

**BOYNE FALLS PUBLIC SCHOOLS**  
**BOYNE FALLS, MICHIGAN**

**FINANCIAL STATEMENTS**  
**JUNE 30, 2017**



**JOHNSON & SCHULZE PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**989-354-8707**

**BOYNE FALLS PUBLIC SCHOOL**

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BOYNE FALLS PUBLIC SCHOOL  
ADMINISTRATION BOARD LIST  
JUNE 30, 2017

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ADMINISTRATION

Superintendent

Cynthia Pineda

BOARD OF EDUCATION

President

Bill Cousineau

Vice President

Bill Bielas

Secretary

Patsy Grubaugh-Clink

Treasurer

Laura Brunmeier

Trustee

Joanne Rackow

Trustee

Kurt Wilson

Trustee

Coleen Sherwood

# Johnson & Schulze PC

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## **INDEPENDENT AUDITORS' REPORT**

Board of Education  
Boyne Falls Public School  
Boyne Falls, Michigan 49713

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Boyne Falls Public School as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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 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 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 Boyne Falls Public School, as of June 30, 2017, and the respective changes in financial position, thereof for the year then ended in conformity 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, budgetary comparison information, net pension liability and reporting units contributions as disclosed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boyne Falls Public School's basic financial statements. The comparative schedules of revenues and other financing sources, and expenditures, and the statement of changes in deposits held for others are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The comparative schedules of revenues and other financing sources, and expenditures, and the statement of changes in deposits held for others are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements of revenues and expenditures are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

##### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2017, 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.

*Johnson & Schulze PC*

Johnson & Schulze PC  
Alpena, Michigan  
August 18, 2017

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, 2017.

#### Financial Highlights

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by (\$22,639) (*net position*). Of this amount, (\$4,819,584) is unrestricted net position, \$4,629,016 is invested in capital assets (*net of related debt*) and \$167,929 is restricted for debt service.
- The District's total net position increased by \$131,787.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,047,734, a decrease of \$181,297 in comparison with the prior year. Approximately 46%, or \$479,805 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 \$479,805 or 17% 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).

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, community services, and care and custody of children. The District has no business-type activities as of and for the year ended June 30, 2017.

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 12-13 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 15 of this report.

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 16-30 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 (\$22,639) at the close of the most recent fiscal year.

A portion of the District's net position, \$4,629,016, 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		2017	2016
<b>Assets</b>			
Current and Other Assets	\$	1,550,708	\$ 1,650,989
Capital Assets, Net		5,869,016	6,029,989
Total Assets		<u>7,419,724</u>	<u>7,680,978</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charges on Refunding		52,026	53,231
Related to pensions		618,094	467,663
Total Deferred Outflows of Resources		<u>670,120</u>	<u>520,894</u>
<b>Liabilities</b>			
Current Liabilities		518,187	913,094
Long-term Liabilities		5,183,583	7,432,166
Total Liabilities		<u>5,701,770</u>	<u>8,345,260</u>
<b>Deferred Inflows of Resources</b>			
Related to pensions		<u>10,713</u>	<u>11,038</u>
<b>Net Position</b>			
Invested in Capital Assets,			
Net of Related Debt		4,629,016	1,474,989
Restricted		167,929	222,294
Unrestricted		<u>(4,819,584)</u>	<u>(1,851,709)</u>
<b>Total Net Position</b>	\$	<u>(22,639)</u>	\$ <u>(154,426)</u>

An additional portion of the District's net position \$167,929 represents resources that are subject to external restrictions on how they may be used. The remaining balance is *unrestricted net position*, (\$4,819,584).

The District's net position increased by \$131,787 during the current fiscal year. Most of this increase is attributable to an excess of revenue, which increased from the prior year, over expenses that remained primarily flat. The District's blended enrollment was approximately 164 students.



**Management's Discussion and Analysis**  
**Year Ended June 30, 2017**

**District's Changes in Net Position**

**Governmental Activities**

	<u>2017</u>	<u>2016</u>
<b>Revenue</b>		
Program Revenue		
Charges for Services	\$ 122,599	\$ 93,445
Operating Grants and Contributions	489,682	478,343
General Revenue:		
Property Taxes	2,597,209	2,476,337
State School Aid	8,795	6,553
Interest and investment earnings	1,960	2,530
Other	<u>203,322</u>	<u>204,859</u>
<b>Total Revenue</b>	<u><b>3,423,567</b></u>	<u><b>3,262,067</b></u>
<b>Expenses</b>		
Instruction	1,639,016	1,690,487
Support Services	1,011,656	1,001,926
Food Service	191,885	159,346
Deferred refunding charges	45,670	6,655
Depreciation - unallocated	238,683	235,652
Interest on Long Term Debt	<u>162,870</u>	<u>170,964</u>
<b>Total Expenses</b>	<u><b>3,289,780</b></u>	<u><b>3,265,030</b></u>
<b>Increase (Decrease) in Net Position</b>	133,787	(2,963)
Net Position, Beginning of Year	(154,426)	(151,463)
<b>Net Position, End of Year</b>	<u><b>\$ (20,639)</b></u>	<u><b>\$ (154,426)</b></u>

**Governmental activities.** Governmental activities increased the District's net position by \$131,787.

**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.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,047,734, a decrease of \$181,297 in comparison with the prior year. Approximately 46% of this total amount (\$479,805) 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 \$400,000 is for 2017-18 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 \$479,805. 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 17% and 32% respectively of total general fund expenditures.

The fund balance of the District's general fund decreased by \$126,932 during the current fiscal year. Revenues increased \$97,458 and expenditures increased by \$64,198 compared to the prior year.

The food service fund has a total fund balance of \$-0-.

The debt service funds have a total fund balance of \$167,929.

#### General Fund Budgetary Highlights

Differences between the original and final amended budgets were relatively small, with expenses only adjusting up by \$57,528 in total from beginning to final. The excess of revenues over expenditures budgetary figure was less than the actual results by \$72,435 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, 2017, amounted to \$5,869,016 (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)

	2017	2016
Land	\$ 5,000	\$ 5,000
Land Improvement	132,601	160,923
Buildings	5,435,173	5,587,404
Vehicles	71,883	4,001
Equipment	224,359	272,661
Total	\$ 5,869,016	\$ 6,029,989

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 \$1,240,000 in bonds and a 2017 Bond issue (refunding of a portion of the 2007 Bond issue) with an outstanding balance of \$2,815,000. 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 2017-2018 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 dependant 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 \$400,000.
- Operating as an out of formula district allows the Boyne Falls School the opportunity to utilize it's 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 SCHOOL  
DISTRICT WIDE - STATEMENT OF NET POSITION  
JUNE 30, 2017

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	Governmental Activities
<u>Assets</u>	
Cash and investments	\$ 1,410,118
Accounts receivable	86,340
Due from governmental units	40,146
Inventory	14,104
Capital assets - net	5,869,016
Total assets	<u>7,419,724</u>
<u>Deferred outflow of resources</u>	
Deferred charges on refunding	52,026
Related to pensions	618,094
Total deferred outflows	<u>670,120</u>
<u>Liabilities</u>	
Accounts payable	140,076
Salaries payable	195,338
Accrued interest	15,213
Unearned revenue	167,560
Long-term debt	
Due within one year	550,000
Due in more than one year	1,113,812
Net pension liability	3,519,771
Total Liabilities	<u>5,701,770</u>
<u>Deferred inflows of resources</u>	
Related to pensions	10,713
<u>Net Position</u>	
Invested in capital assets, net of related debt	4,629,016
Restricted for debt service	167,929
Unrestricted	(4,817,584)
Total Net Position	<u>\$ (20,639)</u>

See accompanying notes which are an integral part of the financial statements.

**BOYNE FALLS PUBLIC SCHOOL  
DISTRICT WIDE - STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

		Program Revenues		Governmental
		Charges for	Operating	Activities
	Expenses	Services	Grants	Net (Expense)
Functions/programs				Revenue and
				Changes in
				Net Assets
<b>Governmental Activities</b>				
Instruction	\$ 1,639,016	\$ 32,167	\$ 385,082	\$ (1,221,767)
Support services	1,011,656	25,879	569	(985,208)
Food services	191,885	64,553	104,031	(23,301)
Interest on long term debt	162,870	-	-	(162,870)
Deferred charges on				
refunding	45,670	-	-	(45,670)
Depreciation - unallocated	238,683	-	-	(238,683)
<b>Total Governmental</b>				
<b>Activities</b>	<b>\$ 3,289,780</b>	<b>\$ 122,599</b>	<b>\$ 489,682</b>	<b>(2,677,499)</b>
<b>General Revenues</b>				
<b>Taxes</b>				
Property taxes, levied for general operations				1,963,252
Property taxes, levied for debt service				633,957
State of Michigan aid, unrestricted				8,795
Interest and investment earnings				1,960
Other				203,322
<b>Total General Revenues</b>				<b>2,811,286</b>
<b>Change in Net Position</b>				<b>133,787</b>
<b>Net position - beginning of year</b>				<b>(154,426)</b>
<b>Net position - end of year</b>				<b>\$ (20,639)</b>

BOYNE FALLS PUBLIC SCHOOL  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017

	GENERAL	2014 DEBT SERVICE	2007 DEBT SERVICE	NONMAJOR GOVERNMENTAL SPECIAL REVENUE FOOD SERVICE FUND	TOTALS
<b>ASSETS</b>					
Cash and investments	\$ 1,170,640	\$ 60,914	\$ 106,926	\$ 71,638	\$ 1,410,118
Accounts receivable	56,378	23	64	-	56,465
Due from other governmental units	39,101	-	-	1,045	40,146
Due from other funds	427,653	-	2	307,083	734,738
Inventory	-	-	-	14,104	14,104
Total Assets	<u>\$ 1,693,772</u>	<u>\$ 60,937</u>	<u>\$ 106,992</u>	<u>\$ 393,870</u>	<u>\$ 2,255,571</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 138,265	\$ -	\$ -	\$ 1,811	\$ 140,076
Accrued salaries and withholdings	195,338	-	-	-	195,338
Unearned revenue	170,630	-	-	(3,070)	167,560
Due to other funds	310,921	-	-	395,129	706,050
Total Liabilities	<u>815,154</u>	<u>-</u>	<u>-</u>	<u>393,870</u>	<u>1,209,024</u>
<b>FUND BALANCES:</b>					
Nonspendable - inventory	-	-	-	14,104	14,104
Restricted for debt retirement	-	60,937	106,992	-	167,929
Restricted for food service	-	-	-	(14,104)	(14,104)
Committed for bus purchase	-	-	-	-	-
Assigned for 2016-17 budget	400,000	-	-	-	400,000
Unassigned - General Fund	479,805	-	-	-	479,805
Total Fund Balances	<u>879,805</u>	<u>60,937</u>	<u>106,992</u>	<u>-</u>	<u>1,047,734</u>
Total Liabilities and Fund Balances	<u>\$ 1,694,959</u>	<u>\$ 60,937</u>	<u>\$ 106,992</u>	<u>\$ 393,870</u>	<u>\$ 2,256,758</u>

**Reconciliation of Governmental Fund Balances to District-Wide Government Activities Net Position**

Total Governmental Fund Balances	\$ 1,047,734
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	9,814,125
Accumulated depreciation is	(3,945,109)
Deferred outflows used in governmental activities are not financial resources and therefore are not reported in the government funds:	
Deferred charges on refunding	52,026
Related to pensions	618,094
Long term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(4,055,000)
Compensated absences	(8,812)
Net pension liability	(3,519,771)
Accrued interest is not included as a liability in governmental funds	(15,213)
Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in the governmental funds:	
Related to pensions	(10,713)
Net Position of Governmental Activities	<u>\$ (22,639)</u>

See accompanying notes which are an integral part of the financial statements.

BOYNE FALLS PUBLIC SCHOOL  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2017

		2014	2007	NONMAJOR GOVERNMENTAL SPECIAL REVENUE FOOD SERVICE	
	GENERAL	DEBT SERVICE	DEBT SERVICE	FUND	TOTALS
REVENUES:					
Local sources	\$ 2,037,054	\$ 163,038	\$ 480,916	\$ 66,169	\$ 2,747,177
State sources	330,465	344	792	11,118	342,719
Federal sources	63,981	-	-	92,913	156,894
Interdistrict sources	191,178	-	-	-	191,178
Total Revenues	<u>2,622,678</u>	<u>163,382</u>	<u>481,708</u>	<u>170,200</u>	<u>3,437,968</u>
EXPENDITURES:					
Current:					
Instruction	1,639,198	-	-	-	1,639,198
Support services	1,088,727	-	-	191,885	1,280,612
Debt service	-	151,109	548,346	-	699,455
Capital outlay	-	-	-	-	-
Intergovernmental payments	-	-	-	-	-
Total Expenditures	<u>2,727,925</u>	<u>151,109</u>	<u>548,346</u>	<u>191,885</u>	<u>3,619,265</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(105,247)</u>	<u>12,273</u>	<u>(66,638)</u>	<u>(21,685)</u>	<u>(181,297)</u>
OTHER FINANCING SOURCES (USES):					
Transfers In (Out)	(21,685)	-	-	21,685	-
Loan payments	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(21,685)</u>	<u>-</u>	<u>-</u>	<u>21,685</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(126,932)</u>	<u>12,273</u>	<u>(66,638)</u>	<u>-</u>	<u>(181,297)</u>
FUND BALANCES - Beginning of year	<u>1,006,737</u>	<u>48,664</u>	<u>173,630</u>	<u>-</u>	<u>1,229,031</u>
FUND BALANCES - End of year	<u>\$ 879,805</u>	<u>\$ 60,937</u>	<u>\$ 106,992</u>	<u>\$ -</u>	<u>\$ 1,047,734</u>

See accompanying notes which are an integral part of the financial statements.



BOYNE FALLS PUBLIC SCHOOL  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

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Net Change in Fund Balances - Total Governmental Funds \$ (181,297)

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 estimated useful lives as depreciation.

Depreciation expense	\$ (238,683)	
Capital Outlay	<u>-</u>	(238,683)

Accrued interest is recorded in the statement of activities  
when incurred; it is not reported in governmental  
funds until paid 15,213

(Increase) decrease in compensated absences are reported as  
expenditures when financial resources are used  
in the governmental funds 872

Repayments of bond principal is an expenditure in the  
governmental funds, but not in the statement of  
activities (where it reduces long-term debt) 599,000

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	<u>(63,318)</u>
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Change in Net Position of Governmental Activities \$ 131,787

See accompanying notes which are an integral part of the financial statements.

BOYNE FALLS PUBLIC SCHOOL  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2017

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	<u>2017</u>
<u>ASSETS</u>	
Cash	\$ 103,028
Due from other funds	<u>4,601</u>
Total Assets	<u>\$ 107,629</u>
 <u>LIABILITIES</u>	
Due to other funds	\$ 34,476
Deposits held for others	<u>73,153</u>
Total Liabilities	<u>107,629</u>
Net Position	<u>\$ -</u>

See accompanying notes which are an integral part of the financial statements.

BOYNE FALLS PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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**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.

BOYNE FALLS PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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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 2004 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 2007 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 School 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. The School Service Fund maintained by the District is the Food Service 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 receivable 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 2016 taxable value of the District was \$39,207,134 principal residence and \$105,096,578 non-principal residence. The District levied 18.0000 mills for operating purposes on non-homestead and 4.0500 mills debt service purposes on all property for 2016.

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, 2017

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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 and 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 fund 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, 2017

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 two 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 second is the pension 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 one item that qualifies 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 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.

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, 2017

**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	\$ 1,409,868	\$ 103,028	\$ 1,512,896
Total	\$ 1,409,868	\$ 103,028	\$ 1,512,896

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

Deposits (checking, savings)	\$ 1,512,691
Investments (Michigan Liquid Asset Fund)	5
	\$ 1,512,696

The total of cash and investments on the Statement of Net Position includes petty cash of \$250.

As of June 30, 2017 the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity
Investment pool	\$ 5	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, 2017 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, 2017 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, 2017, \$684,952 of the District's bank balance of \$1,527,424 was exposed to custodial risk because it was uninsured. The book balance of these accounts was \$1,512,537.

**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, 2017. 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, 2017

**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	2004 Debt Service Fund	2007 Debt Service Fund	Nonmajor and Other Funds	Total
Receivables:					
Accounts receivable	\$ 56,378	\$ 23	\$ 64	\$ -	\$ 56,465
Intergovernmental	39,101	-	-	1,045	40,146
Total receivables	<u>\$ 95,479</u>	<u>\$ 23</u>	<u>\$ 64</u>	<u>\$ 1,045</u>	<u>\$ 96,611</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:

	Unearned
Grants and categorical aid payment not considered available	\$ -
Payments received prior to meeting all eligibility requirements:	
Vocational education millage	167,560
Totals	<u>\$ 167,560</u>
Total unearned revenue	<u>\$ 167,560</u>

(NOTES TO FINANCIAL STATEMENTS CONTINUED ON NEXT PAGE)



BOYNE FALLS PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 5 - CAPITAL ASSETS**

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

<u>Assets</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
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	182,904	77,710	-	260,614
Furniture & equipment	1,370,515	-	-	1,370,515
Subtotal	9,731,415	77,710	-	9,809,125
<u>Accumulated Depreciation</u>				
Land improvements	405,509	28,322	-	433,831
Buildings & improvements	2,024,160	152,231	-	2,176,391
Buses	178,903	9,828	-	188,731
Furniture & equipment	1,097,854	48,302	-	1,146,156
Subtotal	3,706,426	238,683	-	3,945,109
Net capital assets being depreciated	6,024,989	(160,973)	-	5,864,016
Governmental Activities				
Total Capital Assets net of Depreciation	\$ 6,029,989	\$ (160,973)	\$ -	\$ 5,869,016

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>	<u>Amount</u>
General Fund	\$ 427,653	General Fund	\$ 310,921
Other Nonmajor Govern.	308,270	2014 Debt Service	-
2014 Debt Service	-	Other Nonmajor Govern.	395,129
2007 Debt Service	2	Fiduciary fund	34,476
Fiduciary fund	4,601		
Total	\$ 740,526	Total	\$ 740,526
<u>Transfer In</u>		<u>Transfer Out</u>	
Nonmajor-Food Service	\$ 21,685	General	\$ 21,685

BOYNE FALLS PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**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
<b>Governmental Activities:</b>				
General Obligation Bonds:				
2014 Issue	\$ 1,365,000	\$ (125,000)	\$ 1,240,000	\$ 135,000
2017 Issue	-	2,815,000	2,815,000	415,000
2007 Issue	3,190,000	(3,190,000)	-	-
Compensated absences	9,684	(872)	8,812	-
Deferred charges on refunding-2014	15,900	(1,987)	13,913	-
Deferred charges on refunding-2007	37,331	(37,331)	-	-
Deferred charges on refunding-2017	44,465	(6,352)	38,113	-
<b>Total Governmental Activities</b>	<b>\$ 4,662,380</b>	<b>\$ (546,542)</b>	<b>\$ 4,115,838</b>	<b>\$ 550,000</b>

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

Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2018	\$ 550,000	\$ 82,630	\$ 632,630
2019	555,000	67,797	622,797
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
<b>Total</b>	<b>\$ 4,055,000</b>	<b>\$ 347,720</b>	<b>\$ 4,402,720</b>

General Obligation Bonds payable at June 30, 2017 are comprised of the following issues:

**General obligation bonds:**

2014 bonds due in annual installments \$ 1,240,000  
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 2,815,000  
ranging from \$390,000 to \$415,000 through  
November 1, 2024; interest rates ranging from  
1.1% to 2.4%

Total General obligation bonds \$ 4,055,000

BOYNE FALLS PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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**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 - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPERS) PENSION PLAN**

**Plan Description**

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

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

The System's financial statements are variable at [www.michigan.gov/mpers-cafr](http://www.michigan.gov/mpers-cafr).

**Benefits Provided**

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

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

BOYNE FALLS PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 9 - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION PLAN (continued)**

**Contributions and Funded Status**

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

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

Benefit Structure	Pension Contribution Rates Member	Employer
Basic	0.0 - 4.0%	18.95 - 22.60%
Member Investment Plan (MIP)	3.0 - 7.0%	18.95 - 22.60%
Pension Plus	3.0 - 6.4%	17.73%
Defined Contribution	0.00%	14.56 - 17.73%

Required contributions to the pension plan from Boyne Falls Public Schools were \$316,797 for the year ended September 30, 2016.

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

At June 30, 2017, Boyne Falls Public Schools reported a liability of \$3,519,771 for its proportionate share of MPSERS net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2015. Boyne Falls Public Schools' proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2016, Boyne Falls Public Schools' proportion was .01411% an increase of .00047 percent from its proportion measured as of September 30, 2015.

For the year ended June 30, 2017, Boyne Falls Public Schools recognized pension expense of \$322,994. At June 30, 2016, 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	\$ 43,866	\$ 8,342
Changes of assumptions	55,029	-
Net difference between projected and actual earnings on pension plan investments	58,499	-
Changes in proportion and differences between Districts and proportionate share of contributions	185,342	2,371
District's contributions subsequent to the measurement d	275,358	-
Total	<u>\$ 618,094</u>	<u>\$ 10,713</u>

BOYNE FALLS PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 9 - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPERS) PENSION PLAN (continued)**

\$275,358 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ending September 30	Amount
2017	\$ 87,310
2018	82,709
2019	133,907
2020	\$ 28,097

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate of Return:	3.5%
- MIP and Basis Plans (Non-Hybrid):	8.0%
- Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.
Notes:	Assumption changes as a result of an experience study for periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.  Recognition period for liabilities is the average of the expected remaining service lives of all employees in years is as follows:  University employers: 1.2456 Non-university employers: 4.6273  Recognition period for assets in years is 5.0000  Full actuarial assumptions are available in the 2016 MPERS CAFR ( <a href="http://www.michigan.gov/mpsers-cafr">www.michigan.gov/mpsers-cafr</a> )

BOYNE FALLS PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 9 - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPERS) PENSION PLAN (continued)**

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimated ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimated of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.9%
% Alternative Investment Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	0.9%
Real Estate and Infrastructure Pools	10.0%	4.3%
Absolute Return Pools	15.5%	6.0%
Short Term Investment Pools	2.0%	0.0%
Total	100.0%	

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

**Discount Rate**

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

**Sensitivity of Boyne Falls Public Schools' Proportionate Share 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 8.0% (7.0% for the Hybrid Plan), as well as what Boyne Falls Public Schools' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase 9.0%
District's proportionate share of the net pension liability	\$4,532,579	\$3,519,771	\$2,665,876

**Michigan Public School employees' Retirement System (MPERS) Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issues MPERS CAFR. See ([http://www.michigan.gov/documents/orsschools/MPERS\\_CAFR\\_2016\\_FINAL\\_550678\\_7.pdf](http://www.michigan.gov/documents/orsschools/MPERS_CAFR_2016_FINAL_550678_7.pdf))

**BOYNE FALLS PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POST-EMPLOYMENT BENEFITS**

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees' Retirement Act. There are 685 participating employers. A list of employers is provided in the Statistical Section. The System is a qualified pension trust fund under section 401(a) of the Internal Revenue Code.

By statute, employees of K-12 public school districts, public school academies, district libraries, tax-supported community colleges and seven universities may be members. The seven university are: Eastern Michigan, Central Michigan, Northern Michigan, Western Michigan, Ferris State, Michigan Technological and Lake Superior State. Employees, who first become employed by one of the seven university on or after January 1, 1996, become members of an alternative plan.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan comprehensive Annual Financial Report.

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

The following chart depicts the possible combinations under the revised system for all members:

			Plan Combination:	Employee Contributions:				Employer Contributions:		
Status	E'ee	Type	Health	DB Pension	PHF	HCC	DC Pension	DB Pension	PHF	DC Pension
Closed	Basic	DB	Subsidy	0.00%	N/A	3.0%	N/A	25.78%	N/A	N/A
Closed	Basic	DB	PHF	0.00%	2.00%	N/A	N/A	25.27%	2.00%	N/A
Closed	Basic	DB	Subsidy	4.00%	N/A	3.0%	N/A	25.78%	N/A	N/A
Closed	Basic	DB	PHF	4.00%	2.00%	N/A	N/A	25.27%	2.00%	N/A
Closed	Basic	DC	Subsidy	N/A	N/A	3.0%	0.00%	21.47%	N/A	4.00%
Closed	Basic	DC	PHF	N/A	2.00%	N/A	0.00%	20.96%	2.00%	4.00%
Closed	MIP	DB	Subsidy	3.90%	N/A	3.0%	N/A	25.78%	N/A	N/A
Closed	MIP	DB	PHF	3.90%	2.00%	N/A	N/A	25.27%	2.00%	N/A
Closed	MIP	DB	Subsidy	3-4.30%	N/A	3.0%	N/A	25.78%	N/A	N/A
Closed	MIP	DB	PHF	3-4.30%	2.00%	N/A	N/A	25.27%	2.00%	N/A
Closed	MIP	DB	Subsidy	3-6.40%	N/A	3.0%	N/A	25.78%	N/A	N/A
Closed	MIP	DB	PHF	3-6.40%	2.00%	N/A	N/A	25.27%	2.00%	N/A
Closed	MIP	DB	Subsidy	7.00%	N/A	3.0%	N/A	25.78%	N/A	N/A
Closed	MIP	DB	PHF	7.00%	2.00%	N/A	N/A	25.27%	2.00%	N/A
Closed	MIP	DC	Subsidy	N/A	N/A	3.0%	0.00%	21.47%	N/A	4.00%
Closed	MIP	DC	PHF	N/A	2.00%	N/A	0.00%	20.96%	2.00%	4.00%
Closed	Pnsn +	Hybrid	Subsidy	3-6.40%	N/A	3.0%	2.00%	24.70%	N/A	1.00%
Closed	Pnsn +	Hybrid	PHF	3-6.40%	2.00%	N/A	2.00%	24.19%	2.00%	1.00%
Closed	DC	DC	PHF	N/A	2.00%	N/A	6.00%	20.96%	2.00%	3.00%

BOYNE FALLS PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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NOTE 11 - 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, all known liabilities for claims paid by the Agency are recorded as accounts payable.

NOTE 12 - TAX ABATEMENTS

The District has implemented GASB 77 during the fiscal year, which results in a disclosure providing information on tax abatements. Some townships within the district have provided economic incentive to taxpayers to increase business activity and/or employment opportunities within the region.

The amount of abated real and personal property taxes affecting the District for the year ended June 30, 2017 was \$4,514.



## **REQUIRED SUPPLEMENTAL INFORMATION**

BOYNE FALLS PUBLIC SCHOOL  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	
	2017 Original	2017 Final	Budgetary Basis	Variance with Final Budget
REVENUES				
Local sources	\$ 1,951,346	\$ 1,954,168	\$ 2,037,054	\$ 82,886
State sources	284,653	336,942	330,465	(6,477)
Federal sources	55,563	63,535	63,981	446
Interdistrict sources	228,305	219,778	191,178	(28,600)
Total Revenues	2,519,867	2,574,423	2,622,678	48,255
EXPENDITURES				
Current:				
Instruction:				
Basic programs	1,427,189	1,483,955	1,466,771	17,184
Added needs	243,375	197,611	172,427	25,184
Support services:				
Pupil services	67,364	77,894	71,880	6,014
Instructional staff	151,853	156,076	145,024	11,052
General administration	190,384	187,499	207,471	(19,972)
School administration	127,933	124,395	124,649	(254)
Business	76,900	76,900	66,522	10,378
Operation & maintenance	254,597	303,938	248,899	55,039
Transportation	103,459	92,120	172,847	(80,727)
Central/Other	48,208	48,402	51,435	(3,033)
Total Expenditures	2,691,262	2,748,790	2,727,925	20,865
OTHER FINANCING SOURCES (USES)				
Other financing sources	-	-	-	-
Outgoing transfers & other transactions	(12,500)	(25,000)	(21,685)	3,315
Total Other Financing Sources (Uses)	(12,500)	(25,000)	(21,685)	3,315
Excess of Revenues over (under) Expenditures and Other Financing Sources (Uses)				
	(183,895)	(199,367)	(126,932)	72,435
Fund balance - July 1, 2016	1,006,737	1,006,737	1,006,737	-
Fund balance - June 30, 2017	\$ 822,842	\$ 807,370	\$ 879,805	\$ 72,435

See notes to the financial statements.

BOYNE FALLS PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTAL 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)

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	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability	0.01411%	0.01364%	0.01292%
Reporting unit's proportionate share of net pension liability	\$ 3,519,771	\$ 3,332,482	\$ 2,845,377
Reporting unit's covered-employee payroll	\$ 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	290.82%	292.72%	270.07%
Plan fiduciary net position as a percentage of total pension liability	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 the financial statements.

BOYNE FALLS PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTAL 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>2017</u>	<u>2016</u>	<u>2015</u>
Statutory required contributions	\$ 316,797	\$ 282,809	\$ 282,484
Contributions in relation to statutorily required contributions*	<u>\$ (365,850)</u>	<u>\$ (282,809)</u>	<u>\$ (282,484)</u>
Contribution deficiency (excess)	<u>\$ (49,053)</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ 1,174,705	\$ 1,158,387	\$ 1,115,538
Contribution as a percentage of covered-employee payroll	26.97%	24.41%	25.32%

\*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 the financial statements.

BOYNE FALLS PUBLIC SCHOOL  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017

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**Changes in benefit terms:** There were no changes of benefit terms in 2017.

**Changes of assumptions:** There were no changes of benefit assumptions in 2017.

## **OTHER SUPPLEMENTAL INFORMATION**

BOYNE FALLS PUBLIC SCHOOL  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
COMPARATIVE DETAIL OF REVENUES  
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
REVENUES		
Local Sources:		
Current property taxes	\$ 1,963,252	\$ 1,868,370
Earnings on investments	1,600	2,184
Miscellaneous	72,202	47,778
Total Local Sources	<u>2,037,054</u>	<u>1,918,332</u>
State Sources:		
Grants - Unrestricted:		
State Aid	8,795	6,553
Grants - Restricted:		
Special education	14,952	35,872
Other	170,279	168,449
Received through ISD:		
Other	136,439	126,055
Total State Sources	<u>330,465</u>	<u>336,929</u>
Federal Sources:		
Grants - Restricted:		
Received direct:		
REAP	8,969	8,364
Received through State:		
Title I	40,414	40,414
Title II	14,029	14,302
Received through ISD:		
Medicaid	569	216
21st Century	-	-
Total Federal Sources	<u>63,981</u>	<u>63,296</u>
Interdistrict Sources:		
Vocational education millage	156,460	153,640
Special education	29,389	45,588
Other	5,329	7,435
	<u>191,178</u>	<u>206,663</u>
TOTAL REVENUES	<u>\$ 2,622,678</u>	<u>\$ 2,525,220</u>

See notes to the financial statements.

BOYNE FALLS PUBLIC SCHOOL  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND

COMPARATIVE DETAILS OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2017

INSTRUCTION:	2017	2016
Basic Programs:		
Elementary:		
Salaries	\$ 345,643	\$ 342,087
Employee benefits	234,828	241,386
Purchased services	26,824	21,776
Supplies & materials	5,684	7,399
Other expenses	218	195
Capital outlay	-	-
Total Elementary	<u>613,197</u>	<u>612,843</u>
Middle School:		
Salaries	159,351	167,370
Employee benefits	112,303	114,359
Purchased services	21,747	15,920
Supplies & materials	4,700	4,379
Other expenses	160	137
Total Middle School	<u>298,261</u>	<u>302,165</u>
High School:		
Salaries	239,279	237,924
Employee benefits	153,321	149,327
Purchased services	10,611	12,800
Supplies & materials	2,631	10,526
Other expenses	10,232	17,680
Capital outlay	-	-
Total High School	<u>416,074</u>	<u>428,257</u>
Preschool:		
Salaries	40,961	35,490
Employee benefits	27,016	23,465
Purchased services	63,670	49,492
Supplies & materials	4,312	9,708
Other expenses	280	293
Total Preschool	<u>136,239</u>	<u>118,448</u>
Summer School:		
Salaries	-	-
Employee benefits	3,000	667
Purchased services	-	-
Total Summer School	<u>3,000</u>	<u>667</u>
TOTAL BASIC PROGRAMS	<u>1,466,771</u>	<u>1,462,380</u>
Added Needs:		
Special Education:		
Salaries	42,470	51,730
Employee benefits	32,026	42,590
Purchased services	1,748	2,012
Supplies & materials	474	791
Other expenses	137	143
Total Special Education	<u>76,855</u>	<u>97,266</u>
Compensatory Education:		
Salaries	33,460	38,445
Employee benefits	35,311	28,716
Purchased services	-	-
Total Compensatory Education	<u>\$ 68,771</u>	<u>\$ 67,161</u>

See notes to the financial statements.

(CONTINUED)



BOYNE FALLS PUBLIC SCHOOL  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
COMPARATIVE DETAIL OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2017

INSTRUCTION:	(CONTINUED)	2017	2016
Added Needs (continued)			
Career Technical Education:			
Salaries	\$ 219	\$ 595	
Employee benefits	-	197	
Purchased services	1,386	462	
Supplies & materials	25,097	30,778	
Other expenses	99	291	
Total Career Technical Education	26,801	32,323	
TOTAL ADDED NEEDS	172,427	196,750	
TOTAL INSTRUCTION	1,639,198	1,659,130	
SUPPORT SERVICES:			
Support Services - Pupil:			
Guidance:			
Salaries	40,819	41,924	
Employee benefits	24,875	24,723	
Purchased services	105	197	
Supplies & materials	264	44	
Other expenses	-	-	
Total Guidance	66,063	66,888	
Health Services:			
Supplies & materials	543	288	
Total Health Services	543	288	
Other Pupil Services:			
Salaries	2,010	1,179	
Employee benefits	475	379	
Purchased services	2,789	3,634	
Supplies & materials	-	-	
Total Other Pupil Services	5,274	5,192	
Total Support Services - Pupil	71,880	72,368	
Support Services - Instructional Staff:			
Improvement of Instruction:			
Purchased services	-	-	
Supplies & materials	329	217	
Other expenses	-	-	
Total Improvement of Instruction	329	217	
Educational Media Services:			
Salaries	45,516	37,588	
Employee benefits	26,315	31,508	
Purchased services	971	973	
Supplies & materials	4,126	4,931	
Other expenses	-	-	
Total Educational Media Services	76,928	75,000	
Technology Assisted Instruction:			
Salaries	1,152	1,703	
Employee benefits	88	130	
Purchased services	29,958	34,181	
Supplies & materials	34,719	24,629	
Capital outlay	-	3,199	
Total Technology Assisted Instruction	\$ 65,917	\$ 63,842	

See notes to the financial statements.

(CONTINUED)

BOYNE FALLS PUBLIC SCHOOL  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
COMPARATIVE DETAIL OF EXPENDITURES AND OTHER FINANCING USES - (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017

(CONTINUED)	2017	2016
<b>SUPPORT SERVICES:</b>		
Support Services - Instructional Staff: (continued)		
Academic Student Assessment:		
Salaries	\$ -	\$ -
Employee benefits	-	-
Purchased services	-	1,404
Supplies & materials	1,850	698
Other expenses	-	-
Total Academic Student Assessment	<u>1,850</u>	<u>2,102</u>
Total Support Services - Instructional Staff	<u>145,024</u>	<u>141,161</u>
Support Services - General Administration:		
Board of Education:		
Salaries	2,721	2,947
Employee benefits	233	242
Purchased services	21,648	15,845
Supplies & materials	-	27
Other expenses	2,570	2,790
Capital outlay	-	-
Total Board of Education	<u>27,172</u>	<u>21,851</u>
Executive Administration:		
Salaries	97,000	92,958
Employee benefits	76,312	63,908
Purchased services	5,708	3,209
Supplies & materials	344	448
Other expenses	935	255
Capital outlay	-	-
Total Executive Administration	<u>180,299</u>	<u>160,778</u>
Total Support Services - General Administration	<u>207,471</u>	<u>182,629</u>
Support Services - School Administration:		
Office of the Principal:		
Salaries	29,659	29,656
Employee benefits	35,156	33,532
Purchased services	58,123	57,229
Supplies & materials	1,599	1,337
Other expenses	112	143
Capital outlay	-	-
Total Support Services - School Administration	<u>124,649</u>	<u>121,897</u>
Support Services - Business:		
Other Business Services:		
Employee benefits	-	-
Purchased services	61,650	60,397
Supplies & materials	358	269
Other expenses	4,514	6,299
Total Support Services - Business	<u>\$ 66,522</u>	<u>\$ 66,965</u>

See notes to the financial statements.

(CONTINUED)

BOYNE FALLS PUBLIC SCHOOL  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
COMPARATIVE DETAIL OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2017

	(CONTINUED)	2017	2016
<b>SUPPORT SERVICES:</b>			
Support Services - Operation & Maintenance:			
Purchased services	\$	151,111	\$ 169,409
Supplies & materials		81,708	92,829
Other expenses		16,080	559
Capital outlay		-	19,315
Total Support Services - Operation & Maintenance		<u>248,899</u>	<u>282,112</u>
Support Services - Pupil Transportation:			
Salaries		33,291	31,923
Employee benefits		30,690	27,190
Purchased services		22,205	24,129
Supplies & materials		8,782	7,223
Capital Outlay		77,710	-
Other expenses		169	150
Total Support Services - Transportation		<u>172,847</u>	<u>90,615</u>
Community Activities			
Supplies		298	-
Other expenses		-	40
Total Community Activities		<u>298</u>	<u>40</u>
Support Services - Information Management Services			
Purchased Services		2,850	2,000
Other expenses		-	-
Total Information Management Services		<u>2,850</u>	<u>2,000</u>
Support Services - Athletic Activities:			
Salaries		17,246	13,463
Employee benefits		7,429	6,267
Purchased services		22,468	24,504
Supplies & materials		792	288
Other expenses		352	288
Total Support Services - Athletic Activities		<u>48,287</u>	<u>44,810</u>
<b>TOTAL SUPPORT SERVICES</b>		<u><b>1,088,727</b></u>	<u><b>1,004,597</b></u>
<b>TOTAL EXPENDITURES</b>		<u><b>2,727,925</b></u>	<u><b>2,663,727</b></u>
<b>OTHER FINANCING USES:</b>			
Transfers to other funds		21,685	18,552
Loan payments		-	-
Total Other Financing Uses		<u>21,685</u>	<u>18,552</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$</b>	<u><b>2,749,610</b></u>	<u><b>\$ 2,682,279</b></u>

See notes to the financial statements.

BOYNE FALLS PUBLIC SCHOOL  
OTHER SUPPLEMENTAL INFORMATION  
TRUST AND AGENCY FUNDS  
STATEMENT OF CHANGES IN DEPOSITS HELD FOR OTHERS  
FOR THE YEAR ENDED JUNE 30, 2017

	BALANCES July 1, 2016	REVENUES	EXPENDITURES	BALANCES June 30, 2017
Class of 2016	\$ 1,939	\$ 1,667	\$ 3,606	\$ -
Class of 2017	21,205	57,059	70,083	8,181
Class of 2018	7,834	20,496	11,596	16,734
Class of 2019	2,132	10,439	7,020	5,551
Class of 2020	-	6,555	5,971	584
Class of 2021	-	-	1,260	(1,260)
Athletics	100	-	-	100
BFPS Flower Fund	562	390	255	697
Baseball	141	3,723	1,977	1,887
Boyne Falls School pavers	2,161	-	-	2,161
Celebration of the Arts	72	100	72	100
Cross country	1,277	981	774	1,484
Food service	-	3,529	1,918	1,611
Girls basketball	71	-	-	71
Health fund	1,186	1,158	638	1,706
Library fund	107	147	194	60
Miscellaneous	3,386	2,302	2,401	3,287
Miscellaneous Administration	714	2,897	3,172	439
Miscellaneous Athletics	1,186	-	63	1,123
Music department	(27)	72	-	45
National honor society	470	99	287	282
Office Water fund	87	212	185	114
One to One	1,144	340	-	1,484
Preschool activity	3,616	4,394	1,994	6,016
Robotics club	1,937	-	-	1,937
Science	500	6,000	549	5,951
Soup fund	-	687	444	243
Student assistance	1,428	280	50	1,658
Student council	615	2,154	1,512	1,257
Volleyball	362	-	4	358
Yearbook	474	590	36	1,028
Field trip - elementary	1,959	39	1,852	146
Boys basketball	2,260	804	594	2,470
Spirit Team	-	573	446	127
Softball	189	63	252	-
Julius Kowalski scholarship	4,482	-	-	4,482
Jill Stewart scholarship	1,039	-	-	1,039
Totals	\$ 64,608	\$ 127,750	\$ 119,205	\$ 73,153

See notes to the financial statements.

BOYNE FALLS PUBLIC SCHOOL  
OTHER SUPPLEMENTAL INFORMATION  
SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS  
JUNE 30, 2017

DATE OF ISSUE - February 13, 2014

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		
1.20%	2017-18	\$ 12,282	\$ 12,283	\$ 135,000	\$ 159,565
1.40%	2018-19	11,473	11,472	150,000	172,945
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>\$ 59,137</u>	<u>\$ 59,138</u>	<u>\$ 1,240,000</u>	<u>\$ 1,358,275</u>

(CONTINUED)

See notes to the financial statements.

BOYNE FALLS PUBLIC SCHOOL  
OTHER SUPPLEMENTAL INFORMATION  
SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS  
JUNE 30, 2017

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 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		
1.10%	2017-18	\$ 30,356	\$ 24,709	\$ 415,000	\$ 470,065
1.30%	2018-19	22,426	22,426	405,000	449,852
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	16,068	13,068	400,000	429,136
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>\$ 119,047</u>	<u>\$ 110,399</u>	<u>\$ 2,815,000</u>	<u>\$ 3,044,446</u>

See notes to the financial statements.

# Johnson & Schulze PC

Certified Public Accountants

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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

Boyne Falls Public School  
Boyne Falls, Michigan 49729

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, 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, 2017, and the related notes to the financial statements, which collectively comprise Boyne Falls Public School's basic financial statements, and have issued our report thereon dated August 18, 2017.

### 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 result 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.

*Johnson & Schulze PC*

Johnson & Schulze PC  
Alpena, Michigan  
August 18, 2017



# Johnson & Schulze PC

Certified Public Accountants

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## AUDIT COMMUNICATIONS

August 18, 2017

To the Board of Education  
Boyne Falls Public School  
Boyne Falls, Michigan

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, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 19, 2017. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by 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 year ended June 30, 2017.

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions that have been recognized in the financial statements in the proper period.

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

Management's estimate of the net book value of fixed assets is based on estimated depreciation lives.

Net pension liability.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements 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 trivial, and communicate them to the appropriate level of management. We proposed audit adjustments which were approved by Management and are included in the audited financial statements.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as 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 18, 2017.

#### Management Consultations with Other Independent Accountants

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

#### Other Audit Findings or Issues

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

#### Other Matters

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

We were engaged to report on combining and individual fund 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.

#### Recent Pronouncements

The Governmental Accounting Standards Board and Michigan Department of Education, in its continuing process of updating the accounting principles that all governments must adhere to, has issued the following recent pronouncements that have/will have an impact on the way the Boyne Falls Public School maintains its financial records:

- A. **GASB Statement No. 68, Accounting and Reporting for Pensions.** This statement establishes new accounting and financial reporting requirements for most governments that provide their employees with pension benefits. Statement No. 68 requires employers report net pension benefits as a liability on the Statement of Net Position. The standard requires immediate recognition of the pension expense, including annual service cost and interest, and the effect of changes in benefit terms on the net pension liability. Cost-sharing employers are required to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also requires expanded note disclosures and required supplementary information covering the past 10 years for the net pension liability. Statement 68 is effective for fiscal years beginning after June 15, 2014. This statement was adopted by the Boyne Falls Public School with June 30, 2015 financial statements, therefore, these financial statements mark the second year of implementation of this standard. The contribution rate the Boyne Falls Public School is required to pay into the Michigan Public School Employee's Retirement System (MPERS) continues to rise.

After taking into consideration the categorical aid to help offset the impact of the increase in retirement costs under the State Aid Act, the net effect is that the Boyne Falls Public School is responsible for a contribution rate of approximately 26 percent of covered payroll to the retirement system.

- B. **Summary of Statement No. 72, Fair Value Measurement and Application.** This Statement generally requires investments to be measured at fair value. And *investment* is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share (or its equivalent) of the investment. At this time, this statement is not expected to impact Boyne Falls Public School.

The requirements of this Statement were effective for financial statements for periods beginning after June 15, 2015.

- C. **Summary of Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.** The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

This statement is effective for the fiscal year beginning after June 15, 2017.

- D. **Federal Awards Programs.** Changes have been made to compliance requirements that must be followed by non-federal entities receiving federal funding. The threshold for a federal awards audit requirement has increased from \$500,000 in annual federal spending to \$750,000. There have also been changes in cash management of federal funds, monitoring of sub-recipients, and maintenance of written procedures and policies. The new Uniform Guidance requires certain written board policies and procedures in certain areas that effect federal funds and their administration. The School District must implement these written procedures no later than July 1, 2017. Failure to have written policies in place could exclude the School from future federal grants.

Restriction on Use

This information is intended solely for the 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.

Very truly yours,

*Johnson & Schulze PC*

**Johnson & Schulze PC**

Certified Public Accountants  
Alpena, Michigan