

**BIG JACKSON PUBLIC SCHOOLS  
NEWAYGO COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS**

**JUNE 30, 2017**

## TABLE OF CONTENTS

	Page
FINANCIAL SECTION	
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 8
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statement	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds	11
Reconciliation of the Balance Sheet - Governmental Funds	
The Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund	
Balances - Governmental Funds	13
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund	
Balances of Governmental Funds to the Statement of Activities	14
Notes to the Financial Statements	15 - 29
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule for the General Fund	30
Schedule of Proportionate Share of Net Pension Liability	31
Schedule of Contributions	32
SUPPLEMENTAL INFORMATION	
General Fund	
Comparative Balance Sheet	33
Comparative Statement of Revenues	34
Comparative Statement of Expenditures, and Changes in Fund Balance	35
Capital Projects - Major Fund	
Comparative Statement of Revenues, Expenditures and	
Changes in Fund Balance	36

## Table of Contents (Continued)

### Capital Position

Capital Position Used in the Operation of Governmental Funds

Schedule by Function & Activity 37

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* 38 - 39

Schedule of Findings and Responses 40



---

The Board of Education  
Big Jackson Public Schools  
Newaygo County, MI

Independent Auditor's Report

**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 Jackson Public Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Big Jackson Public School'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 Big Jackson Public School'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 Big Jackson Public School'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 and each major fund and the aggregate remaining fund information of Big Jackson Public Schools as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 operation, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the 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 the audit of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Big Jackson Public School's basic financial statements. The comparative balance sheet and statements of revenues, expenditures, and changes in fund balance, and the capital position schedule by function and activity are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The comparative balance sheet and statements of revenues, expenditures, and changes in fund balance and the capital position schedule by function and activity are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedure 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 statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the comparative statements and capital position schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2017 on our consideration of Big Jackson Public School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Big Jackson Public School's internal control and compliance.

*H&S Companies, P.C.*

H&S Companies, P.C.

Fremont, MI

October 26, 2017

## **BIG JACKSON PUBLIC SCHOOLS**

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

Our discussion and analysis of Big Jackson Public Schools' financial performance, a GASB 34 requirement, provides an overview of the School District's financial activities for the fiscal year ended June 30, 2016.

#### **FINANCIAL HIGHLIGHTS**

- The District's total net position of governmental activities increased \$15,169.
- General revenues accounted for \$257,812 in revenue, or 82% of all fiscal year 2017 revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$54,795 or 18% percent of total fiscal year 2017 revenues. State sources of revenues decreased \$50,500 mostly due to the decline in At Risk funding.
- The District had \$297,438 in expenses related to governmental activities; of which \$54,795 of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$257,812 provided for most of the remaining costs of the programs resulting in a decrease of \$14,928 in total expenses.
- The General Fund was the only major funds for the District. The General Fund had \$312,502 in revenue which primarily consisted of state aid, property taxes, interdistrict revenues, and grants. General Fund expenditures were \$306,978. The General Fund's fund balance increased by \$5,524.
- The District's total debt decreased by \$7,979 during the current fiscal year.

#### **OVERVIEW OF FINANCIAL STATEMENTS**

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

The District-wide Statement of Net Position and Statement of Activities are reported using the full accrual basis of accounting. With this method all of the District's assets and liabilities, and all of the current year revenues and expenditures, are reported regardless of when cash is received or paid. These statements provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. For example, the Statement of Activities details how the District's services were financed in the short-term and the amount that remains for future spending. The Statement of Net Position aggregates the District's restricted and unrestricted assets as well as short and long-term obligations recorded in all funds.

The fund-level statements are reported using a modified accrual basis of accounting. That is, only those assets that are "measurable" and "currently available" are reported, and liabilities are recognized to the extent they would normally be paid with current financial resources. Fund financial statements report the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds – the General Fund & Building & Site Fund.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **FINANCIAL POSITION AND RESULTS OF OPERATIONS**

The District's *net position* – the difference between assets and liabilities, as reported in the Statement of Net Position, is one way to measure the School District's financial health, or *financial position*. Over time, increases or decreases in the District's net position, as reported in the Statement of Activities, is one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses indicates the School District's *operating results*. However, the School District's goal is to provide services to its students, not to generate profits as commercial entities do. Many other non-financial factors, such as the quality of the education provided and the safety of the schools, must also be considered when assessing the *overall health* of the School District.

Net Position - The District's combined net position was more on June 30, 2017 than the year before. The following summarizes the net position at fiscal years ended June 30, 2017 and 2016:

#### **Net Position Summary**

<b>Assets</b>	<b>2017</b>	<b>2016</b>
Current assets	\$ 309,309	\$ 321,026
Capital assets, net	136,978	159,289
Total assets	446,287	480,315
<b>Deferred Outflows or Resources</b>	50,856	42,987
<b>Liabilities</b>		
Current liabilities	12,189	31,222
Noncurrent Liabilities	10,852	19,459
Net Pension Liability	340,531	325,710
Total Liabilities	363,572	376,391
<b>Deferred Inflows or Resources</b>	93,872	122,381
<b>Net Position</b>		
Net Investment in Capital Assets	117,828	132,160
Restricted for Capital Projects	24,415	24,310
Unrestricted	(102,544)	(131,940)
Total net position	\$ 39,699	\$ 24,530

Management's Discussion & Analysis (Continued)

**Results of Operations:**

For the fiscal years ended June 30, 2017 and 2016, the District wide results of operations were:

	Year Ended 2017		Year Ended 2016	
	Amount	%	Amount	%
<b>Revenues:</b>				
Program Revenues:				
Operating Grants/Contr.	\$ 54,795	17.53	\$ 99,033	25.75
General Revenues:				
Property Taxes	224,720	71.89	218,379	56.79
State Aid	19,614	6.27	50,961	13.25
Interest and Other	13,478	4.31	16,176	4.21
<b>Total Revenue</b>	<b>312,607</b>	<b>100.00</b>	<b>384,549</b>	<b>100.00</b>
<b>Expenses:</b>				
Instruction	114,711	38.57	137,812	44.12
Support Services				
Improvement of Instruction	4,522	1.52	2,208	0.71
General Administration	14,039	4.72	13,391	4.29
School Administration	41,521	13.96	17,874	5.72
Business Services	23,844	8.02	44,706	14.31
Operations/Maintenance	43,616	14.66	33,327	10.67
Central Services	10,223	3.44	8,616	2.76
Pupil Transportation	43,710	14.70	43,789	14.02
Total Support Services	181,475	61.01	163,911	52.47
Interest Expense	976	0.33	1,295	0.41
Community Services	276	0.09	-	-
Capital Outlay	-	-	9,349	2.99
<b>Total Expenses:</b>	<b>297,438</b>	<b>100.00</b>	<b>312,367</b>	<b>100.00</b>
Change in Net Position	15,169		72,182	
<b>Beginning Net Position</b>	<b>24,530</b>		<b>(47,652)</b>	
<b>Ending Net Position</b>	<b>\$ 39,699</b>		<b>\$ 24,530</b>	

**Debt Administration**

At year-end, the District had \$19,150 in long-term obligations, of which \$8,298 is due within one year. The following table presents a summary of the District's outstanding long-term debt for the fiscal year ended June 30, 2017:

	Governmental Activities
School Bus Loan	\$ 19,150

Additional information on the District's long-term debt can be found in Note J in the financial statements.



### **Depreciation Expense**

GASB 34 requires school Districts to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net position.

For fiscal year ended June 30, 2017, accumulated depreciation increased \$22,311. This is the result of the addition of depreciation expense.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset less an estimated salvage value.

One way to think of depreciation expense is that in order to maintain net position at the same level, acquisitions of capital outlay and capitalized major maintenance projects would have to equal the annual depreciation expense. In other words, to stay even in net position the District would have had to purchase and capitalize \$22,311 in assets during the year.

### **Capital Outlay Acquisitions**

There were not capital outlay acquisitions during the fiscal year. Netted with accumulated depreciation, net investment in capital assets (i.e., net book value) decreased by \$22,311 during the year.

Since accumulated depreciation is based on original cost, it does not take into consideration inflation. As a result, the actual investment in capital outlay would have to be more than depreciation expense in order to maintain assets at the same level of maintenance and upkeep.

### **Property Taxes levied for General Operations (General Fund Property Taxes)**

The District levies 18 mills of property tax for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5%, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50% of the market value.

The following summarizes the District's non-homestead levy the past five years:

<u>Fiscal Year</u>	<u>Non-Homestead Levy</u>	<u>% Change from Prior Year</u>
2016-2017	224,087	2.87%
2015-2016	217,829	15.77%
2014-2015	188,150	-1.79%
2013-2014	191,583	-8.86%
2012-2013	210,213	7.68%

### **Property Taxes levied for Building and Site Sinking Fund:**

The District's Building and Site sinking fund levy, which is used for capital improvements, is based on the taxable valuation of all properties: homestead and non-homestead. For 2016-2017, there was no levy for the District's Building and Site sinking fund, therefore, no tax revenues were collected.

**State of Michigan Aid, Unrestricted**

State of Michigan aid, unrestricted is determined by the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment – Blended using 90% of the fall count day plus 10% of the prior year winter count day.
- c. The District's non-homestead levy

**Per Student, Foundation Allowance:**

Annually, the State of Michigan sets the per student foundation allowance. The Big Jackson Public Schools foundation allowance was \$7,511 per student for the 2016-2017 school year. This is an increase from the 2015-2016 foundation allowance per student of \$120. The District's student enrollment for the fall count of 2016-2017 was 19 students. However, due to the very low student count, the District's property taxes are sufficient to cover the amount of the foundation allowance, resulting in no State Aid other than categorical funding.

Student Membership (using three-year blending):

	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2016-2017	24.54	(9)
2015-2016	33.40	(4)
2014-2015	37.38	(9)
2013-2014	45.93	10
2012-2013	35.75	(2)

**General Fund Budgetary Highlights:**

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

**General Fund Revenues:**

Total Revenues Original Budget	\$ 277,281
Total Revenues Final Budget	<u>330,849</u>
Increase in Budgeted Revenues	<u>\$ 53,568</u> 19.32%

The District's final general fund actual revenues were higher than the final budgeted revenues by \$18,347, a variance of 5.55%.

**General Fund Expenditures:**

Total Expenditures Original Budget	\$ 329,938
Total Expenditures Final Budget	<u>347,683</u>
Increase in Budgeted Expenditures	<u>\$ 17,745</u> 5.38%

The District's final general fund actual expenditures were under the final budget by \$40,705, a positive variance of 11.71%.

## Management's Discussion & Analysis (Continued)

The Final expenditure budget reflects the following material changes from the original budget:

- Increase in Elementary Education Expenditures of \$5,476
- Decrease in Compensatory Education Expenditures of \$11,276
- Increase in School Administration Expenditures of \$26,061
- Decrease in Business Services Expenditures of \$18,200
- Increase in Operation & Maintenance Expenditures of \$5,023
- Increase in Improvement of Instruction Expenditures of \$4,056
- Increase in Transportation Services Expenditures of \$7,070
- Decrease in Debt Service Expenditures of \$4,300

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Many factors were considered by the District's administration during the process of developing the fiscal year 2017-2018 budget. The primary factor was the District's student population. Due to a very low student count (see Per Student, Foundation Allowance section), the District is only getting a few Categorical State Aid revenues such as Section 147 (a & c) MPSERS Cost Offset and UAAL Rate Stabilization funding. Also considered in the development of the budget is the local economy. Budgeted expenditures in the General Fund are \$266,051, which is a 13% decrease from 2016-2017 actual expenditures. The most significant decrease is due to the elimination of the Business Office position as well as other reduced staff. Currently, there are no budgeted expenditures in the Capital Project Fund.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have any questions about this report or need additional information, contact the Big Jackson Public Schools, 4020 13 Mile Road, Paris, MI 49338.

**BIG JACKSON PUBLIC SCHOOLS**Statement of Net Position  
June 30, 2017

	<u>Governmental Activities</u>
<b>Assets</b>	
Current Assets:	
Cash/Investments	\$ 291,576
Accounts Receivable	4,992
Due From Other Governmental Units	<u>12,741</u>
Total Current Assets	309,309
Noncurrent Assets:	
Land & Improvements	18,744
Buildings & Improvements	103,062
Buses & Other Vehicles	54,396
Furniture & Equipment	92,259
Less: Accumulated Depreciation	<u>(131,483)</u>
Total Noncurrent Assets	<u>136,978</u>
Total Assets	446,287
 <b>Deferred Outflows of Resources</b>	
Related to Pensions	50,856
 <b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	753
Accrued Payroll Liabilities	2,734
Accrued Compensated Absences	404
Due Within One Year	<u>8,298</u>
Total Current Liabilities	12,189
Non-Current Liabilities	
Due in More Than One Year	10,852
Net Pension Liability	<u>340,531</u>
Total Non-Current Liabilities	<u>351,383</u>
Total Liabilities	363,572
 <b>Deferred Inflows of Resources</b>	
Related to Pensions	93,872
 <b>Net Position</b>	
Net Investment in Capital Assets	117,828
Restricted for Capital Projects	24,415
Unrestricted	<u>(102,544)</u>
Total Net Position	<u><u>\$ 39,699</u></u>

The Notes to the Financial Statements are an integral part of this statement.

# BIG JACKSON PUBLIC SCHOOLS

## Government Wide Statement of Activities For the Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u>
		<u>Charges for</u>	<u>Grants and</u>	<u>Revenue</u>
		<u>Services</u>	<u>Contributions</u>	<u>Government</u>
<b>Governmental Activities</b>				<b>Activities</b>
Instruction:				
Regular Instruction	\$ 114,711	\$ -	\$ 51,116	\$ (63,595)
Support Services:				
Improvement of Instruction	4,522	-	3,058	(1,464)
General Administration	14,039	-	-	(14,039)
School Administration	41,521	-	-	(41,521)
Business Services	23,844	-	-	(23,844)
Operations & Maintenance	43,616	-	-	(43,616)
Central Services	10,223	-	621	(9,602)
Pupil Transportation	43,710	-	-	(43,710)
Total Support Services	181,475	-	3,679	(177,796)
Interest on Long-Term Debt	976	-	-	(976)
Community Services	276	-	-	(276)
Total School District	<u>\$ 297,438</u>	<u>\$ -</u>	<u>\$ 54,795</u>	<u>(242,643)</u>
<b>General Revenues</b>				
Property Taxes				
General Purposes				224,720
State and Federal Aids Not Restricted To				
General				19,614
Interest and Investment Earnings				1,351
Miscellaneous				12,127
Total General Revenues				<u>257,812</u>
Change in Net Position				15,169
Net Position - Beginning of Year				<u>24,530</u>
Net Position - Ending of Year				<u>\$ 39,699</u>

The Notes to the Financial Statements are an integral part of this statement.

**BIG JACKSON PUBLIC SCHOOLS**Balance Sheet - Governmental Funds  
June 30, 2017

	General Fund	Non-Major Governmental Fund	Total Governmental Funds
<b>Assets</b>			
Cash/Investments	\$ 267,161	\$ 24,415	\$ 291,576
Accounts Receivable	4,992	-	4,992
Due From Other Governmental Units	12,741	-	12,741
Total Assets	<u>\$ 284,894</u>	<u>\$ 24,415</u>	<u>\$ 309,309</u>
<b>Liabilities and Fund Equity</b>			
Liabilities			
Accounts Payable	\$ 753	\$ -	\$ 753
Accrued Payroll Liabilities	2,734	-	2,734
Total Liabilities	3,487	-	3,487
Fund Equity			
Restricted for Capital Projects	-	24,415	24,415
Unassigned	281,407	-	281,407
Total Fund Equity	281,407	24,415	305,822
Total Liabilities and Fund Equity	<u>\$ 284,894</u>	<u>\$ 24,415</u>	<u>\$ 309,309</u>

The Notes to the Financial Statements are an integral part of this statement.

# **BIG JACKSON PUBLIC SCHOOLS**

## **Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position For the Year Ended June 30, 2017**

Total Governmental Fund Balances	\$	305,822
----------------------------------	----	---------

Total Net Position reported for governmental activities in the statement of Net Position are different from the amount reported as total governmental funds fund balance because:

Deferred Outflows of Resources - Related to Pensions	50,856
Deferred Inflows of Resources - Related to Pensions	(93,872)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of Net Position:

Governmental Capital Asset	\$	268,461	
Governmental Accumulated Depreciation		<u>(131,483)</u>	136,978

Long-term liabilities, including notes payable, are not due in the current period and, therefore, are not reported in the fund statements.

Note Payable	(19,150)
Compensated Absences	(404)
Net Pension Liability	<u>(340,531)</u>

Total Net Position - Governmental Activities:	\$	<u><u>39,699</u></u>
---	----	----------------------

# BIG JACKSON PUBLIC SCHOOLS

## Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2017

	General Fund	Non-Major Governmental Fund	Total Governmental Funds
<b>Revenues</b>			
Local Sources	\$ 238,248	\$ 105	\$ 238,353
State Sources	31,025	-	31,025
Federal Sources	40,333	-	40,333
Interdistrict Sources	2,896	-	2,896
Total Revenues	312,502	105	312,607
<b>Expenditures</b>			
Instruction			
Elementary	70,054	-	70,054
Compensatory Education	39,117	-	39,117
Special Education	3,134	-	3,134
Total Instruction	112,305	-	112,305
Support Services:			
General Administration	16,843	-	16,843
School Administration	39,552	-	39,552
Business Services	29,331	-	29,331
Operations & Maintenance	45,286	-	45,286
Improvement of Instruction	4,786	-	4,786
Central Services	10,223	-	10,223
Pupil Transportation	39,421	-	39,421
Total Supportive Services	185,442	-	185,442
Community Services	276	-	276
Debt Service	8,955	-	8,955
Total Expenditures	306,978	-	306,978
Excess (deficiency) of Revenues Over Expenditures	5,524	105	5,629
Fund Balance - July 1	275,883	24,310	300,193
Fund Balance - June 30	\$ 281,407	\$ 24,415	\$ 305,822

The Notes to the Financial Statements are an integral part of this statement.



## BIG JACKSON PUBLIC SCHOOLS

### Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds	\$	5,629
--	----	-------

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

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of Net Position and allocated over their estimated useful lives as annual depreciation expense

Capital Outlay	\$	-	
Depreciation expense reported in the statement of activities		<u>(22,311)</u>	(22,311)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Payments on principal of long-term debt	7,979
---	-------

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Change in Accrued Compensated Absences	2,315
--	-------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Pension related items	<u>21,557</u>
-----------------------	---------------

Change in Net Position - Governmental Activities	\$	<u><u>15,169</u></u>
--	----	----------------------

The Notes to the Financial Statements are an integral part of this statement.

## **BIG JACKSON PUBLIC SCHOOLS**

Notes to the Financial Statements  
For the Year Ended June 30, 2017

### **NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Big Jackson Public School District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District's accounting policies are described below.

#### **1. Reporting Entity**

Big Jackson Public Schools is located in Newaygo County, Michigan. The School District provides educational services to approximately 45 students. The School District is governed by a School Board consisting of five board members all of whom are elected by School District residents.

Big Jackson School's mission statement reads as follows: Big Jackson School is committed to provide, with the help of parents, students and the community, a nurturing, safe, high quality, effective environment for learning. The school is dedicated to ensuring the uniqueness, dignity, and worth of each individual and committed to developing a positive self-image - expecting that all students will become responsible contributing members of society.

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District's financial statements include the funds of those organizational entities for which its elected governing board is financially accountable. The District's major operations include education, pupil transportation and construction and maintenance of District facilities.

#### **2. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of Net Position and the statement of activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

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

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

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

**Government-Wide Financial Statements** - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statements. 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 and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Fund 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 are generally recorded when a liability is incurred, as under accrual accounting.

Debt service resources are provided during the current year for payment of general long-term debt principal and interest due early in the following year and, therefore, the expenditures and related liabilities have been recognized. Compensated absences are recorded only when payment is due.

Property taxes, State and County aid and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Food services and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of the fiscal year, have been recorded as deferred revenue. Receivables that will not be collected within the available period have also been reported as deferred revenue on the governmental fund financial statements.

The District reports the following major governmental fund:

General Fund - The General Fund accounts for all resources used to finance District maintenance and operation except those required to be accounted for in other funds. Expenditures are classified in accordance with the Michigan School Accounting Manual, issued by the Michigan Department of Education as follows:

**Instruction** - Instruction includes the activities dealing directly with the teaching of pupils or the interaction between teacher and pupils. Teaching may be provided for pupils in a school classroom; in another location, such as in a home or hospital and in other situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone, and correspondence. Included here are the activities of aides, assistants of any type, and supplies and machines, which assist directly in the instructional process.

**Supporting Services** - Supporting Services are those services which provide administrative, technical, and logistical support to facilitate and enhance instruction and, to a lesser degree, community services. Supporting services exist as adjuncts for the fulfillment of the objectives of instruction, rather than as entities within themselves.

In addition to the major fund, the District reports the following fund type:

Capital Projects Fund - The Sinking Fund is used to account for financial resources to be used for the acquisition, construction, renovation or repair of major capital facilities. The Sinking Fund Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, the School district has complied with the applicable provisions of Sec. 1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of bonded Construction Funds and of Sinking Funds in Michigan.

4. Deposits & Investments

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

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Investment income is composed of interest and net changes in the fair value of applicable investments and is included in other local revenue in the fund financial statements.

5. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles, if any.

Property tax levies are obtained by applying tax rates against the taxable valuation. Taxable valuation is based upon the property's state equalized value (which approximates ½ actual value). However, the taxable valuation is limited to a 5% increase from the previous year, while there is no limit to the increase in property values for state equalized valuation.

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

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

Federal revenues are recorded as they are earned by the District under terms of specific grants.

6. Inventories

Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. There were no material inventories at year-end.

7. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in the government-wide financial statements. Prepaid items are recorded as expenditures when purchased in the fund financial statements and are offset by a reserve of fund balance.

8. Unearned Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the District had no deferred revenue.

9. Capital Assets

Capital assets, which include land and improvements, buildings and improvements, vehicles, furniture, equipment and construction in progress, are reported in the applicable governmental activities column in the government-wide financial statements.

Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital Assets are depreciated using the straight-line method over the following useful lives:

Land Improvements	20 - 25 Years
Buildings and Improvements	20 - 50 Years
Vehicles, Furniture and Equipment	5 - 15 Years

10. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses at the time of issuance.

11. Pension

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

12. Net Position

Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. Big Jackson Public School reports three categories of net position, as follows: (1) Net investment in capital assets consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets, and increases by balances of deferred outflows of resources related to those assets; (2) Restricted net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyer of Big Jackson Public School's debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) Unrestricted net position consists of all other net positions that does not meet the definition of the above components and is available for general use by Big Jackson Public Schools.

13. Fund Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

**Non-spendable** - Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

**Restricted** - Includes amounts restricted by external sources (creditors, laws of other governments, etc..) or by constitutional provision or enabling legislation.

**Committed** - Includes amounts that can only be used for specific purposes determined by a formal action by Board resolution. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (Board resolution) that was employed when the funds were initially committed.

**Assigned** - Includes amounts that can only be used for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority

**Unassigned** - Includes amounts that are available for any purpose. Positive amounts are only reported in the General Fund.

Restricted sources are used first when an expense is incurred for which both restricted and unrestricted resources are available.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

14. Deferred Inflows of Resources

The statement of net position and the governmental funds balance sheet include a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs.

15. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

16. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

17. Compensated Absences

Individual contracts with the teachers provide for payment of unused sick days at the end of each school year. Business and personal days offered expire at the end of the year and no vacation pay is offered. Beginning with fiscal year ending June 30, 2005, unpaid sick leave may accumulate from year to year, being paid to employees at a rate of 50% of their current rate of pay upon retirement or departure.

18. Unemployment Compensation

The School District has elected to finance its unemployment liability as a "reimbursing employer". Under this method, the School District reimburses the Michigan Employment Security commission for all benefits charged to the School District's account during the previous calendar year.

NOTE B DEPOSITS AND INVESTMENTS

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Standard &amp; Poor's Rating</u>
Michigan Liquid Asset Fund *	\$ 158,167	N/A	AAAm
Total Fair Value	<u>\$ 158,167</u>		

\* Securities are valued at amortized cost rather than fair value.

The District voluntarily invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2017, the fair value of the District's investments is the same as the value of the pool shares. MILAF, as defined by the GASB, is recorded at amortized cost which approximates fair value. These funds are not subject to fair value disclosures.

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

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Custodial Credit Risk -The risk that, in the event of the failure of a financial institution, Big Jackson Public Schools will not be able to recover its deposits. Big Jackson Public School's investment policy does not specifically address custodial credit risk for deposits.

As of June 30, 2017, \$158,167 of the school district's bank balance of \$297,879 was exposed to custodial credit risk as follows:

Insured or Collateralized	\$	139,712
Uninsured and collateral held by pledging bank's trust department not in District's name.		158,167
Total Bank Balance	\$	<u>297,879</u>

*Credit Risk* -Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District's Michigan Investment Liquid Asset Fund has a rating of AAAM from Standard & Poor's.

The School District is authorized by Michigan Law to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

The District does not currently have investments subject to fair value measurement.

#### NOTE C STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

State of Michigan Public Act 621 requires that the General Fund and Special Revenue Funds of the School District be under budgetary control and that both budgeted and actual financial results do not incur a deficit. The District's Major Fund, Debt Service, is not required to adopt a budget. The District's Budget Appropriations Act must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from the District's Appropriations Act may occur without a corresponding amendment to the Appropriations Act. The District has the ability to amend the Appropriations Act provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year end. The District may also permit the chief administrative or fiscal officer to execute transfers between line items, without prior approval of the Board of Education. The level of control is the function level. All appropriations lapse at the end of the fiscal year.

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

- A. For the fiscal year beginning July 1, a proposed expenditure budget is presented by Administrative Personnel to the Governing Board.
- B. In June a preliminary operating budget is submitted to the Board of Education by the Principal. This budget includes proposed expenditures and the means of financing them.
- C. Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budget.
- D. After the budget is finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- E. The budgets were amended at periodic times during the year to comply with PA 621.
- F. Budgets for the General and Capital Projects Funds are adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.



G. The budgets shown in these financial statements are as last amended through June 30, 2017.

The School District did not have instances where expenditures exceeded the revised budget by a material amount for the year ended June 30, 2017.

NOTE D PROPERTY TAXES

Properties are assessed as of December 31, and the related taxes become a lien on December 1 of the following year. These taxes are due on September 10 and February 14 with the final collection date of February 28 before they are added to the County tax rolls. The taxes are collected and remitted to the District by the various Townships within the District. The County of Newaygo, through their Delinquent Tax Revolving Funds, advance all delinquent real property taxes to the District each year.

Property in the School District for the 2016 levy had a taxable value of \$23,043,008. For the 2016 levy, the School District's operating tax rate was 18 mills.

NOTE E DEFINED BENEFIT PENSION PLAN

**Plan Description**

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

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

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

**Benefits Provided**

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

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

**Contributions & Funding Status**

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

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

The schedule below summarizes pension contribution rates in effect for the fiscal year 2016.

<b>Pension Contribution Rates</b>		
<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.00 - 4.00%	18.95%
Member Investment Plan	3.00 - 7.00%	18.95%
Pension Plus	3.00 - 6.40%	17.73%
Defined Contribution	0.00%	14.56%

Required contributions to the pension plan from District were \$30,650 for the year ended September 30, 2016.

**Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Non-University**

At June 30, 2017, the District reported a liability of \$340,531 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2015. The District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all reporting units' statutorily required contributions for the measurement period. At September 30, 2016, the District's proportionate share percent was 0.00003139 percent from its proportion measured as of September 30, 2015.

For the year ended June 30, 2017, the District recognized total pension expense of \$4,129. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Asset Class</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual	\$ 4,244	\$ 807
Changes of assumptions	5,324	-
Net difference between projected and actual earnings on pension plan investments	5,660	-

Notes to the Financial Statement (Continued)

Changes in proportion and differences between District contributions and proportionate share of contributions	\$ 6,750	\$ 82,185
District section 147c revenue related to pension contributions subsequent to the measurement date	-	10,880
District contributions subsequent to the measurement date	28,878	-
Total	<u>\$ 50,856</u>	<u>\$ 93,872</u>

\$50,856 reported as deferred outflows of resources and \$10,880 reported as deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)**

Year Ending	
<u>June 30</u>	<u>Amount</u>
2017	\$ (25,646)
2018	(26,085)
2019	(11,597)
2020	2,314

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Valuation Date	September 30, 2015
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	3.5%
Investment Rate of Return	
- MIP and Basic Plans (Non-Hybrid)	8.0%
- Pension Plus Plan (Hybrid)	7.0%
Projected Salary Increases	3.5% - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments	3% Annual Non-Compounded for MIP Members
Mortality	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projections scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

**Notes:**

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.6273.*
  - Recognition period for assets in years is 5.0000*
  - Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Report.*

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.00%	5.90%
% Alternative Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.90%
Real Estate and Infrastructure Pools	10.00%	4.30%
Absolute Return Pools	15.50%	6.00%
Short Term Investment Pools	2.00%	0.00%
Total	<u>100.00%</u>	

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

**Discount Rate**

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

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

As required by GASB Statement No. 68, the following presents the District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (Non-Hybrid/Hybrid)* <u>7.0%/6.0%</u>	Current Single Discount Rate Assumption (non-Hybrid/Hybrid)* <u>8.0%/7.0%</u>	1% Decrease (non-Hybrid/Hybrid)* <u>9.0%/8.0%</u>
\$ 438,519	\$ 340,531	\$ 257,919

\* = The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.

**Michigan Public School Employees' Retirement System (MPERS) Fiduciary net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR, available at [www.michigan.gov/mpers-cafr](http://www.michigan.gov/mpers-cafr).

**Payables to the Pension Plan**

The amount of payables to a defined benefit pension plan outstanding at the end of the reporting period were \$2,715. The payables were based upon the wages being paid over the period from July 1 through August 30, 2017 which were for services provided prior to June 30, 2017 and therefore legally required contributions to the pension plan.

**NOTE F OTHER POST-EMPLOYMENT BENEFITS**

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

Public Act 75 of 2010 requires each actively employed member of MPERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

**Retiree Healthcare Reform of 2012**

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

Notes to the Financial Statement (Continued)

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

The District required and actual postemployment healthcare contributions to the various plans are as follows:

Fiscal Year Ending <u>June 30,</u>	Defined Benefit Plan	Defined Contribution Plan	Pension Healthcare Fund	
	Employer Health Contributions	Employer Health Contributions	Employer Contributions	Employee Contributions
2017	\$ 6,375	\$ 2,288	\$ 773	\$ 773

NOTE G FIXED ASSETS

Capital asset balances and for the year ended June 30, 2017 were as follows:

	Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017
<b>Governmental-Type Activities</b>				
Capital Assets not being depreciated				
Land	\$ 1,042	\$ -	\$ -	\$ 1,042
Capital Assets Being Depreciated				
Buildings & Improvements	103,062	-	-	103,062
Land Improvements	17,702	-	-	17,702
Equipment & Furniture	92,259	-	-	92,259
Buses & Other Vehicles	54,396	-	-	54,396
Subtotal	267,419	-	-	267,419
Less Accumulated Depreciation for				
Buildings & Improvements	27,872	3,506	-	31,378
Land Improvements	4,754	881	-	5,635
Equipment & Furniture	12,621	6,364	-	18,985
Buses & Other Vehicles	63,925	11,560	-	75,485
Subtotal	109,172	22,311	-	131,483
Net Capital Assets being depreciated	158,247	(22,311)	-	135,936
Total Governmental Activities Capital				
Capital Assets - Net of Depreciation	\$ 159,289	\$ (22,311)	\$ -	\$ 136,978

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 13,978
School Administrative Services	1,969
Student Transportation	6,364
Total Depreciation Expense	\$ 22,311

Notes to the Financial Statement (Continued)

NOTE H RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the School District carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE I INTERFUND RECEIVABLES & PAYABLES

As of June 30, 2017 the District did not have any interfund receivables and payables.

NOTE J GENERAL LONG-TERM OBLIGATIONS

Summary - The long-term debt includes a loan for a school bus. Since none of the debt will be retired with current operating resources, they are appropriately included in the government-wide financial statement. All items will be recorded as an expenditure of the year in which they are paid, for fund statement reporting.

Long-term debt is comprised of the following at June 30, 2017:

	Outstanding Principal 6/30/2017	Due Within One Year
School bus loan due in quarterly installments of \$2,238.78 through August, 2019; interest payable quarterly at 3.99%.	\$ 19,150	\$ 8,298

The annual requirements to amortize long-term debt outstanding as of June 30, 2017, including interest detailed as follows:

Year Ended June 30,	Principal	Interest
2018	8,298	644
2019	8,649	305
2020	2,203	22
	<u>\$ 19,150</u>	<u>\$ 971</u>

Changes to long-term debt - The following is a summary of debt transactions of the District for the year ended June 30, 2017:

<b>Governmental-Type Activities</b>	School Bus Loan
Debt Outstanding July 1	\$ 27,129
Debt Added During the Year	-
Debt Retired During the Year	(7,979)
Debt Outstanding June 30	<u>\$ 19,150</u>

NOTE K SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2017, the most recent balance sheet presented herein, through October 26, 2017, the date these financial statements were available to be issued. No significant such events or transactions were identified.

NOTE L ADOPTION OF NEW ACCOUNTING STANDARDS

GASB Statement No. 77, *Tax Abatement Disclosures*, was implemented during the year. The statement requires disclosure of tax abatement information about 1) the Agency's own tax agreements and 2) those that are entered into by other governments and that reduce the Agency's tax revenues. This statement will improve the user's knowledge on how tax abatements affect the Agency's financial positions and results of operations, including their ability to raise resources in the future. For the fiscal year ended June 30, 2017 the District did not have any tax abatements to disclose.

NOTE M UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The District is currently evaluating the impact this standard will have on the financial statements when adopted during the District's 2017-2018 fiscal year.



# BIG JACKSON PUBLIC SCHOOLS

## Required Supplementary Information Budgetary Comparison Schedule for the General Fund For the Year Ended June 30, 2017

				Variances	
	Budget Amounts		Actual	Positive (Negative)	
	Original	Final		Original Budget to Final	Final Budget to Actual
<b>Revenues</b>					
Local Sources	\$ 183,050	\$ 236,816	\$ 238,248	\$ 53,766	\$ 1,432
State Sources	46,572	29,720	31,025	(16,852)	1,305
Federal Sources	44,859	62,998	40,333	18,139	(22,665)
Interdistrict Sources	2,800	1,315	2,896	(1,485)	1,581
Total Revenues	277,281	330,849	312,502	53,568	(18,347)
<b>Expenditures</b>					
Instruction					
Elementary	78,111	83,587	70,054	5,476	13,533
Compensatory Education	52,595	41,319	39,117	(11,276)	2,202
Special Education	3,200	3,692	3,134	492	558
Total Instruction	133,906	128,598	112,305	(5,308)	16,293
Support Services:					
General Administration	16,680	17,675	16,843	995	832
School Administration	13,837	39,898	39,552	26,061	346
Business Services	46,739	28,539	29,331	(18,200)	(792)
Operation & Maintenance	40,845	45,868	45,286	5,023	582
Improvement of Instruction	4,894	8,950	4,786	4,056	4,164
Central Services	19,242	21,490	10,223	2,248	11,267
Transportation Services	37,895	44,965	39,421	7,070	5,544
Total Support Services	180,132	207,385	185,442	27,253	21,943
Debt Service	15,700	11,400	8,955	(4,300)	2,445
Community Services	200	300	276	100	24
Total Expenditures	329,938	347,683	306,978	17,745	40,705
Excess (deficiency) of Revenue Over Expenditures	(52,657)	(16,834)	5,524	35,823	22,358
Fund Balance - July 1	275,883	275,883	275,883	-	-
Fund Balance - June 30	\$ 223,226	\$ 259,049	\$ 281,407	\$ 35,823	\$ 22,358

# BIG JACKSON PUBLIC SCHOOLS

## Required Supplementary Information Schedule of Proportionate Share of the Net Pension Liability Michigan Public School Employees Retirement Plan Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. District's proportion of net pension liability (%)	-	-	-	-	-	-	-	0.00136%	0.00133%	.00194%
B. District's proportionate share of net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 340,531	\$ 325,710	\$ 426,424
C. District's covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,306	\$ 114,127	\$ 168,950
D. District's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	-	-	-	-	-	-	-	285.42655%	285.39259%	252.39657%
E. Plan fiduciary net position as a percentage of total pension liability	-	-	-	-	-	-	-	63.27%	63.17%	66.20%

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available beginning with FYE June 30, 2015.

### Notes to the Required Supplementary Information

**Changes of benefit terms:** There were no changes of benefit terms in FY 2016.

**Changes of assumptions:** There were no changes of benefit terms in FY 2016.

# **BIG JACKSON PUBLIC SCHOOLS**

## Required Supplementary Information Schedule of Contributions Michigan Public School Employees Retirement Plan Last 10 Fiscal Years (Amounts determined as of 6/30 of each fiscal year)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. Statutorily required contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,746	\$ 21,312	\$ 25,485
B. Contributions in relation to statutorily required contributions *	-	-	-	-	-	-	-	20,746	21,312	25,485
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. District's covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 122,072	\$ 113,348	\$ 140,274
E. Contributions as a percentage of covered-employee payroll								16.99%	18.80%	18.17%

\* Contributions in relation to statutorily required contributions are the contributions a the District actually made to MPERS, which may differ from the statutorily required contributions.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with FYE September 30, 2014.

**BIG JACKSON PUBLIC SCHOOLS**Comparative Balance Sheet - General Fund  
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash/Investments	\$ 267,161	\$ 237,206
Accounts Receivable	4,992	-
Due From Other Governmental Units	<u>12,741</u>	<u>59,752</u>
Total Assets	<u><u>\$ 284,894</u></u>	<u><u>\$ 296,958</u></u>
 <b>Liabilities and Fund Equity</b>		
Liabilities		
Accounts Payable	\$ 753	\$ -
Accrued Payroll Liabilities	2,734	2,334
Due to Other Funds	-	242
Unearned Revenue	<u>-</u>	<u>18,499</u>
Total Liabilities	3,487	21,075
 Fund Equity		
Unassigned	<u>281,407</u>	<u>275,883</u>
Total Fund Equity	<u>281,407</u>	<u>275,883</u>
Total Liabilities and Fund Equity	<u><u>\$ 284,894</u></u>	<u><u>\$ 296,958</u></u>

# **BIG JACKSON PUBLIC SCHOOLS**

## **Comparative Statement of Revenues - General Fund For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Revenues		
Local Sources		
Property Taxes	\$ 224,720	\$ 218,379
Interest Earned on Investments	1,246	44
Grants/Donations	5,706	13,266
Miscellaneous	<u>6,576</u>	<u>10,003</u>
Total Local Sources	238,248	241,693
State Sources		
State School Aid	2,686	30,834
Headlee Obligation for Data Collection	621	842
MPERS Cost Offset/UAAL Stabilization	16,613	14,417
At Risk	10,700	34,522
TRIG	-	310
Miscellaneous State Aid	-	600
Special Education	<u>405</u>	<u>-</u>
Total State Sources	31,025	81,525
Federal Sources		
Title I	22,338	26,132
Title II, Part A	3,058	2,308
R.E.A.P. Grant	11,967	13,292
Payments in Lieu of Taxes	<u>2,970</u>	<u>9,203</u>
Total Federal Sources	40,333	50,935
Interdistrict Sources		
Transportation	2,581	2,838
Special Education - Act 18	<u>315</u>	<u>4,268</u>
Total Interdistrict Sources	<u>2,896</u>	<u>7,106</u>
Other Financing Sources		
Insurance Proceeds	<u>-</u>	<u>2,830</u>
Total Other Financing Sources	<u>-</u>	<u>2,830</u>
Total Revenues	<u><u>\$ 312,502</u></u>	<u><u>\$ 384,089</u></u>

**BIG JACKSON PUBLIC SCHOOLS**Comparative Statement of Expenditures - General Fund  
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Expenditures		
Instruction		
Elementary		
Basic Education	\$ 69,774	\$ 65,277
REAP	<u>280</u>	<u>10,761</u>
Total Elementary	70,054	76,038
Compensatory Education		
At Risk	10,701	34,522
Title I	22,063	26,534
REAP	<u>6,353</u>	<u>-</u>
Total Compensatory Education	39,117	61,056
Special Education	<u>3,134</u>	<u>615</u>
Total Instruction	112,305	137,709
Supportive Services		
Improvement of Instruction	4,786	2,435
General Administration	16,843	15,636
School Administration	39,552	16,177
Business Services	29,331	50,404
Operation & Maintenance of School	45,286	43,827
Central Services	10,223	8,616
Transportation Services	<u>39,421</u>	<u>51,044</u>
Total Supportive Services	185,442	188,140
Community Services	276	200
Debt Service		
Principal	7,979	7,660
Interest	<u>976</u>	<u>1,295</u>
Total Debt Service	<u>8,955</u>	<u>8,955</u>
Total Expenditures	<u>\$ 306,978</u>	<u>\$ 335,003</u>

**BIG JACKSON PUBLIC SCHOOLS**

Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Capital Projects Fund  
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Local Sources		
Interest Earned on Investments	<u>\$ 105</u>	<u>\$ 459</u>
Total Revenues	105	459
<b>Expenditures</b>		
Capital Outlay	<u>-</u>	<u>7,123</u>
Total Expenditures	<u>-</u>	<u>7,123</u>
Excess Revenues Over (Under)		
Expenditures	105	(6,664)
Fund Balance - Beginning	<u>24,310</u>	<u>30,974</u>
Fund Balance - Ending	<u><u>\$ 24,415</u></u>	<u><u>\$ 24,310</u></u>

**BIG JACKSON PUBLIC SCHOOLS**

Capital Assets Used in the Operation of Governmental Funds  
Schedule of Changes by Function and Activity  
June 30, 2017

<u>Function and Activity</u>	<u>6/30/2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/2017</u>
<b><u>General Fund</u></b>				
Instruction	\$ 192,661	\$ -	\$ -	\$ 192,661
General Administration Services	18,731	-	-	18,731
Student Transportation Services	50,001	-	-	50,001
<b><u>Building Fund</u></b>				
Student Transportation Services	7,068	-	-	7,068
Total	<u>\$ 268,461</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 268,461</u>





---

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 *Governmental Auditing Standards*

Board of Education  
Big Jackson Public Schools  
Newaygo County, 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 Jackson Public Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Big Jackson Public School's basic financial statements and have issued our report thereon dated October 26, 2017.

**Internal Control Over Financial Reporting**

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

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

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

*Report on Internal Control (continued)*

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*H&S Companies, P.C.*

H&S Companies, P.C.  
Fremont, MI

October 26, 2017

# **BIG JACKSON PUBLIC SCHOOLS**

## **Schedule of Findings and Responses June 30, 2017**

### **Section I - Summary of Auditor's Results**

#### *Financial Statements*

- |   |            |
|---|------------|
| 1. Type of auditor's report issued:   | Unmodified |
| 2. Internal Control over financial reporting.   |            |
| a. Material weakness(es) identified?  | No         |
| b. Significant deficiency(ies) identified that are<br>not considered to be material weakness(es)? | No         |
| 3. Noncompliance material to the financial statements noted?                                      | No         |

### **Section II - Findings and Responses - Financial Statement Audit**

*No Findings*



October 26, 2017

To the Board of Directors  
Big Jackson Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Big Jackson Public Schools for the year ended June 30, 2017, and have issued our report thereon dated October 26, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 17, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Big Jackson Public Schools are described in Note A to the financial statements. During 2016-2017, the District implemented GASB Statement no. 77, *Tax Abatement Disclosures*. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the defined benefit pension plan is based on a member's years of credited service and final average compensation.

Management's estimate of depreciation on fixed assets is based on the straight-line method of depreciation over the useful life of the related asset.

Management's estimate of the compensated absences is based on the balance of each employee's accumulated sick leave being paid at 50% of their current rate of pay upon retirement or departure.

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

***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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures, and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### ***Disagreements with Management***

For purposes of this letter, 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 26, 2017.

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

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

### ***Other Audit Findings or Issues***

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

#### **Books & Records**

We are pleased to report the improvement of the books and records for the current year. NCRESA did a great job reconciling the accounts and preparing necessary journal entries for the audit to be completed efficiently. For comparison, we recommended only 2 journal entries for the current year whereas we recommended 20 for the prior year.

#### **Other Matters**

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

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

This information is intended solely for the use of the Board of Directors and management of Big Jackson Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*H & S Companies, P.C.*

H & S Companies, P.C.  
Fremont, Michigan