

**BOYNE FALLS PUBLIC SCHOOL**  
**BOYNE FALLS, MICHIGAN**

**FINANCIAL STATEMENTS**  
**JUNE 30, 2020**



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

**BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
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**BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
ADMINISTRATION BOARD LIST  
JUNE 30, 2020**

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**ADMINISTRATION**

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<b>Superintendent</b>	<b>Cynthia Pineda</b>
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**BOARD OF EDUCATION**

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<b>President</b>	<b>Bill Cousineau</b>
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<b>Vice President</b>	<b>David Carson</b>
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<b>Secretary</b>	<b>Barb Loper</b>
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<b>Treasurer</b>	<b>Laura Brunmeier</b>
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<b>Trustee</b>	<b>Eugene Pickering</b>
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<b>Trustee</b>	<b>Karena Haug</b>
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<b>Trustee</b>	<b>Patsy Grubaugh-Clink</b>
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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Boyne Falls Public School

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Boyne Falls Public School* (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of *Boyne Falls Public School* as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund, pension schedules and other postemployment benefits schedules as noted 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.

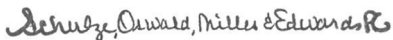
#### ***Other Information***

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 combining and individual nonmajor fund financial statements, Trust and Agency Funds – School Activities: Statement of Changes in Deposits Held for Others and Schedule of Bonded Indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2020, on our consideration of *Boyne Falls Public School's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering *Boyne Falls Public School's* internal control over financial reporting and compliance.



Schulze, Oswald, Miller & Edwards PC  
Alpena, Michigan  
October 2, 2020

Management's Discussion and Analysis  
Year Ended June 30, 2020

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, 2020.

**Financial Highlights**

- The net position of the District was a deficit of (\$858,877) at the close of the most recent fiscal year. Of this amount, (\$3,989,454) is unrestricted net position, \$2,939,037 is invested in capital assets (*net of related debt*), \$184,215 is restricted and \$7,325 is nonspendable (inventory).
- The District's total net position increased by \$105,524.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,139,361, an increase of \$157,345 in comparison with the prior year. Approximately 83%, or \$947,821 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 \$947,821 or 32% 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 and community services. The District has no business-type activities as of and for the year ended June 30, 2020.

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

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

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

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

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

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

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

**Fiduciary funds.** Fiduciary funds are for assets that belong to others, such as certain student activities funds where the District is the trustee or fiduciary. The District cannot use these assets to finance its operations but it is responsible to ensure that these funds are used for their intended purposes. Only measurable and currently available funds are reported. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources. Some of these funds are established by State law and by bond covenants while others can be established for the District to control and manage money for a particular purpose such as school lunch and athletics.

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

**Management's Discussion and Analysis**  
**Year Ended June 30, 2020**

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 - 37 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 (\$858,877) at the close of the most recent fiscal year.

A portion of the District's net position, \$2,939,037, 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.

<b>Governmental Activities</b>		
	<u>2019</u>	<u>2020</u>
<b>Assets</b>		
Current and Other Assets	\$ 1,610,055	\$ 1,861,345
Capital Assets, Net	<u>5,522,447</u>	<u>5,324,037</u>
Total Assets	<u>7,132,502</u>	<u>7,185,382</u>
<b>Deferred Outflows of Resources</b>		
Aggregate deferred outflows	<u>1,575,046</u>	<u>1,825,354</u>
<b>Liabilities</b>		
Current Liabilities	1,203,111	1,310,570
Long-term Liabilities	<u>7,872,742</u>	<u>7,940,073</u>
Total Liabilities	<u>9,075,853</u>	<u>9,250,643</u>
<b>Deferred Inflows of Resources</b>		
Aggregate deferred inflows	<u>596,096</u>	<u>618,970</u>
<b>Net Position</b>		
Invested in Capital Assets,		
Net of Related Debt	2,572,447	2,939,037
Nonspendable	15,045	7,325
Restricted	131,789	184,215
Unrestricted	<u>(3,683,682)</u>	<u>(3,989,454)</u>
<b>Total Net Position</b>	\$ <u>(964,401)</u>	\$ <u>(858,877)</u>

An additional portion of the District's net position \$184,215 represents resources that are subject to external restrictions on how they may be used. The remaining balance is *unrestricted net position*, (\$3,989,454).



**Management's Discussion and Analysis**  
**Year Ended June 30, 2020**

The District's net position increased by \$105,524 during the current fiscal year. Most of this increase is attributable to State Aid and Property Tax Revenue. The District's blended enrollment was approximately 197 students.

**District's Changes in Net Position**

**Governmental Activities**

	<u>2019</u>	<u>2020</u>
<b>Revenue</b>		
Program Revenue		
Charges for Services	\$ 185,345	\$ 153,557
Operating Grants and Contributions	594,381	333,958
General Revenue:		
Property Taxes	2,678,734	2,747,253
State School Aid	19,637	236,380
Interest and investment earnings	6,906	827
Other	331,233	564,944
<b>Total Revenue</b>	<u>3,816,236</u>	<u>4,036,919</u>
<b>Expenses</b>		
Instruction	1,973,322	2,096,717
Support Services	1,098,130	1,144,098
Food Service	203,885	373,987
Deferred refunding charges	8,339	8,340
Depreciation - unallocated	247,323	248,556
Interest on Long Term Debt	67,798	59,697
<b>Total Expenses</b>	<u>3,598,797</u>	<u>3,931,395</u>
<b>Increase (Decrease) in Net Position</b>	217,439	105,524
Net Position, Beginning of Year	<u>(1,181,840)</u>	<u>(964,401)</u>
<b>Net Position, End of Year</b>	<u>\$ (964,401)</u>	<u>\$ (858,877)</u>

**Governmental activities.** Governmental activities increased the District's net position by \$105,524.

**Financial Analysis of the Government's Funds**

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

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

**Management's Discussion and Analysis**  
**Year Ended June 30, 2020**

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,139,361, an increase of \$157,345 in comparison with the prior year. Approximately 83% of this total amount, \$1,139,361, 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.

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 \$947,821. 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 31% and 38% respectively of total general fund expenditures.

The fund balance of the District's general fund increased by \$112,640 during the current fiscal year. Revenues increased \$84,437 and expenditures decreased by \$25,979 compared to the prior year.

The food service fund has a total fund balance of \$40,051.

The debt service funds together have a total fund balance of \$150,489. This includes both the 2017 debt service fund and the 2015 debt service fund.

#### **General Fund Budgetary Highlights**

Differences between the original and final amended budgets were revenue only adjusting up by \$107,253 and expenses and other financing sources adjusting up by \$214,997 in total from beginning to final. The excess of revenues over expenditures budgetary figure was less than the actual results by \$225,343 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, 2020, amounted to \$5,324,037 (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)**

	2019	2020
Land	\$ 5,000	\$ 5,000
Land Improvement	74,901	47,637
Buildings	5,130,711	4,978,480
Vehicles	132,166	116,047
Equipment	179,669	176,873
<b>Total</b>	<b>\$ 5,522,447</b>	<b>\$ 5,324,037</b>

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 \$795,000 in bonds and a 2017 Bond issue (refunding of a portion of the 2007 Bond issue) with an outstanding balance of \$1,590,000. 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 2020 - 2021 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 dependent on the State of Michigan to provide per pupil funding, as this will all be collected from the local non-principal residence millage. The future revenue growth for the district will be dependent solely on the increasing non-principal residence property values within the district.
- With the increased costs of utilities, health insurance and other contractual obligations the district has adopted a budget projecting a deficit of \$76,775.
- Operating as an out of formula district allows the District the opportunity to utilize its facilities and schools of choice program to the maximum benefit of the district's students without facing funding implications from the State of Michigan School Aid Fund.

### **Requests for Information**

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

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

BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
DISTRICT WIDE FINANCIAL STATEMENTS  
STATEMENT OF NET POSITION  
JUNE 30, 2020

	GOVERNMENTAL ACTIVITIES
<b><u>ASSETS</u></b>	
Cash and investments	\$ 1,733,162
Accounts receivable	86,901
Due from governmental units	28,271
Inventory	7,325
Due from other funds	5,686
Capital assets - net	5,324,037
<b>TOTAL ASSETS</b>	<b>7,185,382</b>
<b><u>DEFERRED OUTFLOW OF RESOURCES</u></b>	
Related to pensions	1,389,156
Related to OPEB	409,190
Deferred charges on refunding	27,008
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b>1,825,354</b>
<b><u>LIABILITIES</u></b>	
Accounts payable	73,386
Accrued salaries and withholdings	285,619
Accrued interest	8,586
Unearned revenue	362,979
Long-term liabilities	
Due within one year	580,000
Due in more than one year	1,817,726
Net pension liability	5,014,329
Net OPEB liability	1,108,018
<b>TOTAL LIABILITIES</b>	<b>9,250,643</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Related to pensions	190,546
Related to OPEB	428,424
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b>618,970</b>
<b><u>NET POSITION</u></b>	
Invested in capital assets, net of related debt	2,939,037
Nonspendable - Inventory	7,325
Restricted for food service	33,726
Restricted for debt service	150,489
Unrestricted	(3,989,454)
<b>TOTAL NET POSITION</b>	<b>\$ (858,877)</b>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
DISTRICT WIDE FINANCIAL STATEMENTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020

Functions/programs	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS	
<b>Governmental Activities</b>				
Instruction	\$ 2,096,717	\$ 53,444	\$ 331,483	\$ (1,711,790)
Support services	1,144,098	13,332	55	(1,130,711)
Food services	373,987	86,781	2,420	(284,786)
Interest on long term debt	59,697	-	-	(59,697)
Deferred charges on refunding	8,340	-	-	(8,340)
Depreciation - unallocated	248,556	-	-	(248,556)
<b>Total Governmental Activities</b>	<b>\$ 3,931,395</b>	<b>\$ 153,557</b>	<b>\$ 333,958</b>	<b>(3,443,880)</b>
<b>General Revenues</b>				
<b>Taxes</b>				
Property taxes, levied for general operations				2,125,592
Property taxes, levied for debt service				621,661
State of Michigan aid, unrestricted				236,380
Interest and investment earnings				827
Other				564,944
<b>Total General Revenues</b>				<b>3,549,404</b>
<b>Change in Net Position</b>				<b>105,524</b>
<b>Net position - beginning of year</b>				<b>(964,401)</b>
<b>Net position - end of year</b>				<b>\$ (858,877)</b>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
FUND FINANCIAL STATEMENTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2020

	GENERAL	DEBT SERVICE 2017 DEBT SERVICE	NONMAJOR GOVERNMENTAL FUNDS	TOTALS
<b>ASSETS</b>				
Cash and investments	\$ 1,588,640	\$ 80,117	\$ 64,405	\$ 1,733,162
Accounts receivable	57,417	-	29,484	86,901
Due from other governmental units	26,878	-	1,393	28,271
Due from other funds	-	24,688	892,654	917,342
Inventory	-	-	7,325	7,325
<b>TOTAL ASSETS</b>	<b>\$ 1,672,935</b>	<b>\$ 104,805</b>	<b>\$ 995,261</b>	<b>\$ 2,773,001</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 58,789	\$ 26	\$ 14,571	\$ 73,386
Accrued salaries and withholdings	285,619	-	-	285,619
Unearned revenue	362,979	-	-	362,979
Due to other funds	17,727	69	893,860	911,656
<b>TOTAL LIABILITIES</b>	<b>725,114</b>	<b>95</b>	<b>908,431</b>	<b>1,633,640</b>
<b>FUND BALANCES:</b>				
Nonspendable - inventory	-	-	7,325	7,325
Restricted for debt service	-	104,710	45,779	150,489
Restricted for food service	-	-	33,726	33,726
Unassigned - General Fund	947,821	-	-	947,821
<b>TOTAL FUND BALANCES</b>	<b>947,821</b>	<b>104,710</b>	<b>86,830</b>	<b>1,139,361</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,672,935</b>	<b>\$ 104,805</b>	<b>\$ 995,261</b>	<b>\$ 2,773,001</b>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
FUND FINANCIAL STATEMENTS  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION  
AS OF JUNE 30, 2020

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Total Governmental Fund Balances	\$ 1,139,361
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	9,881,152
Accumulated depreciation is	(4,557,115)
Deferred outflows used in governmental activities are not financial resources and therefore are not reported in the governmental funds:	
Related to pensions	1,389,156
Related to OPEB	409,190
Deferred charges on refunding	27,008
Long term liabilities are not due and payable in the current period and are not reported in the funds:	
Compensated absences	(12,726)
Bonds payable	(2,385,000)
Net pension liability	(5,014,329)
Net OPEB liability	(1,108,018)
Accrued interest payable is included as a liability in governmental activities	(8,586)
Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in the governmental funds:	
Related to pensions	(190,546)
Related to OPEB	(428,424)
Net Position of Governmental Activities	\$ <u>(858,877)</u>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
FUND FINANCIAL STATEMENTS  
COMBINED STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES  
(USES), AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020

	GENERAL	DEBT SERVICE 2017 DEBT SERVICE	NONMAJOR GOVERNMENTAL FUNDS	TOTALS
<b>REVENUES:</b>				
Local sources	\$ 2,285,663	\$ 443,709	\$ 231,929	\$ 2,961,301
State sources	464,918	5,943	19,203	490,064
Federal sources	78,719	-	254,124	332,843
Interdistrict sources	252,711	-	-	252,711
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<b>3,082,011</b>	<b>449,652</b>	<b>505,256</b>	<b>4,036,919</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction	2,006,373	-	-	2,006,373
Support services	911,884	-	283,903	1,195,787
Athletics	51,114	-	-	51,114
Capital outlay	-	-	-	-
Intergovernmental payments	-	83	34	117
Debt service	-	445,088	181,095	626,183
<b>TOTAL EXPENDITURES</b>	<b>2,969,371</b>	<b>445,171</b>	<b>465,032</b>	<b>3,879,574</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>112,640</b>	<b>4,481</b>	<b>40,224</b>	<b>157,345</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>112,640</b>	<b>4,481</b>	<b>40,224</b>	<b>157,345</b>
<b>FUND BALANCES - Beginning of year</b>	<b>835,181</b>	<b>100,229</b>	<b>46,606</b>	<b>982,016</b>
<b>FUND BALANCES - End of year</b>	<b>\$ 947,821</b>	<b>\$ 104,710</b>	<b>\$ 86,830</b>	<b>\$ 1,139,361</b>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.



BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
FUND FINANCIAL STATEMENTS  
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020

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Net Change in Fund Balances - Total Governmental Funds	\$	157,345
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Amounts reported for governmental activities are different because:

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

Depreciation expense	\$	(248,556)	
Capital Outlay		50,146	
			(198,410)

Accrued interest is recorded in the statement of activities when incurred it is not reported in governmental funds until paid		1,486
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(Increase) decrease in compensated absences are reported as expenditures when financial resources are used in the governmental funds		5,481
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Payments on bonded debt are not an expense in the government wide statements where they reduce long term debt		565,000
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The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect of premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long- term debt and related items as follows:		
Amortization of bond discount		(8,340)

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		(474,972)
OPEB related items		57,934

Change in Net Position of Governmental Activities	\$	105,524
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SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2020

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**ASSETS**

Cash	\$ 112,653
Due from other funds	<u>3,839</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>116,492</u></b>

**LIABILITIES**

Due to student groups	\$ 104,984
Accounts payable	1,983
Due to other funds	<u>9,525</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>116,492</u></b>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

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

The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

**BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

Additionally, the District reports the following fund types:

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

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

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

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

The custodial fund consists of assets for the benefit of individuals and the District does not have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are not derived from the District's provision of goods or services to those individuals. This fund is used to account for assets that the District hold for others in an agency capacity (primarily student activities).

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.

In accordance with Michigan Compiled Laws, the district is authorized to invest in the following investment vehicles:  
Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which a member of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association

BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)**

which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUAA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less two (2) standard rating services and which matures not more than 270 days after the date of purchases.

The United States government of federal agency obligations repurchase agreements.

Bankers acceptances of United States Banks.

Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of governmental deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal National Mortgage Association, or Governmental National Mortgage Association.

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

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the District have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2019 taxable value of the District was \$51,237,673 principal residence and \$116,831,065 non-principal residence. The District levied 18.0000 mills for operating purposes on non-homestead and 3.6500 mills debt service purposes on all property for 2019.

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.

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

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

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventory is maintained in the 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.

BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)**

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

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

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

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as other bond expenditures.

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

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

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

**Deferred Outflow/Inflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense or expenditure) until then. The District has three items that qualify for reporting in this category. The first is deferred charges on refunding of bonds which represents the difference in the carrying value of the refunded debt and its reacquisition price with this amount deferred and amortized over the life of the refunded bonds. The other two are the pension and OPEB contributions reported in the government-wide statement of net position. A deferred outflow is recognized for pension contributions made after the plan's measurement date, but before the fiscal year end. The amount is amortized in the plan year in which it applies.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (receipts) until that time. The District has two items that qualify for reporting in this category. It is the future resources yet to be recognized in relation to the pension actuarial calculation. The future resources arise from differences in the estimates used by the actuary to calculate the pension and OPEB liability and the actual results. The amounts are amortized over a period determined by the actuary.

BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)**

**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 financial statements were available to be issued.

**DEFINED BENEFIT PLAN**

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

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

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

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

BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

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**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	\$ 1,733,162	\$ 112,653	\$ 1,845,815
Total	\$ <u>1,733,162</u>	\$ <u>112,653</u>	\$ <u>1,845,815</u>

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

Deposits (checking, savings)	\$ 1,287,139
Investments (Michigan Liquid Asset Fund)	558,336
	\$ <u>1,845,475</u>

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

As of June 30, 2020 the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Investment pool	\$ <u>558,336</u>	<u>31 days</u>

**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, 2020 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, 2020 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, 2020, \$782,273 of the District's bank balance of \$1,840,609 was exposed to custodial risk because it was uninsured. The book balance of these accounts was \$1,845,815.



BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

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**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

**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, 2020. 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.

MILAF+ reports as of June 30, 2020, the fair value of the District's investments is the same as the value of the pooled shares. MILAF, as defined by GASB, is recorded at amortized cost which approximates fair value. The MILAF+ portfolio offers three share classes which are: Cash Management Class, MAX Class, and GovMIC Class. The only class that has limitations or restrictions on withdrawals is MAX Class, which requires notification of redemptions prior to 14 days to avoid penalties. The MILAF+ portfolio is not subject to fair value disclosures.

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

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

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**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 allowance for uncollectible accounts, are as followed:

	General Fund	2014 Debt Service Fund	2017 Debt Service Fund	Nonmajor and other Funds	Total
Receivables:					
Accounts receivable	\$ 57,417	\$ -	\$ -	\$ 29,484	\$ 86,901
Intergovernmental	<u>26,878</u>	<u>-</u>	<u>-</u>	<u>1,393</u>	<u>28,271</u>
Total receivables	<u>\$ 84,295</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,877</u>	<u>\$ 115,172</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	\$ <u>21,912</u>
Payments received prior to meeting all eligibility requirements:	
Vocational education millage	<u>341,067</u>
Totals	<u>\$ 362,979</u>
Total unearned revenue	<u>\$ 362,979</u>

(NOTES CONTINUED ON NEXT PAGE)

BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 5 - CAPITAL ASSETS**

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

<u>Assets</u>	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
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	223,593	-	-	223,593
Furniture & equipment	1,424,418	50,146	-	1,474,564
Subtotal	9,826,007	50,146	-	9,876,153
<u>Accumulated Depreciation</u>				
Land improvements	491,531	27,264	-	518,795
Buildings & improvements	2,480,853	152,231	-	2,633,084
Buses	91,427	16,119	-	107,546
Furniture & equipment	1,244,749	52,942	-	1,297,691
Subtotal	4,308,560	248,556	-	4,557,116
Net capital assets being depreciated	5,517,447	(198,410)	-	5,319,037
Governmental Activities				
Total Capital Assets net of Depreciation	\$ 5,522,447	\$ (198,410)	\$ -	\$ 5,324,037

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

**NOTE 6 - RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	Amount
General Fund	\$ -	General Fund	\$ 17,727
Other Nonmajor Govern.	892,654	Other Nonmajor Govern.	893,860
2017 Debt Service	24,688	Fiduciary fund	9,525
Fiduciary fund	3,839	2017 Debt Service	69
Total	\$ 921,181	Total	\$ 921,181

Transfer In

Nonmajor-Food Service	\$ -	<u>Transfer Out</u>	\$ -
		General	

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**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:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>				
<b>General Obligation Bonds:</b>				
2014 Issue	\$ 955,000	\$ (160,000)	\$ 795,000	\$ 170,000
2017 Issue	1,995,000	(405,000)	1,590,000	410,000
Compensated absences	18,207	(5,481)	12,726	-
Deferred charges on refunding-2014	(9,939)	1,989	(7,950)	-
Deferred charges on refunding-2017	(25,409)	6,353	(19,056)	-
<b>Total Governmental Activities</b>	<b>\$ 2,932,859</b>	<b>\$ (562,139)</b>	<b>\$ 2,370,720</b>	<b>\$ 580,000</b>

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

Year Ended June 30	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 580,000	\$ 51,515	\$ 631,515
2022	590,000	41,110	631,110
2023	600,000	29,025	629,025
2024	615,000	15,210	630,210
Total	<b>\$ 2,385,000</b>	<b>\$ 136,860</b>	<b>\$ 2,521,860</b>

General Obligation Bonds payable at June 30, 2020 are comprised of the following issues:

**General obligation bonds:**

2014 bonds due in annual installments \$ 795,000  
ranging from \$110,000 to \$225,000 through  
May 1, 2024; interest rates ranging from  
.70% to 2.60%

2017 bonds due in annual installments 1,590,000  
ranging from \$390,000 to \$415,000 through  
November 1, 2024; interest rates ranging from  
1.1% to 2.4%

Total General obligation bonds \$ 2,385,000

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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 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS**

**Plan Description**

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

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

**Benefits Provided - Overall**

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

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

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

**Benefits Provided - Pension**

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

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

**Pension Reform 2010**

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

**Pension Reform 2012**

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

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

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

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

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

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

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

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

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

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

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

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

**Pension Reform 2017**

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

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

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

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

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

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

**Retiree Healthcare Reform of 2012**

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a instead opting out of portable tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employee match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

**Regular Retirement (no reduction factor for age)**

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

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

**Member Contributions**

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

**Employer Contributions**

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method, to the current



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

Employer Contributions (continued)

and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2019 were determined as of the September 30, 2016 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2016 are amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

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

	Pension	Other postemployment
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%

The school district's pension contribution for the year ended June 30, 2020 were equal to the required contribution total. Pension contributions were approximately \$266,000 with \$245,000 specifically for the Defined Benefit Plan.

The school district's OPEB contribution for the year ended June 30, 2020 were equal to the required contribution total. Pension contributions were approximately \$106,000, with \$106,000 specifically for the Defined Benefit Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

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

MPSERS (Plan) Non-University Employers	September 30, 2019	September 30, 2018
Total Pension Liability	\$ 83,442,507,212	\$ 79,863,694,444
Plan Fiduciary Net Position	50,325,869,388	49,801,889,205
Net Pension Liability	33,116,637,824	30,061,805,239
Proportionate Share	0.01514%	0.01436%
Net Pension liability for Boyne Falls Public Schools	\$ 5,014,329	\$ 4,317,218

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

For the year ended June 30, 2020, Boyne Falls Public Schools recognized pension expense of \$875,817. At June 30, 2020, 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	\$ 22,476	\$ 20,909
Changes of assumptions	981,809	-
Net difference between projected and actual earnings on pension plan investments	-	160,701
Changes in proportion and differences between Districts and proportionate share of contributions	199,308	8,936
District's contributions subsequent to the measurement date	185,563	-
<b>Total</b>	<b>\$ 1,389,156</b>	<b>\$ 190,546</b>

\$185,563, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

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

Year Ending September 30	Amount
2020	\$ 395,138
2021	312,473
2022	216,533
2023	88,903
	<b>\$ 1,013,047</b>

**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.

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

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

**OPEB Liabilities**

The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPERS (Plan) Non-University	September 30, 2019	September 30, 2018
Total OPEB Liability	\$ 13,925,860,688	\$ 13,932,170,264
Plan Fiduciary Net Position	6,748,112,668	5,982,218,473
Net Pension Liability	7,177,748,020	7,948,951,791
Proportionate Share	0.01544%	0.01439%
Net OPEB liability for Boyne Falls Public Schools	\$ 1,108,018	\$ 1,143,555

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

At June 30, 2020, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 406,563
Changes of assumptions	240,085	-
Net difference between projected and actual earnings on OPEB plan investments	-	19,269
Changes in proportion and differences between employer contributions and proportionate share of contributions	89,166	2,592
Employer contributions subsequent to the measurement date	79,939	-
<b>Total</b>	<b>\$ 409,190</b>	<b>\$ 428,424</b>

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

\$79,939, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To be Recognized in Future OPEB Expenses)	
Year Ending September 30	Amount
2020	\$ (32,131)
2021	(32,131)
2022	(22,241)
2023	(9,287)
2024	(3,383)
	<u>\$ (99,173)</u>

**Actuarial Assumptions**

Investment rate of return for Pension - 6.80% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 6.0% a year, compounded annually net of investment and administrative expense for the Hybrid group (Pension Plus plan).

Investment rate of return for OPEB - 6.95% a year, compounded annually net of investment and administrative expenses.

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

Inflation - 3.0%

**Mortality assumptions**

Retirees - RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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

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

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2018. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with September 30, 2017 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Healthcare cost trend rate for other postemployment benefit - 7.50% for year one and graded to 3.50% to year twelve.

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

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

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

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

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

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

Target asset allocation as of September 30, 2019 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0%	5.5%
Private Equity Pools	18.0%	8.6%
International Equity	16.0%	7.3%
Fixed Income Pools	10.5%	1.2%
Real Estate and Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.4%
Short Term Investment Pools	2.0%	0.8%
Total	100.0%	

*\*Long-term rates of return are net of administrative expenses and 2.3% inflation.*

Rate of return – For fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension discount rate - A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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.

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

OPEB discount rate - A single discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. 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 school district contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease	Current Discount	1% Increase
District's proportionate share of the net pension liability	\$6,518,949	\$5,014,329	\$3,766,948

Sensitivity of the net OPEB liability to changes in the discount rate -The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	OPEB		
	1% Decrease	Current Discount	1% Increase
District's proportionate share of the net OPEB liability	\$1,359,151	\$1,108,018	\$897,137

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	OPEB		
	1% Decrease	Current Healthcare	1% Increase
District's proportionate share of the net OPEB liability	\$888,196	\$1,108,018	\$1,359,121

BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

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

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2019 Comprehensive Annual Financial Report.

Payable to the pension and OPEB plan - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

**NOTE 10 - CONTINGENCIES**

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

The District is a reimbursing employer to the State of Michigan Unemployment Agency and as such is responsible to pay the Agency for all benefits paid and charged to the District. As of June 30, 2020 all known liabilities for claims paid by the Agency are recorded as accounts payable.

**NOTE 11 - CAPITAL PROJECTS FUNDS**

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

**NOTE 12 - TAX ABATEMENTS**

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

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

The property taxes abated for all funds by municipality under these programs are as follows:

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

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

**NOTE 13 - SUBSEQUENT EVENTS**

The District has evaluated subsequent events through October 2, 2020, the date on which the financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of schools. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the District expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

BOYNE FALLS PUBLIC SCHOOLS  
BOYNE FALLS, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	2020	2020	BUDGETARY	WITH FINAL
	ORIGINAL	FINAL	BASIS	BUDGET
<b>REVENUES</b>				
Local sources	\$ 2,279,289	\$ 2,299,032	\$ 2,285,663	\$ (13,369)
State sources	434,817	481,146	464,918	(16,228)
Federal sources	67,096	95,304	78,719	(16,585)
Interdistrict sources	361,733	374,706	252,711	(121,995)
<b>TOTAL REVENUES</b>	<b>3,142,935</b>	<b>3,250,188</b>	<b>3,082,011</b>	<b>(168,177)</b>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Basic programs	1,721,266	1,760,484	1,698,022	62,462
Added needs	204,632	227,620	195,657	31,963
Support services:				
Pupil support services	119,294	121,865	90,084	31,781
Business services	95,400	101,250	92,551	8,699
Operation & maintenance	311,612	321,626	265,117	56,509
Pupil transportation	111,879	178,754	83,858	94,896
Other central services	12,850	21,549	3,855	17,694
Athletics	39,229	52,090	51,114	976
Instructional staff	122,859	157,372	112,694	44,678
General administration	247,263	254,763	217,444	37,319
School administration	161,610	165,518	158,975	6,543
<b>TOTAL EXPENDITURES</b>	<b>3,147,894</b>	<b>3,362,891</b>	<b>2,969,371</b>	<b>393,520</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Incoming transfers and other transactions	-	-	-	-
Outgoing transfers and other transactions	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>(4,959)</b>	<b>(112,703)</b>	<b>112,640</b>	<b>225,343</b>
<b>BUDGETARY FUND BALANCE - July 1, 2019</b>	<b>835,181</b>	<b>835,181</b>	<b>835,181</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE - June 30, 2020</b>	<b>\$ 830,222</b>	<b>\$ 722,478</b>	<b>\$ 947,821</b>	<b>\$ 225,343</b>



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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability	0.01514%	0.01436%	0.01416%	0.01411%	0.01364%	0.01292%
Reporting unit's proportionate share of net pension liability	\$ 5,014,329	\$ 4,317,218	\$ 3,670,266	\$ 3,519,771	\$ 3,332,482	\$ 2,845,377
Reporting unit's covered-employee payroll	\$ 1,355,845	\$ 1,238,414	\$ 1,181,822	\$ 1,210,276	\$ 1,138,440	\$ 1,053,573
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	369.83%	348.61%	310.56%	290.82%	292.72%	270.07%
Plan fiduciary net position as a percentage of total pension liability	60.31%	62.36%	64.21%	63.27%	63.17%	66.15%

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

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory required contributions	\$ 402,238	\$ 391,057	\$ 217,153	\$ 220,573	\$ 221,363	\$ 236,729
Contributions in relation to statutorily required contributions*	<u>(402,238)</u>	<u>(391,057)</u>	<u>(217,153)</u>	<u>(220,573)</u>	<u>(221,363)</u>	<u>(236,729)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ 1,340,830	\$ 1,338,991	\$ 1,219,713	\$ 1,174,705	\$ 1,158,387	\$ 1,115,538
Contribution as a percentage of covered-employee payroll	30.00%	29.21%	17.80%	18.78%	19.11%	21.22%

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

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

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	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB liability	0.01544%	0.01450%	0.01415%
Reporting unit's proportionate share of net OPEB liability	\$ 1,108,018	\$ 1,152,317	\$ 1,253,356
Reporting unit's covered-employee payroll (OPEB)*	\$ 1,355,845	\$ 1,238,414	\$ 1,181,822
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	81.72%	93.05%	106.05%
Plan fiduciary net position as a percentage of total OPEB liability	48.46%**	42.95%**	36.39%**

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

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

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutory required contributions	\$ 105,991	\$ 94,096	\$ 87,598
Contributions in relation to statutorily required contributions*	<u>(105,991)</u>	<u>(94,096)</u>	<u>(87,598)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll (OPEB)**	\$ 1,340,830	\$ 1,338,991	\$ 1,219,713
Contribution as a percentage of covered-employee payroll	7.90%	7.03%	7.18%

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

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

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

SEE NOTES TO FINANCIAL STATEMENTS.

**BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION & OPEB  
FOR THE YEAR ENDED JUNE 30, 2020**

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**Pension Information**

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

Discount rate for MIP and Basic plans decreased to 6.80% from 7.05%.

Discount rate for Pension Plus decreased to 6.80% from 7.00%.

**OPEB Information**

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

Discount rate for decreased to 6.95% from 7.15%.

Healthcare cost trend rate increased to 7.50% Year 1 graded to 3.50% Year 12 from 7.50%  
Year 1 graded to 3.00% Year 12.

SEE NOTES TO FINANCIAL STATEMENTS.

BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
OTHER SUPPLEMENTARY INFORMATION  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2020

			NONMAJOR GOVERNMENTAL
	SPECIAL REVENUE	DEBT SERVICE	FUNDS
	FOOD SERVICE	2014 DEBT SERVICE	TOTAL
<b><u>ASSETS</u></b>			
Cash and investments	\$ 28,581	\$ 35,824	\$ 64,405
Accounts receivable	29,484	-	29,484
Due from other governmental units	1,393	-	1,393
Due from other funds	882,666	9,988	892,654
Inventory	7,325	-	7,325
<b>TOTAL ASSETS</b>	<b>\$ 949,449</b>	<b>\$ 45,812</b>	<b>\$ 995,261</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 14,561	\$ 10	\$ 14,571
Accrued salaries	-	-	-
Due to other funds	893,837	23	893,860
Unearned revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b>908,398</b>	<b>33</b>	<b>908,431</b>
Fund Balances:			
Nonspendable - inventory	7,325	-	7,325
Restricted for food service	33,726	-	33,726
Restricted for debt service	-	45,779	45,779
<b>TOTAL FUND BALANCE</b>	<b>41,051</b>	<b>45,779</b>	<b>86,830</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 949,449</b>	<b>\$ 45,812</b>	<b>\$ 995,261</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
OTHER SUPPLEMENTARY INFORMATION  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
OTHER FINANCING USES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2020

			NONMAJOR GOVERNMENTAL
	SPECIAL REVENUE	DEBT SERVICE	FUNDS
	FOOD SERVICE	2015 DEBT SERVICE	TOTAL
<b>REVENUES</b>			
Local sources	\$ 52,974	\$ 178,955	\$ 231,929
State sources	16,803	2,400	19,203
Federal sources	254,124	-	254,124
<b>TOTAL REVENUES</b>	<b>323,901</b>	<b>181,355</b>	<b>505,256</b>
<b>EXPENDITURES:</b>			
Current operations:			
Food service	283,903	-	283,903
Student/school activities	-	-	-
Debt service	-	181,095	181,095
Intergovernmental	-	34	34
Capital outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>283,903</b>	<b>181,129</b>	<b>465,032</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>39,998</b>	<b>226</b>	<b>40,224</b>
<b>OTHER FINANCING USES</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING (USES)</b>	<b>39,998</b>	<b>226</b>	<b>40,224</b>
<b>FUND BALANCE - BEGINNING OF YEAR, AS RESTATED</b>	<b>1,053</b>	<b>45,553</b>	<b>46,606</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 41,051</b>	<b>\$ 45,779</b>	<b>\$ 86,830</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
OTHER SUPPLEMENTARY INFORMATION  
TRUST AND AGENCY FUNDS  
STATEMENT OF CHANGES IN DEPOSITS HELD FOR OTHERS  
FOR THE YEAR ENDED JUNE 30, 2020

	BALANCES July 1, 2019	REVENUES	EXPENDITURES	BALANCES June 30, 2020
Class of 2018	\$ 1,733	\$ -	\$ -	\$ 1,733
Class of 2019	(120)	778	586	72
Class of 2020	16,383	47,633	57,896	6,120
Class of 2021	15,952	25,509	15,995	25,466
Class of 2022	3,984	8,600	4,114	8,470
Class of 2023	(1,000)	15,939	6,416	8,523
Athletics	1,253	-	26	1,227
BFPS Flower Fund	1,331	-	331	1,000
Baseball	863	269	971	161
Boyne Falls School pavers	2,231	250	212	2,269
Boys basketball	2,239	856	487	2,608
Celebration of the Arts	100	-	-	100
Cross country	485	2,146	1,222	1,409
Girls basketball	71	-	-	71
Health fund	5,565	16,745	19,124	3,186
Hoophouse	-	3,000	-	3,000
Library fund	(2)	-	-	(2)
Miscellaneous	1,275	1,558	-	2,833
Miscellaneous Administration	777	997	1,723	51
Music department	23	-	-	23
National honor society	161	77	142	96
Office Water fund	102	184	158	128
One to One	2,124	840	-	2,964
Preschool activity	7,833	1,049	1,335	7,547
Robotics club	1,937	5,346	1,291	5,992
School Store	112	669	283	498
Science	6,875	500	-	7,375
Softball	287	100	-	387
Soup fund	216	166	160	222
Spirit Fund	467	-	-	467
Student assistance	2,055	-	-	2,055
Student council	1,838	1,290	1,364	1,764
United Way Stuff the Bus	38	-	-	38
Volleyball	2,106	1,961	3,940	127
Yearbook	1,069	795	382	1,482
Julius Kowalski scholarship	4,482	1	-	4,483
Jill Stewart scholarship	1,039	-	-	1,039
Totals	\$ 85,884	\$ 137,258	\$ 118,158	\$ 104,984

SEE NOTES TO FINANCIAL STATEMENTS.



**BOYNE FALLS PUBLIC SCHOOL  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS  
JUNE 30, 2020**

**DATE OF ISSUE - February 13, 2014**

**ALTERNATIVE REPORTING REQUIREMENT**

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

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

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1	Total Fiscal Year Requirements
		November 1	May 1		
1.90%	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>\$ 24,960</u>	<u>\$ 24,960</u>	<u>\$ 795,000</u>	<u>\$ 844,920</u>

(CONTINUED)

SEE NOTES TO FINANCIAL STATEMENTS.

**BOYNE FALLS PUBLIC SCHOOL  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS  
JUNE 30, 2020**

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**DATE OF ISSUE - FEBRUARY 28, 2017**

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

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

The cost of issuance totaled \$44,465.

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1	Total Fiscal Year Requirements
		November 1	May 1		
1.75%	2020-21	\$ 16,655	\$ 16,655	\$ 410,000	\$ 443,310
2.00%	2021-22	13,068	13,068	400,000	426,136
2.25%	2022-23	9,068	9,067	390,000	408,135
2.40%	2023-24	4,680	4,680	390,000	399,360
		<u>\$ 43,471</u>	<u>\$ 43,470</u>	<u>\$ 1,590,000</u>	<u>\$ 1,676,941</u>

SEE NOTES TO FINANCIAL STATEMENTS.

# Schulze Oswald Miller & Edwards PC

120 N. Ripley Street • Alpena, MI 49707  
P.O. Box 69 • Rose City, MI 48654



Alpena 989-354-8707 • Fax 989-354-8708  
Rose City 989-685-2411 • Fax 989-685-2412

October 2, 2020

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, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 7, 2020. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Matters

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by *Boyne Falls Public School* are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2019/2020 fiscal year. We noted no transactions entered into by *Boyne Falls Public School* during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

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

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

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

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

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

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

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 2, 2020.

#### *Management Consultations with Other Independent Accountants*

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

#### *Other Audit Findings or Issues*

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

#### Other Matters

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

We were engaged to report on the combining statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in

relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**Upcoming GASB Statements:**

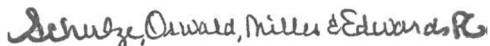
In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, Fiduciary Activities, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the District's financial statements for the fiscal year ending June 30, 2021.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, Leases, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the District's financial statements for the fiscal year ending June 30, 2021.

**Restriction on Use**

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

Very truly yours,



Schulze, Oswald, Miller, & Edwards PC  
Alpena, Michigan

# Schulze Oswald Miller & Edwards PC

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

To the Board of Education  
Boyne Falls Public School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Boyne Falls Public School* as of and for the year ended June 30, 2020, 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 October 2, 2020.

### Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Schulze, Oswald, Miller & Edwards PC*

Schulze, Oswald, Miller & Edwards PC  
Alpena, Michigan  
October 2, 2020

**BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

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