

BIG BAY DE NOC SCHOOL DISTRICT
Garden, Michigan

FINANCIAL STATEMENTS

June 30, 2017

CONTENTS

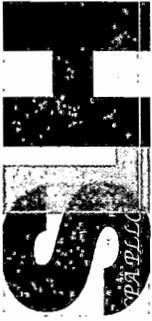
	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
<u>Basic Financial Statements</u>	
District-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Governmental Funds:	
Governmental Funds Balance Sheet	13
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	14
Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	16
Fiduciary Funds:	
Statement of Fiduciary Net Position	17
Statement of Changes in Fiduciary Net Position	18
Notes to Financial Statements	19
<u>Required Supplemental Information</u>	
Budgetary Comparison Schedule - General Fund	36
Schedule of the District's Proportionate Share of the Net Pension Liability - Michigan Public School Employees Retirement Plan	37
Schedule of the District's Pension Plan Contributions - Michigan Public School Employees Retirement Plan	38
Notes to Required Supplemental Information	39

CONTENTS

Page

Other Supplemental Information

Combining Balance Sheet - Nonmajor Governmental Funds	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	41
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
General Fund	42
School Lunch Fund	47
Statement of Changes in Assets and Liabilities - Student Activities Fund	48



*Schneider, Larche,
Haapala & Co., PLLC*

**CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS**

David P. Pechawer, C.P.A., P.C.
Denise M. Boyle, C.P.A., P.C.
Bruce D. Dewar, C.P.A.
Karen L. Meiers, C.P.A., P.C.

October 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Big Bay de Noc School District
Cooks, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Big Bay de Noc School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements 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 Big Bay de Noc School District as of June 30, 2017, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters:

Required Supplemental Information

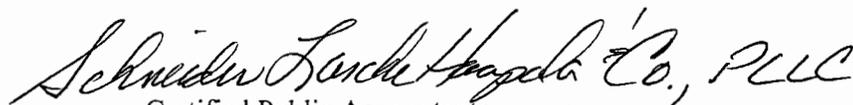
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 10 and supplemental information on pages 36 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 supplemental 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 Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Big Bay de Noc School District's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017 on our consideration of Big Bay de Noc School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Big Bay de Noc School District's internal control over financial reporting and compliance.


Schneider Lunde Hoopla Co., PLLC
Certified Public Accountants

BIG BAY DE NOC SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Big Bay de Noc School's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2017. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District-wide financial statements and Fund financial statements. These statements are organized so the reader can understand Big Bay de Noc School's finances as a whole. The District-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a long-term view of those finances. The Fund financial statements provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future spending. The Fund financial statements look at the School District's operations in more detail than the District-wide financial statements by providing specific information about the School District's major funds, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Financial Section

District-Wide Financial Statements

- Statement of Net Position
- Statement of Activities

Fund Financial Statements

- Balance Sheet-Governmental Funds
- Statement of Revenues, Expenditures and Changes in Fund Balances
- Statement of Fiduciary Net Position
- Notes to Financial Statements

Required Supplemental Information

- Budgetary Comparison Schedule – General Fund
- Schedule of the District's Proportionate Share of the Net Pension Plan Liability
- Schedule of the District's Pension Plan Contributions
- Notes to Required Supplemental Information

Other Supplemental Information

- Combining Balance Sheet Nonmajor Governmental Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances- Nonmajor Governmental Funds
- Other Individual Fund Information

BIG BAY DE NOC SCHOOL**MANAGEMENT'S DISCUSSION AND ANALYSIS****DISTRICT-WIDE INFORMATION**

The following summarizes the net position at fiscal year ended June 30, 2016 and 2017:

NET POSITION SUMMARY

	<u>2016</u>	<u>2017</u>
Assets		
Current Assets	\$ 686,446	\$ 796,185
Restricted Assets	343,639	606,608
Capital Assets	<u>3,656,130</u>	<u>3,515,506</u>
Total Assets	<u>\$ 4,686,215</u>	<u>\$ 4,918,299</u>
Deferred Outflow of Resources	<u>\$ 408,915</u>	<u>\$ 395,916</u>
Liabilities		
Current Liabilities	\$ 190,938	\$ 208,755
Noncurrent Liabilities	<u>2,914,035</u>	<u>2,899,948</u>
Total Liabilities	<u>\$ 3,104,973</u>	<u>\$ 3,108,703</u>
Deferred Inflow of Resources	<u>\$ 9,513</u>	<u>\$ 63,456</u>
Net Position		
Investment in Capital Assets	\$ 3,656,130	\$ 3,515,506
Restricted	345,173	607,633
Unrestricted	<u>(2,020,659)</u>	<u>(1,981,083)</u>
Total Net Position	<u>\$ 1,980,644</u>	<u>\$ 2,142,056</u>

The above analysis focuses on the net position. The School District's net position was \$2,142,056 as of June 30, 2017. Net investment in capital assets totaled \$3,515,506. The cost of the assets was \$7,797,934, and accumulated depreciation was \$4,282,428. The restricted net assets are restricted for the capital improvements in the amount of \$606,608 and \$1,025 for other purposes.

BIG BAY DE NOC SCHOOL**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The results of this year's operations for Big Bay de Noc Schools as a whole are reported in the statement of activities, which show the changes in net position for fiscal year 2017. Following the rules of GASB 34, a revenue and expense comparison to the previous year is shown below.

Program Revenues:	2016	2017
Charges for services and contributions	\$ 69,949	\$ 43,337
Operating grants	291,701	435,806
Total Program Revenue	<u>\$ 361,650</u>	<u>\$ 479,143</u>
General Revenues:		
Property taxes levied for general operations	\$ 1,532,021	\$ 1,547,398
Property taxes levied for capital improvements	300,535	305,166
State of Michigan - unrestricted	369,920	210,709
Federal - unrestricted	170,689	179,024
Interest Income	925	1,657
Miscellaneous revenues	45,513	38,847
Total General Revenues	<u>\$ 2,419,603</u>	<u>\$ 2,282,801</u>
Total Revenues	<u>\$ 2,781,253</u>	<u>\$ 2,761,944</u>
Expenses:		
Instruction	\$ 1,250,200	\$ 1,234,938
Support services	1,003,836	1,004,481
Food service	155,053	145,333
Unallocated depreciation	220,036	215,780
Total Expenses	<u>\$ 2,629,125</u>	<u>\$ 2,600,532</u>
Increase (decrease) in net position	<u>\$ 152,128</u>	<u>\$ 161,412</u>

As indicated above, net position increased by \$161,412 for the year ended June 30, 2017. This increase relates directly to the operations of the District during the year.

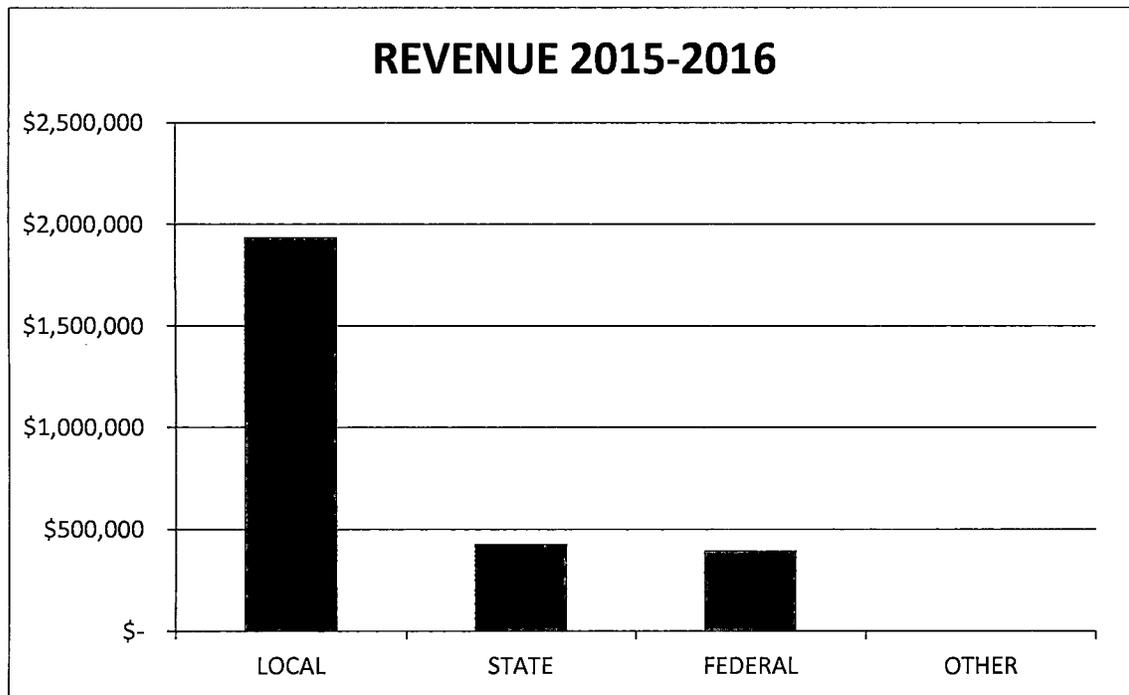
BIG BAY DE NOC SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

FUND FINANCIAL INFORMATION

Revenues

The following chart illustrates the District's sources of revenues:



Sources of Revenues

Local sources of revenue total \$1,936,405 and include revenue to the General Fund of \$1,606,168, nonmajor governmental funds of \$24,400, and Sinking Fund of \$305,837. Local sources of revenue amount to 70.11% of the total revenue received. The General Fund receives its largest share of revenue from local sources due to the collection of property taxes, which also dictates when we have the greatest cash flow for operations.

State sources of revenue total \$429,592 and include revenue to the General Fund of \$421,161 and nonmajor governmental funds of \$8,431. State sources of revenue amount to 15.55% of the total revenue received.

Federal sources of revenue total \$395,947 and include revenue to the General Fund of \$306,844 and nonmajor governmental funds of \$89,103. Federal sources of revenue amount to 14.34% of the total revenue received.

BIG BAY DE NOC SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

Property Taxes

The most significant portion of funding to the District is through local property taxes. A significant portion of local revenue is provided from property taxes for the General Fund and the Sinking Fund. Property tax revenue totaled \$1,850,099. The General Fund local property taxes collected totaled \$1,547,398. The Sinking Fund local property taxes collected totaled \$302,701. The General Fund amount is obtained through a voter approved 18-mill levy on the taxable value of nonhomestead properties for the District's operations. Due to the rising nonhomestead taxable value our District has fallen under the Headlee Millage Reduction Fraction. On November 3, 2009, however, the voters approved the 18 mill renewal and up to 2 mills for a Headlee Override. The District levied .1431 additional mills in 2016. A voter approved 1.9 Sinking Fund mill levy on the taxable value of all properties, homestead and nonhomestead, was levied in 2016-2017. This Sinking Fund millage was voted and passed on November 8, 2016 for ten years. The revenue generated from the Sinking Fund has strict restrictions on how it can be spent. Section 1212 (1) authorizes the following three Sinking Fund uses:

- The purchase of real estate for school building sites.
- The construction of school buildings; and
- The repair of school buildings.

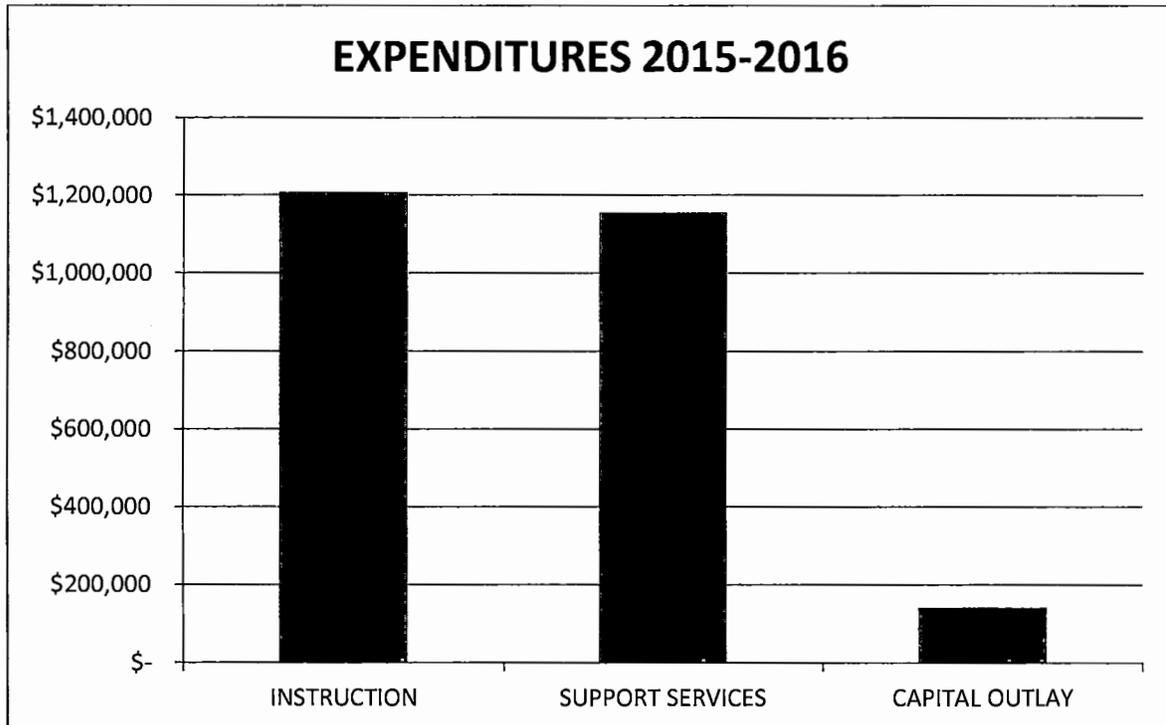
In 2013 the district experienced an increase of 16.06% in taxable values. The addition of Heritage Wind Farms was partially responsible for the notable increase. In 2014, 2015 and 2016, the taxable values remained basically the same with increases of .50%, .27% and .97%, respectively.

Unrestricted State Aid Foundation Allowance

The foundation allowance is funding from the State for each student set annually. The District's foundation allowance was \$7,511 per student for the 2016-2017 fiscal year, an increase of \$120 per student. The number of students to be funded is calculated by student enrollment blended at 90% of current year October count and 10% of the previous year February count. Due to declining enrollment this count is blended with the previous two years count and if this blend is greater, the District can use that count. The 3-year blend for Big Bay de Noc School total for fiscal year 2016-2017 was 212.28. The overall funding is then reduced by the District's nonhomestead tax levy based on 18 mills. For years, the District had maintained a fairly steady enrollment, although there seems to be a downward trend developing the last two years and potentially continuing into the near future. The foundation allowance has not kept up with the rate of inflation.

Expenditures

The following chart illustrates the District's expenditures:



Expenditures include instruction of \$1,207,982, support services of \$1,156,115 and capital outlay of \$142,162. General Fund expenditures were \$2,221,935. School Lunch Fund expenditures were \$142,162 and are included in support services in the above graph. Total Sinking Fund expenditures were \$42,956, all of which were capital outlay.

BIG BAY DE NOC SCHOOL

MANAGEMENT’S DISCUSSION AND ANALYSIS

Capital Assets and Debt Administration

Capital Assets

At June 30, 2017, the District had \$7,797,934 invested in a broad range of capital assets, including land, buildings, furniture, and equipment.

	<u>2016</u>	<u>2017</u>
Assets		
Land	\$ 500	\$ 500
Buildings, improvements, and in-process	6,634,868	6,677,808
Vehicles	265,785	298,001
Equipment	<u>821,625</u>	<u>821,625</u>
Total	\$ 7,722,778	\$ 7,797,934
Less accumulated depreciation	<u>(4,066,648)</u>	<u>(4,282,428)</u>
Net Total	<u>\$ 3,656,130</u>	<u>\$ 3,515,506</u>

Depreciation expense for the year was \$215,780.

Debt

At the end of the year the District had no general obligation debt payable.

Economic Factors and Next Year’s Budgets and Rates

The Board of Education and administration consider many factors when setting the School District’s fiscal year budget. Two of the major factors affecting the budget in 2016-17 and in prior years were student counts and the State funding of unrestricted foundation allowance. However, Big Bay has experienced significant reductions in student enrollment in recent years. As a result, we anticipate being an “Out-of-Formula” district going forward which means our local property tax revenue collections exceed the state foundation allowance. As a result, increases and decreases in property tax values in our district will become an important factor in the development of the budget.

BIG BAY DE NOC SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

Original vs. Revised Budget

The uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, the District typically amends its budget three times during the school year. For fiscal year 2016-2017, the budget was revised in January, March and June.

General Fund Revenues

Total revenues - June final budget revision	\$ 2,402,444
Total revenues - original budget	<u>2,233,269</u>
Difference	<u>\$ 169,175</u>

Budgetary vs. Actual Revenues

The District's actual general fund revenues were \$2,334,173, which was \$68,271 less than the revised budget.

General Fund Expenditures

Total expenditures - June final budget revision	\$ 2,389,277
Total expenditures - original budget	<u>2,332,407</u>
Difference	<u>\$ 56,870</u>

Budgetary vs. Actual Expenditures

The District's actual general fund expenditures were \$2,221,935, which was \$167,342 less than the revised budget. The difference was due mainly to the District's overall attempt to control expenditures.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Beau Miller in the Business Office at Big Bay de Noc School, 8928 00.25 Road, Cooks, Michigan, 49817.

BIG BAY DE NOC SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities
	<hr/>
ASSETS	
Current Assets:	
Cash, unrestricted	\$ 535,633
Due from other governmental units	206,284
Accounts receivable	81
Inventories	1,025
Prepaid expenses	28,056
Restricted cash available to pay current liabilities	<hr/> 25,106
TOTAL CURRENT ASSETS	796,185
Restricted Assets:	
Cash	606,608
Capital Assets:	
Land, buildings and improvements, equipment and vehicles	7,797,934
Less, accumulated depreciation	<hr/> (4,282,428)
TOTAL ASSETS	<hr/> 4,918,299
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pension plan	<hr/> 395,916
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<hr/> 395,916
LIABILITIES	
Current Liabilities:	
Accounts payable	51,446
Unearned revenue	5,524
Salaries and benefits payable	<hr/> 151,785
TOTAL CURRENT LIABILITIES	208,755
Noncurrent Liabilities:	
Noncurrent portion of accumulated unpaid employee benefits	39,629
Net pension liability	<hr/> 2,860,319
TOTAL LIABILITIES	<hr/> 3,108,703
DEFERRED INFLOWS OF RESOURCES	
Amounts related to pension plan	<hr/> 63,456
TOTAL DEFERRED INFLOWS OF RESOURCES	<hr/> 63,456
NET POSITION	
Investment in capital assets	3,515,506
Restricted for capital improvements	606,608
Restricted for other purposes	1,025
Unrestricted	<hr/> (1,981,083)
TOTAL NET POSITION	\$ <hr/> <hr/> 2,142,056

See accompanying notes to financial statements.

BIG BAY DE NOC SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the year ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services and Fees</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$ 1,234,938	\$ -	\$ 310,430	\$ (924,508)
Support services	1,004,481	19,447	27,842	(957,192)
Food services	145,333	23,890	97,534	(23,909)
Unallocated depreciation	<u>215,780</u>	<u>-</u>	<u>-</u>	<u>(215,780)</u>
Total governmental activities	\$ <u>2,600,532</u>	\$ <u>43,337</u>	\$ <u>435,806</u>	<u>(2,121,389)</u>
General Revenues:				
Property taxes:				
General operation				1,547,398
Capital improvements				305,166
State of Michigan - unrestricted				210,709
Federal - unrestricted				179,024
Interest income				1,657
Miscellaneous revenues				<u>38,847</u>
			Total general revenues	<u>2,282,801</u>
			Change in net position	161,412
			Net position - July 1, 2016	<u>1,980,644</u>
			Net position - June 30, 2017	\$ <u>2,142,056</u>

See accompanying notes to financial statements.

BIG BAY DE NOC SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2017

	<u>General</u>	<u>Sinking</u>	<u>Nonmajor</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Governmental</u>	<u>Total</u>
			<u>Funds</u>	
<u>ASSETS</u>				
Cash	\$ 535,633	\$ 615,295	\$ 16,419	\$ 1,167,347
Due from other governmental units	204,940	-	1,344	206,284
Accounts receivable	81	-	-	81
Prepaid expenses	28,056	-	-	28,056
Inventories	-	-	1,025	1,025
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>768,710</u>	\$ <u>615,295</u>	\$ <u>18,788</u>	\$ <u>1,402,793</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 30,440	\$ 21,006	\$ -	\$ 51,446
Unearned revenue	5,524	-	-	5,524
Salaries and benefits payable	146,341	-	5,444	151,785
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>182,305</u>	<u>21,006</u>	<u>5,444</u>	<u>208,755</u>
Fund Balances:				
Nonspendable	28,056	-	1,025	29,081
Restricted for capital improvements	-	594,289	12,319	606,608
Unassigned	558,349	-	-	558,349
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>586,405</u>	<u>594,289</u>	<u>13,344</u>	<u>1,194,038</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>768,710</u>	\$ <u>615,295</u>	\$ <u>18,788</u>	\$ <u>1,402,793</u>

See accompanying notes to financial statements.

BIG BAY DE NOC SCHOOL DISTRICT

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

June 30, 2017

Total fund balances-governmental funds	\$ 1,194,038
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	3,515,506
Deferred outflows of resources are not currently available financial resources and therefore are not reported in the governmental funds.	395,916
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	(2,899,948)
Deferred inflows of resources are not payable from currently available resources and therefore are not reported the governmental funds.	<u>(63,456)</u>
Total net position-governmental activities	\$ <u><u>2,142,056</u></u>

See accompanying notes to financial statements.

BIG BAY DE NOC SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE

For the year ended June 30, 2017

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>REVENUES</u>				
Local sources	\$ 1,606,168	\$ 305,837	\$ 24,400	\$ 1,936,405
State sources	421,161	-	8,431	429,592
Federal sources	306,844	-	89,103	395,947
	<u>2,334,173</u>	<u>305,837</u>	<u>121,934</u>	<u>2,761,944</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	1,207,982	-	-	1,207,982
Supporting services	1,013,953	-	-	1,013,953
Food services	-	-	142,162	142,162
Capital outlay and improvements	-	42,956	-	42,956
	<u>2,221,935</u>	<u>42,956</u>	<u>142,162</u>	<u>2,407,053</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	112,238	262,881	(20,228)	354,891
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	-	-	19,807	19,807
Transfers out	(19,807)	-	-	(19,807)
NET CHANGE IN FUND BALANCES	92,431	262,881	(421)	354,891
Fund Balance, July 1	<u>493,974</u>	<u>331,408</u>	<u>13,765</u>	<u>839,147</u>
FUND BALANCE, JUNE 30	<u>\$ 586,405</u>	<u>\$ 594,289</u>	<u>\$ 13,344</u>	<u>\$ 1,194,038</u>

See accompanying notes to financial statements.

BIG BAY DE NOC SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the year ended June 30, 2017

Total net change in fund balance-governmental funds	\$	354,891
---	----	---------

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

Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense.

Current capital outlay	\$	75,156	
Depreciation expense		<u>(215,780)</u>	(140,624)

Governmental funds report certain expenditures as paid, however, in the statement of activities those expenditures are accrued as they are incurred.

2,228

Certain pension plan expenses and related deferred outflows and inflows of resources do not require the use of current available resources and therefore, are not recorded as expenditures in the governmental funds.

Change in net pension liability	11,859	
Change in the net deferred inflows and outflows of resources related to the pension plan	<u>(66,942)</u>	<u>(55,083)</u>

Change in net position of governmental activities	\$	<u><u>161,412</u></u>
---	----	-----------------------

See accompanying notes to financial statements.

BIG BAY DE NOC SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

	<u>Private Purpose Trusts</u>	<u>Agency Fund</u>
<u>ASSETS</u>		
Cash	\$ <u>8,935</u>	\$ <u>63,884</u>
TOTAL ASSETS	<u>8,935</u>	<u>\$ 63,884</u>
<u>LIABILITIES</u>		
Due to groups and organizations	<u>-</u>	<u>\$ 63,884</u>
TOTAL LIABILITIES	<u>-</u>	<u>\$ 63,884</u>
<u>NET POSITION</u>		
Held in trust for scholarships	<u>8,935</u>	
TOTAL NET POSITION	<u>\$ 8,935</u>	

See accompanying notes to financial statements.

BIG BAY DE NOC SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2017

	<u>Private Purpose Trusts</u>
<u>ADDITIONS</u>	
Interest and contributions	\$ <u>-</u>
 <u>DEDUCTIONS</u>	
Scholarships awarded	<u>-</u>
 CHANGE IN NET POSITION	 -
 Net position, beginning of year	 <u>8,935</u>
 Net position, end of year	 \$ <u><u>8,935</u></u>

See accompanying notes to financial statements.

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Big Bay de Noc School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Michigan. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). A summary of the significant accounting policies of the District applied in the preparation of the accompanying financial statements is provided below.

Reporting Entity

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units as required under Governmental Accounting Standards Board Statement Number 14, "The Financial Reporting Entity". Based upon the criteria outlined in this statement, the financial statements of the District contain all the funds controlled by the District's Board. There are no other entities which meet the criteria to be considered a blended component unit or a discretely presented component of the District, nor is the District a component unit of another entity.

District-wide and Fund Financial Statements

The District-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. Substantially all interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, grants, and other intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of 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 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 given 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 reported as program revenues are reported as general revenue.

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, although the fiduciary funds are excluded from the District-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 Financial 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 for 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.

The effect of interfund activity has been substantially eliminated from the District-wide financial statements. It is the District's policy to use available restricted resources prior to unrestricted resources.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-based Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

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 cash is received by the government.

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District's policy is to apply expenditures first against restricted resources, when allowable, and then to apply expenditures against other District resources.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

Governmental Funds

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Sinking Fund - The Sinking Fund is used for the purpose of the accumulation and disbursement of tax revenues for capital improvements.

Additionally, the District reports the following nonmajor governmental fund types:

Special Revenue Funds - Special revenue funds are used to account for restricted revenues used for school lunch and other purposes.

Capital Projects Funds - The capital project funds are used to account for the accumulation and disbursement of assets for major repair of capital facilities and other capital asset acquisitions.

Fiduciary Funds

The District reports the following fiduciary funds:

Private Purpose Trust Funds - Private purpose trust funds account for trust arrangements created for the benefit of individuals in the form of scholarships.

Agency Funds - Agency funds account for assets held by the District in a custodial capacity. The District's agency fund is the Student Activities Fund.

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Accounting Policies

Inventory - The District utilizes the purchase method for recording the inventories of material and supplies. Under the purchase method, inventories are recorded as an expenditure when acquired, regardless of when used.

The District utilizes the consumption method for recording food inventories and, accordingly, the inventory is recorded as an expenditure when used. The inventory is valued at the lower of cost (first-in, first-out) or market.

Due From Other Governmental Units - Amounts due from other governmental units consist of various revenues due from federal, state and interdistrict sources. These revenues represent amounts used for the operation of special programs and grant projects, and for the final state aid payments which will be received after year-end.

Capital Assets - Capital assets, defined as having an initial cost of \$5,000 or more, include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the District-wide financial statements. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The District does not have infrastructure assets.

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

Land improvements	15 years
Buildings and additions	15 - 40 years
Furniture and other equipment	5 - 15 years
Buses and other vehicles	10 years

In the fund financial statements, capital assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated unpaid benefits - The liability for accumulated unpaid benefits reported in the District-wide statements consists of accumulated retirement benefits, including vacation and termination benefits based on unused sick leave.

Long-term Obligations - In the District-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 proceeds in the period received.

Pensions - The District participates in the Michigan Public School Employees' Retirement System (MPSERS), a cost-sharing, multiple-employer defined benefit pension plan. The net pension liability, deferred outflows and inflows of resources related to the pension plan, pension expense, and information about the fiduciary position and related additions and deductions have been determined using the economic resources measurement focus and the accrual basis of accounting, consistent with the basis these items are reported on by MPSERS. Benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources - Deferred outflows of resources are the consumption of net position which are applicable to a future reporting period. The reporting of deferred outflows of resources is restricted to specific items established in accounting standards, and the recording thereof has a positive effect on net position or fund balance, as applicable.

Deferred Inflows of Resources - Deferred inflows of resources are the acquisition of net position which are applicable to a future reporting period. The reporting of deferred inflows of resources is restricted to specific items established in accounting standards, and the recording thereof has a negative effect on net position or fund balance, as applicable.

Subsequent Events - The District has evaluated events through October 31, 2017, the date the financial statements were available to be issued.

Net Position Classifications - In the District-wide financial statements, net position equals assets plus deferred outflows of resources less liabilities less deferred inflows of resources. Net position is classified and reported in the following components:

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Invested in capital assets, net of related debt - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position - consists of net assets with constraints on their use that are externally imposed (by creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation.
3. Unrestricted net position - all other net assets that do not meet the definition of either of the other two components.

Fund Balance Classifications - In the governmental fund financial statements, equity is classified as fund balance and reported in four components:

1. Nonspendable - consists of fund balance amounts that are not in a spendable form, such as inventory and prepaid expenses, or that are legally required to be maintained intact.
2. Restricted fund balances - consists of fund balance amounts that can be spent only for specific purposes as stipulated by external resource providers or by law through constitutional provisions or enabling legislation.
3. Assigned fund balances - consists of fund balance amounts that are intended to be used for a specific purpose but no formal action has been taken that would limit future expenditures for only the intended specific purpose.
4. Unassigned fund balance - the residual classification for the District's General Fund and includes all spendable amounts not reported in other classifications.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect 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 results could differ from those estimates. Areas that may be sensitive to accounting estimates include the service lives of capital assets and accounting for the District's pension and benefit plans.

Sinking Fund - The District's Sinking Fund is a capital project activity funded with a restricted tax levy. The District has complied with applicable requirements of Section 1212 of the revised Michigan School Code regarding the expenditures made from the fund.

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting - The District follows these procedures in establishing the governmental fund budgets as reflected in the financial statements:

1. In June, the Superintendent submits to the Board proposed operating budgets for the fiscal year commencing on July 1.
2. A public hearing is conducted during June to obtain taxpayer comments.
3. Prior to June 30, the budgets are legally enacted through passage of a resolution.
4. For purposes of meeting emergency needs of the District, transfers of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board at its next regularly scheduled meeting.
5. The Superintendent is charged with general supervision of the budget.
6. During the year, the budgets are monitored and amendments to the budget resolution are made when deemed necessary.
7. The budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts reported in the basic financial statements are as originally adopted, or as amended by the Board.

Property Taxes - The District's property tax is levied on July 1 and December 1 and is based on taxable valuation of property as of the preceding December 31. Taxes are collected and remitted to the District by the tax collecting units within the District and generally become delinquent seventy-five days after the levy date. Unpaid real property taxes as of February 28 are turned over to the County Treasurer for collection. The County maintains a tax revolving fund which permits the County to pay the District 100% of the delinquent real taxes within approximately two to three months after the delivery of the delinquent tax bills.

State Aid - The District reports State of Michigan aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan school aid appropriation acts.

Upcoming Accounting and Reporting Changes -The Governmental Accounting Standards Board (GASB) has issued *Statement No. 75, Accounting for Postemployment Benefits Other Than Pensions* which will require the recording of the unfunded postemployment benefit obligation as a liability in the District's Statement of Net Position, and which will be effective for District's year ended June 30, 2018.

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE B - CASH DEPOSITS

State statutes govern the types of investments in which the District is allowed to invest. In general, the District is authorized to invest funds held by its governmental funds in savings and deposit accounts in qualified financial institutions. In addition, it may also invest in bonds, securities and other obligations of the United States in which the principal and interest is fully guaranteed by the United States, investments in commercial paper rated prime at the time of purchase and which matures not more than 270 days after the date of purchase and mutual funds and investment pools holding conforming investments.

A summary of cash balances as of June 30, 2017 is as follows:

Governmental Activities:	
Deposits (checking and savings)	\$ 1,167,147
Petty cash	200
Fiduciary Funds:	
Deposits (checking and savings)	<u>72,819</u>
	<u>\$ 1,240,166</u>

Deposits are by their nature subject to varying degrees of risk that may limit the District's ability to (1) maintain the fair value of deposits and investment, (2) insure issuer's compliance with the terms and commitments of deposits and investments and (3) insure the return of principal amounts deposited or invested. The District has managed these risks by limiting concentrations and maintaining liquidity in their deposits and investments.

Deposits - The District's cash consists of various interest bearing savings and checking accounts held at financial institutions located in the State of Michigan. At June 30, 2017, the book value of the District's deposits was \$1,239,966 and the total bank balances were \$1,283,994. Bank balances subject to custodial credit risk because balances were uninsured and uncollateralized totaled \$957,505.

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE C - SHORT-TERM DEBT ACTIVITY

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

	<u>Balance</u> <u>July 1, 2016</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>June 30, 2017</u>
Tax anticipation notes:	\$ <u>-</u>	\$ <u>450,000</u>	\$ <u>450,000</u>	\$ <u>-</u>

NOTE D - INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2017 included a General Fund operating transfer to nonmajor governmental funds totaling \$19,807. The operating transfer from the General Fund is generally made each year for the amount necessary to cover the expenditures in excess of revenues related to school lunch activities accounted for in nonmajor funds.

NOTE E - CAPITAL ASSETS

Capital asset activity of the School District's governmental activities was as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Reclass and</u> <u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 500	\$ -	\$ -	\$ 500
Capital assets being depreciated:				
Buildings and improvements	6,634,868	42,940	-	6,677,808
Equipment	821,625	-	-	821,625
Buses and vehicles	<u>265,785</u>	<u>32,216</u>	<u>-</u>	<u>298,001</u>
Total Cost	<u>7,722,778</u>	<u>75,156</u>	<u>-</u>	<u>7,797,934</u>

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE E - CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Reclass and</u> <u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>
Accumulated depreciation:				
Buildings and improvements	3,113,384	180,762	-	3,294,146
Equipment	756,914	22,041	-	778,955
Buses and vehicles	<u>196,350</u>	<u>12,977</u>	<u>-</u>	<u>209,327</u>
	<u>4,066,648</u>	<u>215,780</u>	<u>-</u>	<u>4,282,428</u>
 NET CAPITAL ASSETS	\$ <u>3,656,130</u>	(\$ <u>140,624</u>)	\$ <u>-</u>	\$ <u>3,515,506</u>

Depreciation for the fiscal year ended June 30, 2017 amounted to \$215,780. The District has not allocated depreciation among the various governmental activities.

NOTE F - ACCUMULATED UNPAID EMPLOYEE BENEFITS

The District, as part of the various employment contracts with its personnel, allows annual sick and vacation days. The District also provides for a retirement benefit for employees with at least ten years of service on the date of retirement. The benefit is formula based and is principally computed based on accumulated sick leave and years of service.

A summary of changes in accumulated unpaid employee benefits for the year ended June 30, 2017, is as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Estimated</u> <u>Amount Due</u> <u>Balance Within One</u> <u>Year</u>
Accrued employee benefits	\$ <u>41,857</u>	\$ <u>-</u>	\$ <u>2,228</u>	\$ <u>39,629</u>	\$ <u>-</u>
Total	\$ <u>41,857</u>	\$ <u>-</u>	\$ <u>2,228</u>	\$ <u>39,629</u>	\$ <u>-</u>

NOTE G - LONG-TERM DEBT

The School District has no long-term debt outstanding as of June 30, 2017.

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE H - PENSION PLAN POSTEMPLOYMENT BENEFITS

Plan Description, Benefit Payments and Plan Contributions

Plan Description - The District contributes to the Michigan Public School Employees Retirement System (MPSERS), a cost-sharing, multiple-employer, state-wide public employee defined benefit pension plan governed by the State of Michigan. MPSERS provides retirement, survivor and disability benefits to the State's public school employees. In addition, employees can elect to receive postemployment health care benefits for themselves and their beneficiaries.

The MPSERS is a qualified pension trust under section 401(a) of the Internal Revenue Code. As of September 30, 2016, there were 678 participating employers in the MPSERS, and a total of 436,520 plan members, including 228,875 retired members receiving or entitled to receive plan benefits and 207,645 active members.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment health care plans. That report is available on the web at www.michigan.gov/mpsers-cafr, or by writing to the Office of Retirement Services at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Plan Structure - The amount of member benefit payments, and required member and employer contributions to the MPSERS pension plan is dependent on each member's benefit structure under the Plan. Each member's benefit structure is determined principally based on the beginning date of plan participation and other member decisions regarding their personal required contribution amounts.

Member participation in a particular benefit structure is generally determined by date of enrollment into the MPSERS Plan, as follows:

<u>Benefit Structure</u>	<u>Enrollment Date</u>
Basic Plan	Prior to January 1, 1987
Member Investment Plan(MIP)	After December 31, 1986 and before July 1, 2010
Pension Plus Plan (Hybrid Plan)	After June 30, 2010

Employees hired on or after September 4, 2012 are eligible to participate in either the Pension Plus Plan, a hybrid plan with both defined benefit and defined contribution components, or the Defined Contribution Plan. An election window period ending January 9, 2013, allowed MPSERS plan members the option of discontinuing contributions to the defined benefit plan and converting to the Defined Contribution Plan effective February 1, 2013. Members converting to the Defined Contribution Plan remain eligible for MPSERS defined benefit plan benefits earned prior to the date of conversion.

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE H - PENSION PLAN POSTEMPLOYMENT BENEFITS (Continued)

Plan Description, Benefit Payments and Plan Contributions (continued)

Benefit Payments - Benefit provisions under the MPSERS defined benefit plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions applied in determining member benefit payments.

Benefit payments for plan members are determined by final average eligible compensation, years of eligible service and the pension benefit multiplier. The pension benefit multiplier for all benefit structures for service time prior to February 1, 2013 was 1.5%. For service time subsequent to January 31, 2013, the pension benefit multiplier is 1.5% for all members under the Pension Plus Plan benefit structure, and for those members of the Basic and Member Investment Plan benefit structures who elected to increase their personal contributions to the MPSERS Plan. For service time earned by nonelecting members subsequent to January 31, 2013, the pension benefit multiplier is 1.25%.

Plan Contributions - The majority of MPSERS Plan members are currently participating on a contributory basis. Member contributions are enacted by state statute and can only be amended by legislative action.

Participating employers of the MPSERS Plan are required to contribute the full actuarial funding contribution amount necessary to fund the defined benefit pension payments. Participating employer contributions are determined on an actuarial basis using the entry age normal actuarial cost method which allocates, on a level basis, the actuarial present value of a member's projected benefits over the member's expected period of service.

The normal cost, that portion of benefits allocated to the current valuation year, is funded on a current basis. The actuarial accrued liability, the actuarial present value of projected benefits net of normal cost, is currently being amortized to required contributions over a 21 year period.

The following table presents the required participating employer and member pension plan contribution rates for active participants that were in effect during the District's year ended June 30, 2017:

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>	
		<u>July 1- September 30</u>	<u>October 1- June 30</u>
Basic Plan	0.0 - 4.0%	18.95%	19.03%
Member Investment Plan(MIP)	3.0 - 7.0%	18.95%	19.03%
Pension Plus Plan	3.0 - 6.4%	17.73%	18.40%
Plans converted to Defined Contributions	0%	14.56%	15.27%

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE H - PENSION PLAN POSTEMPLOYMENT BENEFITS (Continued)

Plan Description, Benefit Payments and Plan Contributions (continued)

Upper limit contribution percentages for the Basic and MIP benefit structures are for members who elected to maintain the pension benefit multiplier at 1.5%. Pension Plus Plan benefit structure member contribution percentages represent graduated rates applied to specific compensation levels. Employer contribution percentages to benefit structures converted to a Defined Contribution Plan do not include funding for the current year normal cost.

Pension Plan Liability

District's Proportionate Share of MPSERS Net Plan Liability – The District's recorded pension plan liability is based on the District's proportionate share of the MPSERS plan net pension liability. The MPSERS plan net pension liability is determined by the excess of the actuarially computed accrued plan liabilities less the market value of plan assets on the measurement date.

At June 30, 2017, the District reported a pension plan liability of \$2,860,319 for its proportionate share of the MPSERS net pension liability. The MPSERS net pension liability was measured as of September 30, 2016 and was based on the most recent actuarial valuation performed as of September 30, 2015.

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to all projected pension plan contributions, as actuarially determined. The District's proportion as of September 30, 2016 was .01146%, a decrease of .00030% from September 30, 2015.

Actuarial Valuation and Assumptions – Actuarial valuations for the MPSERS pension plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of future events. Amounts determined regarding the funded status of the plan and future plan contribution funding are subject to continual revisions based on past actual results and revised future estimates.

On each actuarial valuation date, the projection of future benefits considers the types of benefits being provided and the historical cost sharing pattern between the employer and plan members. Actuarial valuation methods and assumptions used are designed to reduce the effects of short-term volatility. The following actuarial assumptions were applied in the most recent actuarial valuation:

Wage inflations rate	3.5%
Investments rates of return-	
MIP and Basic plans (nonhybrid)	8.0%
Pension Plan Plus (hybrid)	7.0%
Salary increases	3.5% to 12.3% including wage inflation at 3.5%
Mortality	RP-2000 Mortality Tables for males and females, adjusted for mortality improvements based on scale BB

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE H - PENSION PLAN POSTEMPLOYMENT BENEFITS (Continued)

Pension Plan Liability (continued)

Assumption changes as a result of an experience study for the period 2007 through 2012 have been incorporated into the annual valuation process beginning with the September 30, 2014 valuation.

Return on Plan Investments – The long-term expected rate of return on MPSERS plan investments was determined using a method in which estimated ranges of expected future real rates of return, net of investment expenses and inflation, are developed for the target asset allocation of each major asset class of the Plan. The target allocation and estimated rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected rate of Return (net of investment expenses)</u>
Domestic equity pools	28.0%	5.9%
Alternative investment pools	18.0	9.2
International equities	16.0	7.2
Fixed income pools	10.5	.9
Real estate/ infrastructure pools	10.0	4.3
Absolute return pools	15.5	6.0
Short-term investment pools	<u>2.0</u>	0.0
	<u>100.0</u> %	

For the Plan's fiscal year ended September 30, 2016, the annual rate of return on plan investments, net of investment expenses, was 5.91%.

Discount Rate and Pension Liability Sensitivity – A discount rate of 7% - 8% was used to measure the total MPSERS pension liability, with the actual discount rate applied being dependent upon the specific plan type being measured. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the amount necessary so that all plan contributions equal the actuarially determined required plan contribution. Therefore, the long-term expected rates of return on plan investments was used to discount all periods of projected plan benefit payments to determine the total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the applied discount rate of 7% - 8%, dependent on the specific plan type, and using a discount rate that is 1% point higher and 1% point lower than the applied discount rate:

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE H - PENSION PLAN POSTEMPLOYMENT BENEFITS (Continued)

Pension Plan Liability (continued)

	1% Lower than Applied Discount Rate <u>(6.0%-7.0%)</u>	Applied Discount Rate <u>(7.0%-8.0%)</u>	1% higher than Applied Discount Rate <u>(8.0%-9.0%)</u>
District's proportionate share of net pension liability	\$ 3,683,371	\$ 2,860,319	\$ 2,166,407

Pension Expense and Pension Related Deferred Outflows and Inflows of Resources

Pension Expense - For the year ended June 30, 2017, the School District recognized pension expense of \$273,320. Pension contributions payable as of June 30, 2017 were \$28,602.

Pension Related Deferred Outflows and Inflows of Resources - At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to the defined benefit pension plan as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between actual and expected experience	\$ 35,647	\$ 6,779
Changes of assumptions	44,719	-
Net difference between projected and actual earnings on plan investments	47,538	-
Changes in proportion and differences between contributions and proportionate share of contributions	44,318	56,677
School District contributions subsequent to the measurement date of September 30, 2016	<u>223,694</u>	<u>-</u>
	\$ <u>395,916</u>	\$ <u>63,456</u>

School District contributions subsequent to the measurement date of \$223,694 will be recognized as a reduction of the net pension liability in the subsequent school year. Other amounts reported as deferred outflows and inflows of resources related to the defined benefit pension plan will be recognized as a component of pension expense in the following years ending June 30:

2018	\$ 23,221
2019	19,482
2020	64,854
2021	<u>1,209</u>
	\$ <u>108,766</u>

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE I - POSTEMPLOYMENT AND OTHER BENEFIT PLANS

Healthcare Benefits - State law requires the School District to provide post-retirement healthcare benefits for eligible retirees and beneficiaries through MPSERS. Members first hired after September 3, 2012 are automatically enrolled into the Personal Healthcare Fund for the purpose of saving for retirement healthcare costs. Members hired prior to September 4, 2012 had two healthcare options to choose from: (a) continue with the existing premium subsidy provided through the Retiree Healthcare Fund, or (b) convert their healthcare benefits into the Personal Healthcare Fund.

Members enrolled in the Personal Healthcare Fund are required to make a 2% contribution into their 457 deferral account, which is required to be matched by the School District with a 2% contribution into the members 401(k) account. Existing members who elected to convert to the Personal Healthcare Fund from the Retiree Healthcare Fund had their prior required contributions to the Retiree Healthcare Fund refunded into their 401(k) account. Members originally enrolled into the Personal Healthcare Fund can become eligible for a termination contribution into a Health Reimbursement Account upon retirement. The maximum termination contribution is \$2,000.

Members who elected to continue making premium subsidy benefit contributions under the Retiree Healthcare Fund are required to contribute 3% of their compensation into the Fund. Employers are required to fund an actuarially determined contribution amount for all member participants in the Retiree Healthcare Fund. Upon retirement, members receive a premium subsidy towards health, dental and vision insurance. The maximum subsidiary is 80% effective January 1, 2013. Members who were enrolled in insurance and were Medicare eligible on January 1, 2013 are entitled to a maximum subsidy of 90%.

The following table presents the required participating employer and member healthcare contribution rates for active participants that were in effect during the District's year ended June 30, 2017:

<u>Healthcare Benefit</u>	<u>July 1, 2016 -</u> <u>September 30, 2016</u>		<u>October 1, 2016-</u> <u>June 30, 2017</u>	
	<u>Member</u>	<u>Employer</u>	<u>Member</u>	<u>Employer</u>
Retiree Healthcare Fund	3.0%	6.83%	3.0%	5.91%
Personal Healthcare Fund	2.0%	8.40%	2.0%	7.69%

Contribution amounts listed above include members 2% contribution into their 457 deferral account and employers 2% matching contribution into the members 401(k) account required under the provisions of the Personal Healthcare Fund.

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE I - POSTEMPLOYMENT AND OTHER BENEFIT PLANS (Continued)

Defined Contribution Plan - MPSERS members enrolled in the Pension Plus Plan and other members who have elected out of enrollment in any of the available defined benefit plan options are entitled to receive current employer contributions into their 401(k) accounts at the following required employer contribution rates:

<u>Benefit Structure</u>	<u>Employer Contribution Rate</u>
Pension Plus Plan	1.0%
Pension Plus Plan converted into Defined Contribution Plan	3.0%
Basic and MIP Plans converted into Defined Contribution Plan	4.0%

These contribution amounts are in addition to contributions made under provisions of the Personal Healthcare Fund. Employer contribution rates listed above for Pension Plus Plans, including conversions, represent maximum employer contributions based on 50% matching of member contributions. Members contributions are deposited into their 457 deferral account in amounts up to the maximum allowable by law.

NOTE J - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty risks and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. Each of the pools maintain reinsurance for excess claims. The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

NOTE K - COMMITMENTS AND CONTINGENCIES

The District has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the District. However, in the opinion of the management, any such disallowed claims will not have a material effect on any of the financial statements of the individual funds or on the overall financial position of the School District at June 30, 2017.

REQUIRED SUPPLEMENTAL INFORMATION

BIG BAY DE NOC SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
<u>REVENUES</u>				
Local sources	\$ 1,554,154	\$ 1,605,515	\$ 1,606,168	\$ 653
State sources	375,417	483,021	421,161	(61,860)
Federal sources	303,698	313,908	306,844	(7,064)
TOTAL REVENUES	2,233,269	2,402,444	2,334,173	(68,271)
<u>EXPENDITURES</u>				
Instruction	1,271,104	1,289,270	1,207,982	81,288
Supporting services	1,061,303	1,100,007	1,013,953	86,054
TOTAL EXPENDITURES	2,332,407	2,389,277	2,221,935	167,342
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(99,138)	13,167	112,238	99,071
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	(38,344)	(33,936)	(19,807)	14,129
NET CHANGE IN FUND BALANCE	(137,482)	(20,769)	92,431	113,200
FUND BALANCE, JULY 1	493,974	493,974	493,974	-
FUND BALANCE, JUNE 30	\$ 356,492	\$ 473,205	\$ 586,405	\$ 113,200

See accompanying notes to required supplemental information.

BIG BAY DE NOC SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY-

MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

For the last ten one year periods starting with the year ended June 30, 2017
Presented on a plan year basis ending September 30 within each fiscal year of the District

	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Proportion of net pension liability (%)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01146 %	0.01176 %	0.01144 %
Proportionate share of net pension liability	-	-	-	-	-	-	-	\$ 2,860,319	\$ 2,872,178	\$ 2,518,731
Covered-employee payroll	-	-	-	-	-	-	-	\$ 968,607	\$ 994,063	\$ 986,532
Proportionate share of net pension liability as a percentage of covered-employee payroll (%)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	295.3023 %	288.9332 %	255.3116 %
Plan fiduciary net position as a percentage of total pension liability	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	63.01 %	62.92 %	66.15 %

BIG BAY DE NOC SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS-

MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

For the last ten one year periods starting with the year ended June 30, 2017

	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Statutorily required contributions	-	-	-	-	-	-	-	\$ 257,433	\$ 255,225	\$ 197,502
Contributions in relation to statutorily required contributions	-	-	-	-	-	-	-	257,433	255,225	197,502
Contribution deficiency (excess)	-	-	-	-	-	-	-	\$ -	\$ -	\$ -
Reporting unit's covered employee payroll	-	-	-	-	-	-	-	\$ 919,076	\$ 1,011,839	\$ 994,294
Contributions as a percentage of covered employee payroll	0.00	0.00	0.00	0.00	0.00	0.00	0.00	28.0100 %	25.2239 %	19.8635 %

See accompanying notes to required supplemental information.

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2017

General Fund Budget Comparison - The budgetary comparison schedule is prepared on a basis consistent with the format used by the School District in the preparations of the General Fund budget.

Required Schedule Information - Schedules presented on pages 37 and 38 are required to present ten years of data. These schedules will be updated on an annual basis until ten years of information is available and provided.

Pension Plan Benefits - There were no changes in pension benefit terms or benefit assumptions during the most recent pension plan year ended September 30, 2017.

OTHER SUPPLEMENTAL INFORMATION

BIG BAY DE NOC SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2017

	<u>Special Revenue</u>	<u>Capital Project</u>	
	School	Major	
	Lunch	Maintenance	Total
<u>ASSETS</u>			
Cash	\$ 4,100	\$ 12,319	\$ 16,419
Due from other governmental units	1,344	-	1,344
Inventories	1,025	-	1,025
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 6,469	\$ 12,319	\$ 18,788
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Salaries and benefits payable	5,444	-	5,444
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	5,444	-	5,444
	<hr/>	<hr/>	<hr/>
Fund Balance:			
Nonspendable	1,025	-	1,025
Restricted	-	12,319	12,319
	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCE	1,025	12,319	13,344
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 6,469	\$ 12,319	\$ 18,788
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

BIG BAY DE NOC SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE**
NONMAJOR GOVERNMENTAL FUNDS

For the year ended June 30, 2017

	<u>Special Revenue</u>	<u>Capital Project</u>	
	School	Major	
	Lunch	Maintenance	Total
	<u> </u>	<u> </u>	<u> </u>
<u>REVENUES</u>			
Local sources	\$ 24,312	\$ 88	\$ 24,400
State sources	8,431	-	8,431
Federal sources	89,103	-	89,103
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	121,846	88	121,934
	<u> </u>	<u> </u>	<u> </u>
<u>EXPENDITURES</u>			
Current Operating:			
Food services	142,162	-	142,162
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	142,162	-	142,162
	<u> </u>	<u> </u>	<u> </u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(20,316)	88	(20,228)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	19,807	-	19,807
	<u> </u>	<u> </u>	<u> </u>
NET CHANGE IN FUND BALANCES	(509)	88	(421)
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE, JULY 1	1,534	12,231	13,765
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE, JUNE 30	\$ 1,025	\$ 12,319	\$ 13,344
	<u> </u>	<u> </u>	<u> </u>

BIG BAY DE NOC SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the year ended June 30, 2017.

	<u>Final</u>		<u>Actual</u>	Variance- Favorable <u>(Unfavorable)</u>
	Budget			
<u>REVENUES</u>				
Revenue from Local Sources:				
Property taxes	\$ 1,547,665	\$	1,547,398	\$ (267)
Athletics revenues	19,500		19,447	(53)
Earnings on investments and deposits	750		898	148
Contributions	2,850		2,757	(93)
Miscellaneous local revenues	34,750		35,668	918
			<u>1,605,515</u>	<u>1,606,168</u>
TOTAL REVENUE FROM LOCAL SOURCES				653
Revenue from State Sources:				
State Aid:				
Foundation	23,995		23,994	(1)
At risk	69,627		69,637	10
MPSERS rate stabilization	121,195		121,195	-
Other state aid	63,135		65,520	2,385
Other state revenues	205,069		140,815	(64,254)
			<u>483,021</u>	<u>421,161</u>
TOTAL REVENUE FROM STATE SOURCES				(61,860)
Revenue from Federal Sources:				
Title I	80,380		79,508	(872)
Title IIA, Improving Teacher Quality	33,758		27,296	(6,462)
Impact Aid	19,000		18,914	(86)
Title VI, Rural Grant	7,679		7,679	-
Indian Education	12,791		12,791	-
Hiawatha National Forest	160,000		160,110	110
Medicaid Reimbursement	300		546	246
			<u>313,908</u>	<u>306,844</u>
TOTAL REVENUE FROM FEDERAL SOURCES				(7,064)
TOTAL REVENUES	\$ 2,402,444	\$	\$ 2,334,173	\$ (68,271)

BIG BAY DE NOC SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the year ended June 30, 2017

	<u>Final</u>		<u>Variance-</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>
			<u>(Unfavorable)</u>
<u>EXPENDITURES</u>			
Expenditures for Instruction:			
Elementary:			
Salaries	\$ 233,263	\$ 230,503	\$ 2,760
Employee benefits	182,332	171,106	11,226
Purchased services	18,800	18,277	523
Supplies, materials and other	<u>5,950</u>	<u>6,225</u>	<u>(275)</u>
TOTAL ELEMENTARY	<u>440,345</u>	<u>426,111</u>	<u>14,234</u>
Middle School:			
Salaries	84,269	88,208	(3,939)
Employee benefits	70,284	57,759	12,525
Purchased services	3,000	2,050	950
Supplies, materials and other	<u>5,362</u>	<u>4,354</u>	<u>1,008</u>
TOTAL MIDDLE SCHOOL	<u>162,915</u>	<u>152,371</u>	<u>10,544</u>
High School:			
Salaries	123,535	119,310	4,225
Employee benefits	101,927	96,784	5,143
Purchased services	32,000	32,038	(38)
Supplies, materials and other	<u>36,821</u>	<u>34,583</u>	<u>2,238</u>
TOTAL HIGH SCHOOL	<u>294,283</u>	<u>282,715</u>	<u>11,568</u>
Special Education:			
Salaries	24,473	23,973	500
Employee benefits	30,535	26,589	3,946
Purchased services	4,100	3,486	614
Supplies, materials and other	<u>1,050</u>	<u>808</u>	<u>242</u>
TOTAL SPECIAL EDUCATION	<u>60,158</u>	<u>54,856</u>	<u>5,302</u>

BIG BAY DE NOC SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the year ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Compensatory Education:			
Salaries	85,577	95,317	(9,740)
Employee benefits	69,714	76,927	(7,213)
Purchased services	24,895	11,377	13,518
Supplies, materials and other	<u>9,149</u>	<u>7,915</u>	<u>1,234</u>
 TOTAL COMPENSATORY EDUCATION	 <u>189,335</u>	 <u>191,536</u>	 <u>(2,201)</u>
 Early Childhood Education:			
Salaries	44,621	37,098	7,523
Employee benefits	49,158	28,203	20,955
Purchased services	3,964	3,519	445
Supplies, materials and other	<u>44,491</u>	<u>31,573</u>	<u>12,918</u>
 TOTAL EARLY CHILDHOOD EDUCATION	 <u>142,234</u>	 <u>100,393</u>	 <u>41,841</u>
 TOTAL INSTRUCTION	 <u>1,289,270</u>	 <u>1,207,982</u>	 <u>81,288</u>
 Expenditures for Support Services:			
Instructional Staff:			
Supervision of Instruction:			
Purchased services	4,075	2,575	1,500
Other expenses	1,979	-	1,979
Improvement of Instruction:			
Purchased services	12,111	3,868	8,243
Library:			
Supplies, materials and other	7,400	6,955	445
Health:			
Purchased services	3,500	3,677	(177)
Speech:			
Purchased services	<u>22,500</u>	<u>15,289</u>	<u>7,211</u>
 TOTAL INSTRUCTIONAL STAFF	 <u>51,565</u>	 <u>32,364</u>	 <u>19,201</u>

BIG BAY DE NOC SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the year ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Athletic Activities:			
Salaries	23,776	22,501	1,275
Employee benefits	11,302	8,735	2,567
Purchased services	33,963	31,891	2,072
Supplies, materials and other	<u>12,500</u>	<u>5,871</u>	<u>6,629</u>
TOTAL ATHLETIC ACTIVITIES	<u>81,541</u>	<u>68,998</u>	<u>12,543</u>
General Administration:			
Board of Education:			
Salaries	2,000	1,900	100
Purchased services	18,300	16,484	1,816
Supplies, materials and other	2,000	1,065	935
Executive Administration:			
Salaries	34,910	34,919	(9)
Employee benefits	22,604	23,130	(526)
Purchased services	14,500	14,202	298
Supplies, materials and other	<u>50,750</u>	<u>48,132</u>	<u>2,618</u>
TOTAL GENERAL ADMINISTRATION	<u>145,064</u>	<u>139,832</u>	<u>5,232</u>
School Administration:			
Salaries	97,981	98,932	(951)
Employee benefits	81,651	79,959	1,692
Purchased services	3,000	1,113	1,887
Supplies, materials and other	<u>14,800</u>	<u>14,143</u>	<u>657</u>
TOTAL SCHOOL ADMINISTRATION	<u>197,432</u>	<u>194,147</u>	<u>3,285</u>
Other Support Services:			
Fiscal Services:			
Purchased services	30,500	30,500	-
Supplies, materials and other	9,150	8,592	558

BIG BAY DE NOC SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the year ended June 30, 2017

	<u>Final</u>		<u>Variance-</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>
			<u>(Unfavorable)</u>
Operation and Maintenance of Plant:			
Salaries	21,197	22,474	(1,277)
Employee Benefits	14,113	13,810	303
Purchased services	89,143	87,346	1,797
Supplies, materials and other	128,750	107,700	21,050
Pupil Transportation:			
Salaries	94,789	92,562	2,227
Employee benefits	69,417	63,623	5,794
Purchased services	7,100	7,306	(206)
Supplies, materials and other	70,498	66,828	3,670
Technological Services:			
Purchased services	47,650	41,999	5,651
Supplies, materials and other	15,500	13,647	1,853
Other Support Activities:			
Salaries	7,650	7,650	-
Employee benefits	3,578	3,410	168
Purchased services	13,870	10,586	3,284
Supplies, materials and other	1,500	579	921
TOTAL OTHER SUPPORT SERVICES	<u>624,405</u>	<u>578,612</u>	<u>45,793</u>
TOTAL SUPPORT SERVICES	<u>1,100,007</u>	<u>1,013,953</u>	<u>86,054</u>
TOTAL EXPENDITURES	<u>\$ 2,389,277</u>	<u>\$ 2,221,935</u>	<u>\$ 167,342</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	13,167	112,238	99,071
<u>OTHER FINANCING SOURCES (USES):</u>			
Transfers out	<u>(33,936)</u>	<u>(19,807)</u>	<u>14,129</u>
NET CHANGE IN FUND BALANCE	(20,769)	92,431	113,200
FUND BALANCE, JULY 1	<u>493,974</u>	<u>493,974</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 473,205</u>	<u>\$ 586,405</u>	<u>\$ 113,200</u>

BIG BAY DE NOC SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SCHOOL LUNCH FUND

For the year ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Local Sources:			
Food and milk sales	\$ 24,000	\$ 23,890	\$ (110)
Other revenues	400	422	22
State Sources:			
State aid - school lunch	7,391	7,391	-
State aid - at risk	1,050	1,040	(10)
Federal Sources:			
Federal aid - school lunch	80,000	80,850	850
U.S.D.A. donated commodities	8,000	8,253	253
	<u>120,841</u>	<u>121,846</u>	<u>1,005</u>
TOTAL REVENUES			
 <u>EXPENDITURES</u>			
Supporting Services:			
Salaries	46,178	44,200	1,978
Employee benefits	37,599	33,838	3,761
Purchased services	7,250	6,714	536
Supplies, materials and other	63,750	57,410	6,340
	<u>154,777</u>	<u>142,162</u>	<u>12,615</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES			
	(33,936)	(20,316)	13,620
 <u>OTHER FINANCING SOURCES</u>			
Transfers in	33,936	19,807	(14,129)
	<u>33,936</u>	<u>19,807</u>	<u>(14,129)</u>
NET CHANGE IN FUND BALANCE			
	-	(509)	(509)
FUND BALANCE, JULY 1			
	<u>1,534</u>	<u>1,534</u>	<u>-</u>
FUND BALANCE, JUNE 30			
	\$ <u>1,534</u>	\$ <u>1,025</u>	\$ <u>(509)</u>

BIG BAY DE NOC SCHOOL DISTRICT

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
STUDENT ACTIVITIES FUND

For the year ended June 30, 2017

	<u>Balances</u>		<u>Additions</u>		<u>Deductions</u>		<u>Balances</u>
	06/30/16						06/30/17
<u>ASSETS</u>							
Cash	\$ 50,426	\$	62,308	\$	48,850	\$	63,884
TOTAL ASSETS	\$ 50,426	\$	62,308	\$	48,850	\$	63,884
<u>LIABILITIES</u>							
Due to groups and organizations:							
Class of 2017	\$ 974	\$	-	\$	974	\$	-
Class of 2018	-		6,328		6,129		199
Student Forum	1,891		3,647		4,012		1,526
Yearbook	5,272		1,865		915		6,222
Back Pack Program	3,952		5,000		2,966		5,986
Youth in Government	282		-		-		282
Engineering Olympics	976		-		976		-
Fine Arts Club	731		-		-		731
National Honor Society	1,394		1,148		2,159		383
PTO	7,571		11,349		11,508		7,412
I Care For Kids	1,193		1,902		1,954		1,141
Principal	781		-		401		380
Second Grade	-		227		39		188
Third Grade	390		2,761		2,344		807
Fourth Grade	325		-		300		25
Sixth Grade	645		-		645		-
Girls Basketball	4,067		-		82		3,985
Middle Sch Girls Basketball	83		-		-		83
Youth Basketball	428		12,179		9,380		3,227
Boys Basketball	762		50		105		707
Soccer	408		532		548		392
Cheerleading	854		644		-		1,498
School Plays	1,106		-		-		1,106
Playground	15,775		970		1,214		15,531
Robotics			13,542		2,000		11,542
Interest	566		164		199		531
DUE TO GROUPS AND ORGANIZATIONS	50,426		62,308		48,850		63,884
TOTAL LIABILITIES	\$ 50,426	\$	62,308	\$	48,850	\$	63,884



*Schneider, Larche,
Haapala & Co., PLLC*

**CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS**

David P. Pechawer, C.P.A., P.C.
Denise M. Boyle, C.P.A., P.C.
Bruce D. Dewar, C.P.A.
Karen L. Melers, C.P.A., P.C.

October 31, 2017

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

Board of Education
Big Bay de Noc School District
Cooks, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Big Bay de Noc School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Big Bay De Noc School District's basic financial statements, and have issued our report thereon dated October 31, 2017.

Internal Control Over Financial Reporting

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

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

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

October 31, 2017

Page 2

Compliance and Other Matters

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

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.

Schneider Larche Haapala Co., PLLC
Schneider, Larche, Haapala & Co., PLLC



*Schneider, Larche,
Haapala & Co., PLLC*

**CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS**

David P. Pechawer, C.P.A., P.C.
Denise M. Boyle, C.P.A., P.C.
Bruce D. Dewar, C.P.A.
Karen L. Melers, C.P.A., P.C.

October 31, 2017

Members of the Board of Education
Big Bay de Noc School District
Cooks, Michigan

COMMUNICATIONS TO GOVERNING BODY

We have audited the financial statements of Big Bay de Noc School District as of and for the year ended June 30, 2017. Professional standards require that we communicate certain information that is presented below.

Auditor's Responsibility

Required communication about our responsibility under generally accepted auditing standards and the scope and timing of our audit procedures are communicated in our engagement letter dated June 12, 2017.

Accounting Policies and Disclosures

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

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experiences about past and current events and assumptions about future events. Certain accounting estimates can be 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. Sensitive estimates affecting the financial statements of the School District for the year ended June 30, 2017 include the service lives of capital assets and accounting for the District's pension and benefit plans.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no known corrected or uncorrected misstatements noted during our audit procedures.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 31, 2017.

Management Consultations with Other Independent Accountants

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

Other Information in Documents Containing Audited Financial Statements

With respect to the supplemental information accompanying the financial statements, 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 supplemental information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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 and during the audit process. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the management of Big Bay de Noc School District and is not intended to be and should not be used by anyone other than these specified parties.

Schneider Lerche Hoopla & Co., PLLC
Certified Public Accountants