditures.

The fund balance of the District's general fund increased by \$2,224 during the current fiscal year. Revenues increased \$216,511 and expenditures increased by \$174,270 compared to the prior year.

The food service fund has a total fund balance of \$1,051.

The debt service funds have a total fund balance of \$145,783.

General Fund Budgetary Highlights

Differences between the original and final amended budgets were revenue only adjusting up by \$101,992 and expenses and other financing sources adjusting up by \$13,131 in total from beginning to final. The excess of revenues over expenditures budgetary figure was less than the actual results by \$12,294 for the General Fund. As additional information became known during the fiscal year, budget amendments were made to recognize the increase in revenue and/or planned expenditures related to various District programs.

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2019, amounted to \$5,522,447 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, vehicles and equipment.

There were no capital asset acquisitions or disposals during the current fiscal year.

District's Capital Assets
(net of depreciation)

	2018	2019
Land	\$ 5,000	\$ 5,000
Land Improvement	104,279	74,901
Buildings	5,282,942	5,130,711
Vehicles	64,111	132,166
Equipment	224,174	179,669
Total	\$ 5,680,506	\$ 5,522,447

Additional information on the District's capital assets can be found in Note 5 of this report.

Long-term debt. The district currently has a 2014 Bond issue (refunding of the 2004 issue) with an outstanding balance of \$955,000 in bonds and a 2017 Bond issue (refunding of a portion of the 2007 Bond issue) with an outstanding balance of \$1,995,000. Additional information on the District's long term debt can be found in Note 7 of this report.

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2019-2020 fiscal year:

- Due to significant increases in the Boyne Falls Public School District's non-principal residence taxable values in prior years, the District became an out of formula district with the State of Michigan. The district is no longer dependant on the State of Michigan to provide per pupil funding, as this will all be collected from the local non-principal residence millage. The future revenue growth for the district will be dependent solely on the increasing non-principal residence property values within the district which have begun to decrease and are forecasted to continue to decline.
- With the increased costs of utilities, health insurance and other contractual obligations the district has adopted a budget projecting a deficit of \$50,132.
- Operating as an out of formula district allows the Boyne Falls School the opportunity to utilize its facilities and schools of choice program to the maximum benefit of the district's students without facing funding implications from the State of Michigan School Aid Fund.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Boyne Falls Public School
Superintendent's Office
P.O. Box 356
Boyne Falls, MI 49713

BASIC FINANCIAL STATEMENTS

BOYNE FALLS PUBLIC SCHOOLS
STATEMENT OF NET POSITION - DISTRICT WIDE
FOR THE YEAR ENDED JUNE 30, 2019

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash and investments	\$ 1,473,437	\$ 1,473,437
Accounts receivable	52,449	52,449
Due from other government units	61,277	61,277
Inventory	15,045	15,045
Capital assets - net	5,522,447	5,522,447
<i>Internal Balances*</i>	7,847	7,847
Total Assets	<u>7,132,502</u>	<u>7,132,502</u>
DEFERRED OUTFLOWS OF RESOURCES		
Aggregated deferred outflows	1,575,046	1,575,046
Total Deferred Outflows of Resources	<u>1,575,046</u>	<u>1,575,046</u>
LIABILITIES		
Accounts payable	117,999	117,999
Accrued salaries and withholdings	270,206	270,206
Unearned revenue	239,834	239,834
Accrued interest	10,072	10,072
Long-term liabilities - Due within one year	565,000	565,000
Long-term liabilities - Due in more than one year	2,403,207	2,403,207
Long-term liabilities - Net pension liability	4,317,218	4,317,218
Long-term liabilities - Net OPEB liability	1,152,317	1,152,317
Total Liabilities	<u>9,075,853</u>	<u>9,075,853</u>
DEFERRED INFLOWS OF RESOURCES		
Aggregated deferred inflows	596,096	596,096
Total Deferred Inflows of Resources	<u>596,096</u>	<u>596,096</u>
NET POSITION		
Inv. in fixed assets net of rel. debt	2,572,447	2,572,447
<i>Restricted for:</i>		
Debt service	145,783	145,783
Food service	1,051	1,051
<i>Unrestricted</i>	(3,683,682)	(3,683,682)
Total Net Position	<u>\$ (964,401)</u>	<u>\$ (964,401)</u>

* Amounts have been eliminated in total column

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

BOYNE FALLS PUBLIC SCHOOL
STATEMENT OF ACTIVITIES - DISTRICT WIDE
FOR THE YEAR ENDED JUNE 30, 2019

Functions/programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
Instruction	\$ 1,973,322	\$ 80,460	\$ 453,773	\$ (1,439,089)
Support services	1,098,130	40,412	168	(1,057,550)
Food services	203,885	64,473	140,440	1,028
Interest on long term debt	67,798	-	-	(67,798)
Deferred charges on refunding	8,339	-	-	(8,339)
Depreciation - unallocated	247,323	-	-	(247,323)
Total Governmental Activities	\$ 3,598,797	\$ 185,345	\$ 594,381	(2,819,071)
General Revenues				
Taxes				
Property taxes, levied for general operations				2,065,426
Property taxes, levied for debt service				613,308
State of Michigan aid, unrestricted				19,637
Interest and investment earnings				6,906
Other				331,233
Total General Revenues				3,036,510
Change in Net Position				217,439
Net position - beginning of year				(1,181,840)
Net position - end of year				\$ (964,401)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

BOYNE FALLS PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	Debt Service				Other	Total
	General	2014 DEBT SERVICE	2017 DEBT SERVICE		Governmental Funds	Governmental Funds
ASSETS						
Cash and investments	\$ 1,294,631	\$ 45,164	\$ 100,751	\$	32,891	\$ 1,473,437
Accounts receivable	48,449	-	-		4,000	52,449
Due from other government units	50,860	-	-		10,417	61,277
Inventory	-	-	-		15,045	15,045
Due from other funds	-	389	1,494		583,882	585,765
Total Assets	\$ 1,393,940	\$ 45,553	\$ 102,245	\$	646,235	\$ 2,187,973
LIABILITIES						
Accounts payable	\$ 111,185	-	-	\$	6,814	\$ 117,999
Accrued salaries and withholdings	270,206	-	-		-	270,206
Unearned revenue	239,834	-	-		-	239,834
Due to other funds	(62,467)	-	2,015		638,370	577,918
Total Liabilities	558,758	-	2,015		645,184	1,205,957
FUND BALANCE						
Assigned for 2019-20 budget	50,132	-	-		-	50,132
Restricted	-	45,553	100,230		1,051	146,834
Unassigned	785,050	-	-		-	785,050
Total Fund Balance	835,182	45,553	100,230		1,051	982,016
Total Liabilities and Fund Balance	\$ 1,393,940	\$ 45,553	\$ 102,245	\$	646,235	\$ 2,187,973

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

BOYNE FALLS PUBLIC SCHOOLS
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balance - Governmental Funds	\$ 982,016
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
The cost of capital assets is	9,831,006
Accumulated depreciation is	(4,308,559)
Deferred outflows used in governmental activities are not financial resources and therefore are not reported in the governmental funds:	
Related to pensions	1,311,881
Related to OPEB	227,817
Long term liabilities are not due and payable in the current period and are not reported in the funds:	
Compensated absences	(18,207)
Bonds payable	(2,950,000)
Net pension liability	(4,449,709)
Net OPEB liability	(1,368,400)
Deferred inflows used in governmental activities are not recognized as current financial resources and therefore are not reported in the governmental funds:	
Related to pensions	(202,919)
Related to OPEB	(44,603)
Deferred charges on refunding	35,348
Accrued interest payable is included as a liability in governmental activities	(10,072)
Total Net Position-Governmental Funds	\$ <u>(964,401)</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

BOYNE FALLS PUBLIC SCHOOLS
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Debt Service				Total Governmental Funds
	General	2014 DEBT SERVICE	2017 DEBT SERVICE	Other Governmental Funds	
Revenues					
Local sources	\$ 2,221,220	\$ 173,966	\$ 439,703	\$ 66,996	\$ 2,901,885
State sources	403,501	57	-	18,446	422,004
Federal sources	73,745	-	-	119,494	193,239
Interdistrict sources	299,108	-	-	-	299,108
Total Revenues	2,997,574	174,023	439,703	204,936	3,816,236
Expenditures					
Basic programs	1,635,895	-	-	-	1,635,895
Added needs	235,021	-	-	-	235,021
Pupil support services	103,668	-	-	203,885	307,553
Business services	86,833	-	-	-	86,833
Operation & maintenance	249,294	-	-	-	249,294
Pupil transportation	166,783	-	-	-	166,783
Other central services	54,897	-	-	-	54,897
Debt service	-	173,277	450,353	-	623,630
Intergovernmental payments	-	418	1,391	-	1,809
Instructional staff	107,048	-	-	-	107,048
General administration	209,256	-	-	-	209,256
School administration	146,655	-	-	-	146,655
Total Expenditures	2,995,350	173,695	451,744	203,885	3,824,674
Excess of Revenues Over (Under) Expenditures	2,224	328	(12,041)	1,051	(8,438)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfer out	-	-	-	-	-
Net Other Financing Sources (Uses)	-	-	-	-	-
Net Change In Fund Balance	2,224	328	(12,041)	1,051	(8,438)
Fund Balance at Beginning of Period	832,958	45,225	112,271	-	990,454
Fund Balance at End of Period	\$ 835,182	\$ 45,553	\$ 100,230	\$ 1,051	\$ 982,016

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

BOYNE FALLS PUBLIC SCHOOLS
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds	\$	(8,438)
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Amounts reported for Governmental activities are different because:

Government funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimates useful lives as depreciation.

Depreciation expense		(247,323)
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(Increase) decrease in compensated absences are reported as expenditures when financial resources are used in the governmental funds		(9,607)
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Payments on bonded debt are not an expense in the government wide statements where they reduce long term debt		555,000
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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 governmental funds:

Pension related items		(196,735)
OPEB related items		42,390
Deferred charges on refunding		(8,339)

Accrued interest is recorded in the statement of activities when incurred: it is not reported in governmental funds until paid		1,227
--	--	-------

Government funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimates useful lives as depreciation:

Capital Outlay		89,264
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Changes in Net Position-Governmental Funds	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 2px 10px;">217,439</div>
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BOYNE FALLS PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Agency</u>
	<u>SCHOOL ACTIVITIES</u>
ASSETS	
Cash and investments	\$ 93,733
Due from other funds	3,263
<i>Total Assets</i>	<u>96,996</u>
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	—
<i>Total Deferred Outflows of Resources</i>	<u>—</u>
LIABILITIES	
Due to student groups	85,886
Due to other funds	11,110
<i>Total Liabilities</i>	<u>96,996</u>
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	—
<i>Total Deferred Inflows of Resources</i>	<u>—</u>
NET POSITION	
Held in Trust	<u><u>\$ —</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Boyne Falls Public School ("the District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the District:

REPORTING ENTITY

The District is governed by an elected seven member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) 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 school district. Based on the application criteria, the District does not have any component units.

DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

The district-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the District's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

District-Wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year in which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund Based Statements - Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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 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 severance pay are recorded only when the payment is due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)

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

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

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 2014 Debt Service Fund is used to record tax, interest and other revenue for the payment of principal, interest, and the payment of principal, interest, and other expenditures of the 2004 bond issue.

The 2017 Debt Service Fund is used to record tax, interest and other revenue for the payment of principal, interest, and the payment of principal, interest, and other expenditures of the 2007 bond issue.

Additionally, the District reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The Food Service Fund is a Special Revenue Fund that segregates, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of this fund.

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary Fund net position and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The District maintains a Student Activities Fund to record the transactions of student and parent groups school-related purposes. The funds are segregated and held in trust for the students and parents.

ASSETS, LIABILITIES AND NET POSITION OR EQUITY

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the District have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2018 taxable value of the District was \$41,888,792 principal residence and \$112,665,478 non-principal residence. The District levied 18.0000 mills for operating purposes on non-homestead and 3.8500 mills debt service purposes on all property for 2018.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

The District is an out of formula district and does not receive revenue from the state foundation allowance.

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 categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

Inventories and Prepaid items - Inventories are valued at cost, on a first-in, first-out basis. Inventory is maintained in the General Fund and the Special Revenue Fund (Food Service Fund). Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend the asset life are not capitalized. The District does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	10 years
Furniture and other equipment	10-20 years

Compensated Absences - The liability for compensated absences reported in the government-wide statements consist of unpaid, accumulated sick pay balances computed according to the terms of the negotiated contracts. Vacation days are required to be used annually.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

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. Issuance costs are reported as other bond expenditures.

Fund Equity - Governmental fund equity is classified as fund balance. Government funds report *nonspendable* fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually require to be maintained intact. *Restricted* fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. As applicable, *committed* fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, the School Board. The District reports *assigned* fund balance for amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted or committed. *Unassigned* fund balance is the residual classification for the General Fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, and finally unassigned fund balance.

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

Estimates - The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affects the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Deferred Outflow/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflow 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 or expenditure) until then. The District has three items that qualify for reporting in this category. The first is deferred charges on refunding of bonds which represents the difference in the carrying value of the refunded debt and its reacquisition price with this amount deferred and amortized over the life of the refunded bonds. The other two are the pension and OPEB contributions reported in the government-wide statement of net position. A deferred outflow is recognized for pension contributions made after the plan's measurement date, but before the fiscal year end. The amount is amortized in the plan year in which it applies.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The 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 (receipts) until that time. The District has two items that qualify for reporting in this category. It is the future resources yet to be recognized in relation to the pension actuarial calculation. The future resources arise from differences in the estimates used by the actuary to calculate the pension and OPEB liability and the actual results. The amounts are amortized over a period determined by the actuary.

Events Occurring After Reporting Date - Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

DEFINED BENEFIT PLAN

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. During the year the budgets were amended in a legally permissible manner. There were no significant amendments during the year. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The District did not incur expenditures in excess of the amended budget.

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
NONE			

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end the District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	District Total
Cash and investments	\$ 1,473,437	\$ 93,733	\$ 1,567,170
Total	\$ 1,473,437	\$ 93,733	\$ 1,567,170

The breakdown between deposits and investments for the District is as follows:

Deposits (checking, savings)	\$ 1,063,176
Investments (Michigan Liquid Asset Fund)	503,654
	\$ 1,566,830

The total of cash and investments on the Statement of Net Position includes petty cash of \$340.

As of June 30, 2019 the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity
Investment pool	\$ 503,654	31 days

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; 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). As of June 30, 2019 the District did not have any investments in commercial paper or corporate bonds.

Concentration of credit risk

The District will minimize the 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 portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. At June 30, 2019 the District's investments were in a pooled investment fund.

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. At June 30, 2019, \$596,175 of the District's bank balance of \$1,599,830 was exposed to custodial risk because it was uninsured. The book balance of these accounts was \$1,566,830.

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 did not have any custodial credit risk on its investments at June 30, 2019. The District will minimize custodial credit risk, which is the loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and by pre-qualifying the financial institutions, brokers/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.

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - RECEIVABLES

Receivables as of year-end for the District's individual major funds and the nonmajor and fiduciary funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	2014 Debt Service Fund	2017 Debt Service Fund	Nonmajor and Other Funds	Total
Receivables:					
Accounts receivable	\$ 48,449	\$ -	\$ -	\$ 4,000	\$ 52,449
Intergovernmental	50,860	-	-	10,416	61,276
Total receivables	<u>\$ 99,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,416</u>	<u>\$ 113,725</u>

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue are as follows:

Grants and categorical aid payment not considered available	Unearned \$ 21,296
Payments received prior to meeting all eligibility requirements:	
Vocational education millage	218,538
Totals	<u>\$ 239,834</u>
Total unearned revenue	<u>\$ 239,834</u>

(NOTES TO FINANCIAL STATEMENTS CONTINUED ON NEXT PAGE)

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the District's Governmental activities were as follows:

<u>Assets</u>	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Subtotal	5,000	-	-	5,000
Capital assets being depreciated:				
Land improvements	566,432	-	-	566,432
Buildings & improvements	7,611,564	-	-	7,611,564
Buses	140,115	83,478	-	223,593
Furniture & equipment	1,418,632	5,786	-	1,424,418
Subtotal	9,736,743	89,264	-	9,826,007
<u>Accumulated Depreciation</u>				
Land improvements	462,153	29,378	-	491,531
Buildings & improvements	2,328,622	152,231	-	2,480,853
Buses	76,004	15,423	-	91,427
Furniture & equipment	1,194,458	50,291	-	1,244,749
Subtotal	4,061,237	247,323	-	4,308,560
Net capital assets being depreciated	5,675,506	(158,059)	-	5,517,447
Governmental Activities				
Total Capital Assets net of Depreciation	\$ 5,680,506	\$ (158,059)	\$ -	\$ 5,522,447

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

NOTE 6 - RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	Amount
General Fund	\$ 649,540	General Fund	\$ 587,073
Other Nonmajor Govern.	583,882	2014 Debt Service	-
2014 Debt Service	389	Other Nonmajor Govern.	638,369
2017 Debt Service	1,494	Fiduciary fund	11,110
Fiduciary fund	3,262	2017 Debt Service	2,015
Total	\$ 1,238,567	Total	\$ 1,238,567
<u>Transfer In</u>		<u>Transfer Out</u>	
Nonmajor-Food Service	\$ -	General	\$ -

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - LONG-TERM DEBT

The District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge full faith and credit of the school district.

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities:				
General Obligation Bonds:				
2014 Issue	\$ 1,105,000	\$ (150,000)	\$ 955,000	\$ 160,000
2017 Issue	2,400,000	(405,000)	1,995,000	405,000
Compensated absences	8,600	9,607	18,207	-
Deferred charges on refunding-2014	(11,926)	1,987	(9,939)	-
Deferred charges on refunding-2017	(31,761)	6,352	(25,409)	-
Total Governmental Activities	<u>\$ 3,469,913</u>	<u>\$ (537,054)</u>	<u>\$ 2,932,859</u>	<u>\$ 565,000</u>

Annual debt service requirements to maturity for the General Obligation Bonds are as follows:

Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2020	\$ 565,000	\$ 60,433	\$ 625,433
2021	580,000	51,515	631,515
2022	590,000	41,110	631,110
2023	600,000	29,025	629,025
2024	615,000	15,210	630,210
Total	<u>\$ 2,950,000</u>	<u>\$ 197,293</u>	<u>\$ 3,147,293</u>

General Obligation Bonds payable at June 30, 2019 are comprised of the following issues:

General obligation bonds:

2014 bonds due in annual installments \$ 955,000
ranging from \$110,000 to \$225,000 through
May 1, 2024; interest rates ranging from
.70% to 2.60%

2017 bonds due in annual installments 1,995,000
ranging from \$390,000 to \$415,000 through
November 1, 2024; interest rates ranging from
1.1% to 2.4%

Total General obligation bonds \$ 2,950,000

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District participates in SET-SEG's risk management pools for worker's compensation claims, liability insurance and errors and omissions coverages. SET-SEG was established pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of SET-SEG is to provide cooperative and comprehensive risk financing and risk control services. SET-SEG provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

The District makes annual contributions to SET-SEG based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the General Fund. Such contributions as received by SET-SEG are allocated between its general and member retention funds. Economic resources in SET-SEG's General Fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention fund are used for loss payments and defense costs up to the member's self-insurance retention limits along with certain other member-specific costs. Any refunds from SET-SEG are deposited in the District's General Fund.

NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT 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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained on the ORS website at www.michigan.gov/orsschools.

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.

Benefits Provided - Overall

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

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Pension

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

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

Pension Reform 2010

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

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grant all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's transition date, which is defined as the first day of the pay period that began on or after February 2, 2013.

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

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

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

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

Option 2 - Members voluntarily elected to increase their contributions to the pension fund as slated in Option 1 and retain the 1.5% pension factor in their pension formula. The increase contribution would begin as of their transition date and contribute until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formulas for any service thereafter would include a 1.25% pension factor.

NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

Option 3 - Members voluntarily elected not to increase their contributions to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% and related earning in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first worked on or after September 4, 2012 chose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employees and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ration falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided - Other postemployment benefit (OPEB)

Benefits provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013 it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008 (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute.

NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Other postemployment benefit (OPEB) (continued)

To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Retiree Healthcare Reform of 2012

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution 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% employee match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

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

Member Contributions

Depending on the plan selected, member contributions, range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public At 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2017 valuation will be amortized over a 21-year period for fiscal 2018.

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

	Pension	Other postemployment benefit
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 - September 30, 2019	13.54% - 19.74%	7.42% - 7.93%

Boyne Falls Public School's pension contribution for the year ended June 30, 2019 were equal to the required contribution total. Pension contributions were approximately \$246,000, with \$240,000 specifically for the Defined Benefit Plan.

Boyne Falls Public School's OPEB contribution for the year ended June 30, 2019 were equal to the required contribution total. OPEB contributions were approximately \$113,000, with \$104,000 specifically for the Defined Benefit Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (61% for pension and 28% for OPEB).

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

At June 30, 2019, Boyne Falls Public Schools reported a liability of \$4,317,218 for its proportionate share of 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. Boyne Falls Public School's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018, Boyne Falls Public School's proportion was .01436% an increase of .00020 percent from its proportion measured as of September 30, 2017.

MPSERS (Plan) Net Pension Liability - As of September 30, 2018

MPSERS (Plan) Non-University Employers	September 30, 2018	September 30, 2017
Total Pension Liability	\$ 81,044,341,000	\$ 73,501,296,000
Plan Fiduciary Net Position	50,343,498,000	47,011,783,000
Net Pension Liability	30,700,843,000	26,489,513,000
Proportionate Share	0.01436%	0.01416%
Net Pension liability for Boyne Falls Public Schools	\$ 4,317,218	\$ 3,670,266

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

For the year ended June 30, 2019, Boyne Falls Public Schools recognized pension expense of \$344,000. At June 30, 2019, Boyne Falls Public Schools reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,033	\$ 31,372
Changes of assumptions	999,864	-
Net difference between projected and actual earnings on pension plan investments	-	295,188
Changes in proportion and differences between Districts and proportionate share of contributions	109,599	8,850
District's contributions subsequent to the measurement date	182,385	-
Total	\$ 1,311,881	\$ 335,410

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 ended 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)

Year Ending September 30	Amount
2019	\$ 341,238
2020	234,150
2021	154,977
2022	63,721
	\$ 794,086

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.

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

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

OPEB Liabilities

At June 30, 2019, Boyne Falls Public Schools reported a liability of \$1,152,317 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 2016. Boyne Falls Public Schools' 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, Boyne Falls Public Schools' proportion was 0.00034% percent, which was a decrease of a fractional percent from its proportion measured as of September 30, 2017.

Net OPEB Liability - As of September 30, 2018

MPSERS (Plan) Non-University	September 30, 2018	September 30, 2017
Total OPEB Liability	\$ 14,178,834,000	\$ 14,175,547,000
Plan Fiduciary Net Position	6,111,241,000	5,177,775,000
Net Pension Liability	8,067,592,000	8,997,773,000
Proportionate Share	0.01450%	0.01415%
Net OPEB liability for Boyne Falls Public Schools	\$ 1,152,317	\$ 1,253,356

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

For the year ending June 30, 2019, Boyne Falls Public Schools recognized OPEB expense of \$157,513. At June 30, 2019, Boyne Falls Public Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 214,476
Changes of assumptions	122,031	-
Net difference between projected and actual earnings on OPEB plan investments	-	44,286
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,796	1,924
Employer contributions subsequent to the measurement date	79,990	-
Total	\$ 227,817	\$ 260,686

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

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

Deferred (Inflow) and Deferred Outflow of Resources by Year
(To be Recognized in Future OPEB Expenses)

Year Ending September 30	Amount
2019	\$ (28,702)
2020	(28,702)
2021	(28,702)
2022	(19,399)
2023	(7,354)
	<u>\$ (112,859)</u>

Actuarial Assumptions

Investment rate of return for Pension - 7.05% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expense for the Hybrid group (Pension Plus plan).

Investment rate of return for OPEB - 7.15% a year, compounded annually net of investment and administrative expenses.

Salary increase - The rate of pay increase used for individual members is 2.75%

Inflation - 2.75%

Mortality assumptions

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 - RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Disabled Retirees - RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2017. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with September 30, 2017 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The rate was 7.05% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.15% net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Healthcare cost trend rate for other postemployment benefit - 7.50% for year one and graded to 3.00% to year twelve.

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

Additional assumptions for other postemployment benefit only - Applies to individuals hired before September 4, 2012.

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

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

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

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

Long-Term Expected Return on Plan Assets

Target asset allocation as of September 30, 2018 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0%	5.7%
Private Equity Pools	18.0%	9.2%
International Equity	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.*

Pension Single Discount rate - A single discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan and 6.00% for the new Pension Plus 2 Plan) for fiscal year 2018. In fiscal year 2017, the single discount rate used to measure the pension liability was 7.5% (7.0 for the Pension Plus Plan). This single discount rate was based on the expected rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus Plan and 6.0% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate was based on the assumption that in the future, 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.

OPEB Single Discount rate - A single discount rate of 7.15% was used to measure the total OPEB liability for fiscal year 2018. In fiscal year 2017, the single discount rate used to measure the OPEB liability was 7.5%. This single 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 single discount rate was based on the assumption that in the future 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 pension plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

Sensitivity of the net pension liability to changes in the discount rate - The following presents Boyne Falls Public Schools' proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.00% for Pension Plus Plan and 6.00% for the new Pension Plus 2 Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease 6.05% / 6.00% / 5.00%	Current Single Discount Rate Assumption 7.05% / 7.00% / 6.00%	1% Increase 8.05% / 8.00% / 7.00%
District's proportionate share of the net pension liability	\$5,668,174	\$4,317,218	\$3,194,793

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents Boyne Falls Public Schools' proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	OPEB		
	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase 8.15%
District's proportionate share of the net OPEB liability	\$1,383,334	\$1,152,317	\$958,005

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates - The following presents Boyne Falls Public Schools' proportionate share of the net OPEB liability calculated using the healthcare cost trend rate of 7.5% (decreasing 3.5%), as well as what the Schools proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher:

	OPEB		
	(6.5% decreasing to 2.0%)	Cost Trend Rate (7.5% decreasing to 3.0%)	1% Increase (8.5% decreasing to 4.0%)
District's proportionate share of the net OPEB liability	\$947,768	\$1,152,317	\$1,386,977

OPEB Plan Fiduciary Net Position

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

Payable to the Pension and OPEB Plan - At year end Boyne Falls Public Schools is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are included in the financial statements as a liability titled accrued payroll and payroll liabilities. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

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

NOTE 10 - CONTINGENCIES

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 of 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.

The District is a reimbursing employer to the State of Michigan Unemployment Agency and as such is responsible to pay the Agency for all benefits paid and charged to the District. As of June 30, 2019 all known liabilities for claims paid by the Agency are recorded as accounts payable.

NOTE 11 - CAPITAL PROJECTS FUNDS

The Capital Projects Funds records capital project activities funded with Sinking Fund millage. For this fund, the Boyne Falls Public School has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

NOTE 12 - TAX ABATEMENTS

The District is required to disclose significant tax abates as require by GASB statement 77 (Tax abatements).

The District received 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:

<u>Municipality</u>	<u>Taxes Abated</u>
Boyne City	\$5,536

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.

NOTE 13 - SUBSEQUENT EVENTS

The District has evaluated subsequent events through August 20, 2019, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

BOYNE FALLS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Local sources	\$ 2,174,809	\$ 2,225,463	\$ 2,221,220	\$ (4,243)
State sources	397,622	436,947	403,501	(33,446)
Federal sources	59,242	78,815	73,745	(5,070)
Interdistrict sources	338,677	331,117	299,108	(32,009)
Total Revenues	<u>2,970,350</u>	<u>3,072,342</u>	<u>2,997,574</u>	<u>(74,768)</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>2,970,350</u>	<u>3,072,342</u>	<u>2,997,574</u>	<u>(74,768)</u>
Expenditures				
Basic programs	1,667,958	1,658,781	1,635,895	22,886
Added needs	172,654	240,083	235,021	5,062
Pupil support services	87,433	114,096	103,668	10,428
Business services	79,400	91,600	86,833	4,767
Operation & maintenance	307,713	270,740	249,294	21,446
Pupil transportation	185,623	174,424	166,783	7,641
Other central services	59,129	58,248	54,897	3,351
Instructional staff	164,325	110,770	107,048	3,722
General administration	224,402	212,139	209,256	2,883
School administration	141,906	151,532	146,655	4,877
Total Expenditures	<u>3,090,543</u>	<u>3,082,412</u>	<u>2,995,350</u>	<u>87,062</u>
Other Financing Uses	<u>5,000</u>			
Total Expenditures and Other Financing Uses	<u>3,095,543</u>	<u>3,082,412</u>	<u>2,995,350</u>	<u>87,062</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(125,193)</u>	<u>(10,070)</u>	<u>2,224</u>	<u>12,294</u>
Net Change in Fund Balance	<u>(125,193)</u>	<u>(10,070)</u>	<u>2,224</u>	<u>12,294</u>
Fund Balance at Beginning of Period	<u>832,958</u>	<u>832,958</u>	<u>832,958</u>	<u>-</u>
Fund Balance at End of Period	<u><u>\$ 707,765</u></u>	<u><u>\$ 822,888</u></u>	<u><u>\$ 835,182</u></u>	<u><u>\$ 12,294</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

BOYNE FALLS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Local sources	\$ 67,000	\$ 67,000	\$ 66,996	\$ (4)
State sources	18,500	18,500	18,446	(54)
Federal sources	119,600	119,600	119,494	(106)
Total Revenues	<u>205,100</u>	<u>205,100</u>	<u>204,936</u>	<u>(164)</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>205,100</u>	<u>205,100</u>	<u>204,936</u>	<u>(164)</u>
Expenditures				
Pupil support services	205,100	205,100	203,885	1,215
Total Expenditures	<u>205,100</u>	<u>205,100</u>	<u>203,885</u>	<u>1,215</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>205,100</u>	<u>205,100</u>	<u>203,885</u>	<u>1,215</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>-</u>	<u>-</u>	<u>1,051</u>	<u>1,051</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>1,051</u>	<u>1,051</u>
Fund Balance at Beginning of Period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at End of Period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,051</u>	<u>\$ 1,051</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BOYNE FALLS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY

MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability	0.01436%	0.01416%	0.01411%	0.01364%	0.01292%
Reporting unit's proportionate share of net pension liability	\$ 4,317,218	\$ 3,670,266	\$ 3,519,771	\$ 3,332,482	\$ 2,845,377
Reporting unit's covered-employee payroll	\$ 1,238,414	\$ 1,181,822	\$ 1,210,276	\$ 1,138,440	\$ 1,053,573
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	348.61%	310.56%	290.82%	292.72%	270.07%
Plan fiduciary net position as a percentage of total pension liability	62.36%	64.21%	63.27%	63.17%	66.15%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

With the implementation of GASB 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

SEE NOTES TO FINANCIAL STATEMENTS.

BOYNE FALLS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 REPORTING UNIT FISCAL YEARS (AMOUNTS DETERMINED OF AS 6/30 OF EACH YEAR)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory required contributions	\$ 391,057	\$ 217,153	\$ 220,573	\$ 221,363	\$ 236,729
Contributions in relation to statutorily required contributions*	(391,057)	(217,153)	(220,573)	(221,363)	(236,729)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Reporting unit's covered-employee payroll	\$ 1,338,991	\$ 1,219,713	\$ 1,174,705	\$ 1,158,387	\$ 1,115,538
Contribution as a percentage of covered-employee payroll	29.21%	17.80%	18.78%	19.11%	21.22%

*Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

With the implementation of GASB 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

SEE NOTES TO FINANCIAL STATEMENTS.

BOYNE FALLS PUBLIC SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB liability	0.01450%	0.01415%
Reporting unit's proportionate share of net OPEB liability	\$ 1,152,317	\$ 1,253,356
Reporting unit's covered-employee payroll (OPEB)*	\$ 1,238,414	\$ 1,181,822
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	93.05%	106.05%
Plan fiduciary net position as a percentage of total OPEB liability	42.95%**	36.39%**

*The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

**For non-university employers (K12 districts, ISDs, charter schools/PSAs, libraries, and community colleges).

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

SEE NOTES TO FINANCIAL STATEMENTS.

BOYNE FALLS PUBLIC SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 REPORTING UNIT FISCAL YEARS (AMOUNTS DETERMINED OF AS 6/30 OF EACH YEAR)

	<u>2019</u>	<u>2018</u>
Statutory required contributions	\$ 94,096	\$ 87,598
Contributions in relation to statutorily required contributions*	<u>(94,096)</u>	<u>(87,598)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll (OPEB)**	\$ 1,338,991	\$ 1,219,713
Contribution as a percentage of covered-employee payroll	7.03%	7.18%

*Contributions in relation to statutorily required OPEB contributions are the contributions an employer actually made to the OPEB Plan, as distinct from the statutorily required contributions.

**The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

SEE NOTES TO FINANCIAL STATEMENTS.

BOYNE FALLS PUBLIC SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION & OPEB
FOR THE YEAR ENDED JUNE 30, 2019

Changes in benefit terms: There were no changes of benefit terms in 2018.

Changes of assumptions: There were no changes of benefit assumptions in 2018.

SEE NOTES TO FINANCIAL STATEMENTS.

OTHER SUPPLEMENTARY INFORMATION

BOYNE FALLS PUBLIC SCHOOL
OTHER SUPPLEMENTARY INFORMATION
TRUST AND AGENCY FUNDS
STATEMENT OF CHANGES IN DEPOSITS HELD FOR OTHERS
FOR THE YEAR ENDED JUNE 30, 2019

	BALANCES July 1, 2018	REVENUES	EXPENDITURES	BALANCES June 30, 2019
Class of 2018	\$ 3,086	\$ 1,000	\$ 2,353	\$ 1,733
Class of 2019	11,579	35,582	47,281	(120)
Class of 2020	5,473	21,502	10,592	16,383
Class of 2021	6,571	14,508	5,127	15,952
Class of 2022	-	8,497	4,513	3,984
Class of 2023	-	-	1,000	(1,000)
Athletics	1,253	-	-	1,253
BFPS Flower Fund	997	510	176	1,331
Baseball	1,488	4,250	4,875	863
Boyne Falls School pavers	2,311	-	80	2,231
Boys basketball	2,470	486	717	2,239
Celebration of the Arts	100	-	-	100
Cross country	1,375	909	1,799	485
Girls basketball	71	-	-	71
Health fund	2,392	5,178	2,005	5,565
Library fund	(2)	-	-	(2)
Miscellaneous	2,320	2,583	3,628	1,275
Miscellaneous Administration	161	1,131	515	777
Music department	23	-	-	23
National honor society	210	26	75	161
Office Water fund	101	139	138	102
One to One	2,084	540	500	2,124
Preschool activity	7,962	1,873	2,002	7,833
Robotics club	1,937	-	-	1,937
School Store	-	199	87	112
Science	6,377	600	102	6,875
Softball	287	-	-	287
Soup fund	281	235	300	216
Spirit Fund	295	286	114	467
Student assistance	1,978	420	343	2,055
Student council	1,542	1,655	1,359	1,838
United Way Stuff the Bus	38	-	-	38
Volleyball	358	2,023	275	2,106
Yearbook	(703)	1,779	7	1,069
Julius Kowalski scholarship	4,482	-	-	4,482
Jill Stewart scholarship	1,039	-	-	1,039
Totals	\$ 69,936	\$ 105,911	\$ 89,963	\$ 85,884

SEE NOTES TO FINANCIAL STATEMENTS.

BOYNE FALLS PUBLIC SCHOOL
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS
JUNE 30, 2019

DATE OF ISSUE - February 13, 2014

ALTERNATIVE REPORTING REQUIREMENT

Original amount of issue - \$ 1,590,000

Purpose of issue - Refunding of the 2004 issue bonds that enabled the District in erecting, furnishing, and equipping additions to and partially remodeling Boyne Falls Public School facility; acquiring, installing and equipping the facility for technology; erecting, furnishing and equipping a bus garage and a restroom/storage building; acquiring school bus(es); and developing and improving the site.

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1	Total Fiscal Year Requirements
		November 1	May 1		
1.65%	2019-20	\$ 10,422	\$ 10,423	\$ 160,000	\$ 180,845
1.90%	2020-21	9,103	9,102	170,000	188,205
2.15%	2021-22	7,487	7,488	190,000	204,975
2.40%	2022-23	5,445	5,445	210,000	220,890
2.60%	2023-24	2,925	2,925	225,000	230,850
		<u>\$ 35,382</u>	<u>\$ 35,383</u>	<u>\$ 955,000</u>	<u>\$ 1,025,765</u>

(CONTINUED)

SEE NOTES TO FINANCIAL STATEMENTS.

BOYNE FALLS PUBLIC SCHOOL
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS
JUNE 30, 2019

DATE OF ISSUE - FEBRUARY 28, 2017

Original amount of issue - \$ 2,815,000

The District issued advance refunding general obligation bonds on February 28, 2017 in the amount of \$2,815,000 to refund the 2007 refunding bonds originally issued in the aggregate principal amount of \$5,095,000. The bonds bear interest from 1.1% to 2.4% and are due in annual installments ranging from \$390,000 to \$415,000 through May 1, 2024. The new issue will reduce debt service payments for the District to a total of \$3,044,446 with an economic gain of \$198,954 or 5.89%. The present value of the savings from cash flow totals \$174,227 as of 2/28/2017, the date of the refunding.

The cost of issuance totaled \$44,465.

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1	Total Fiscal Year Requirements
		November 1	May 1		
1.55%	2019-20	\$ 19,794	\$ 19,794	\$ 405,000	\$ 444,588
1.75%	2020-21	16,655	16,655	410,000	443,310
2.00%	2021-22	13,068	13,068	400,000	426,136
2.25%	2022-23	9,068	9,067	390,000	408,135
2.40%	2023-24	4,680	4,680	390,000	399,360
		<u>\$ 63,265</u>	<u>\$ 63,264</u>	<u>\$ 1,995,000</u>	<u>\$ 2,121,529</u>

SEE NOTES TO FINANCIAL STATEMENTS.

Schulze Oswald Miller & Edwards PC

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INDEPENDENT AUDITORS' 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
Boyne Falls Public School

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 the *Boyne Falls Public School* as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the *Boyne Falls Community School's* basic financial statements, and have issued our report thereon dated August 20, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the *Boyne Falls Public School'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 *Boyne Falls Public School's* internal control. Accordingly, we do not express an opinion on the effectiveness of the *Boyne Falls Public School'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 *Boyne Falls Public School'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.

Schulze, Oswald, Miller & Edwards PC

Alpena, Michigan

August 20, 2019

**BOYNE FALLS PUBLIC SCHOOL
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no matters reported in the prior year's audit.

Schulze Oswald Miller & Edwards PC

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August 20, 2019

The Board of Education
Boyne Falls Public School
1662 M-75
Boyne Falls, MI 49713

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Boyne Falls Public School* 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, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 22, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by *Boyne Falls Public School* are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2018/2019 fiscal year. We noted no transactions entered into by *Boyne Falls Public School* 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 estimate(s) affecting the Government Wide financial statements were:

Management's estimate of the net book value of fixed assets is based on estimated depreciable lives. We evaluated the key factors and assumptions used to develop the estimated depreciable lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension and OPEB liability is based on actuarial assumptions that are provided by Michigan ORS for the MPSERS plan. We evaluated the key factors and assumptions used to develop the estimated the net pension and OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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

The disclosure of Capital Assets in Note 5 to the financial statements estimate the useful lives of depreciable capital assets and is based on the length of time it is believed that those assets will provide some economic benefit in the future.

The disclosure of net pension and OPEB liability is in Note 9 to the financial statements. Key factors and assumptions used to calculate the note are based on a number of factors including, age, length of service, mortality, and health.

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 dated August 20, 2019.

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 *Boyne Falls Public School'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 *Boyne Falls Public School'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 combining statements, which are (is) required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statements, 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 *Boyne Falls Public School* and is not intended to be, and should not be, used by anyone other than these specified parties.

Upcoming GASB Statements:

In November 2016, the Governmental Accounting Standards Board issued GASB Statement No. 83, Certain Asset Retirement Obligations, which addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement requires that recognition occur when the

liability is both incurred and reasonably estimable. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of their useful lives. This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the District's financial statements for the fiscal year ending June 30, 2020.

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, Fiduciary Activities, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the District's financial statements for the fiscal year ending June 30, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, Leases, which improves accounting and financial reporting for leases by governments. This statement requires 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. The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the District's financial statements for the fiscal year ending June 30, 2021.

Very truly yours,

Schulze, Oswald, Miller, & Edwards PC

Alpena, Michigan