

Big Jackson
School District



Year Ended
June 30, 2019

Financial
Statements

BIG JACKSON SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

September 30, 2019

Board of Education
Big Jackson School District
Paris, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of *Big Jackson School District* (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Big Jackson School District as of June 30, 2019, and the respective changes in financial position, thereof and the budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules for the pension and other postemployment benefits plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues, expenditures and changes in fund balance, budget and actual, by activity for the general fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019 on our consideration of Big Jackson School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

BIG JACKSON SCHOOL DISTRICT

Management's Discussion and Analysis

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

Financial Highlights

- Overall, the District reported total net position of \$68,902 in its most recent statement of net position, an increase of \$87,509. The District is required to report its proportionate share of the MPERS net pension and other postemployment liability on the statement of net position.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$395,425, an increase of \$38,893 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance of the general fund was \$370,443 or 123.2% percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise 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, including management's discussion and analysis, budgetary schedules and combining statements for nonmajor and fiduciary funds.

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

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

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

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

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

BIG JACKSON SCHOOL DISTRICT

Management's Discussion and Analysis

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

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

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statements has been provided herein to demonstrate compliance with those budgets.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management's discussion and analysis and the schedules for the MPERS pension and other postemployment benefit plans immediately following the notes to the financial statements. The General Fund detailed schedule of revenues, expenditures, and changes in fund balance - budget to actual by activity and is presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District reported net position of \$68,902 at June 30, 2019.

	Net Position	
	2019	2018
Assets		
Current and other assets	\$ 426,500	\$ 375,393
Capital assets, net	110,005	121,719
Total assets	536,505	497,112
Deferred outflows of resources	127,698	70,711
Liabilities		
Current and other liabilities	472,883	477,177
Long-term liabilities	4,971	12,504
Total liabilities	477,854	489,681
Deferred inflows of resources	117,447	96,749
Net position		
Net investment in capital assets	107,815	110,880
Restricted	24,982	24,596
Unrestricted (deficit)	(63,895)	(154,083)
Total net position	\$ 68,902	\$ (18,607)

BIG JACKSON SCHOOL DISTRICT

Management's Discussion and Analysis

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

An additional portion of the District's net position represents resources that are subject to other external restrictions on how they may be used. The remaining balance of unrestricted net position, when available, may be used to meet the District's ongoing obligations to its general programs. This portion of net position is in deficit mostly due to the requirement to report the District's proportionate share of the MPSERS net pension and other postemployment liabilities on the statement of net position.

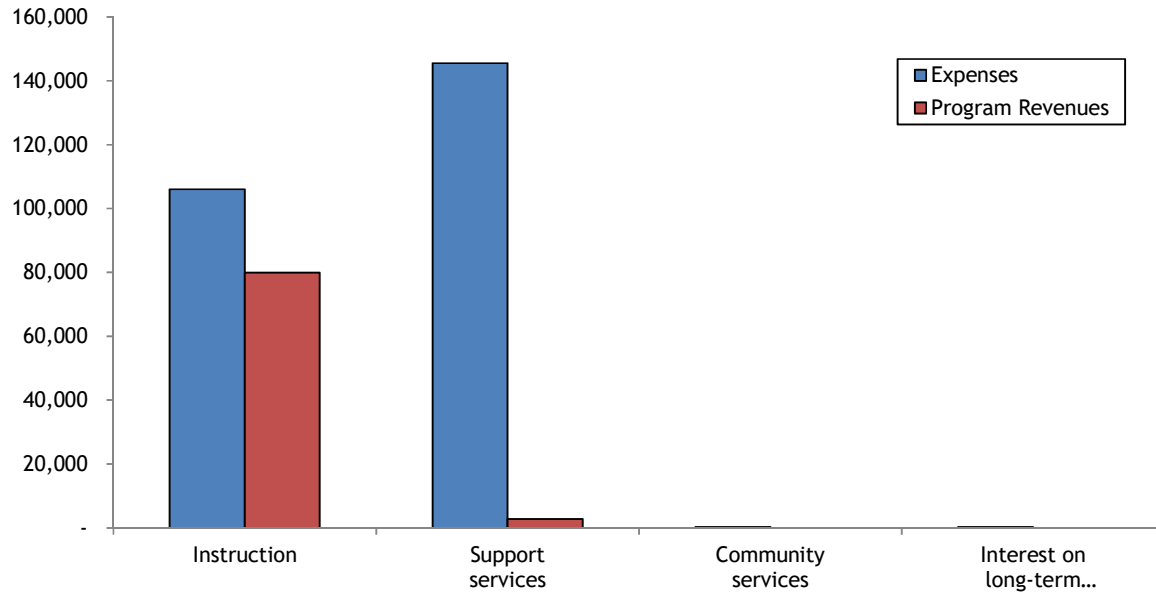
	Change in Net Position	
	2019	2018
Revenues		
Program revenues:		
Operating grants and contributions	\$ 82,629	\$ 57,594
General revenues:		
Property taxes - operations	231,369	231,563
Grants and contributions not restricted to specific programs	1,935	21,599
Unrestricted investment earnings	5,216	2,552
Other revenues	18,416	10,261
Total revenues	<u>339,565</u>	<u>323,569</u>
Expenses		
Instruction	106,048	117,441
Supporting services	145,473	139,371
Community services	229	250
Interest on long-term debt	306	644
Total expenses	<u>252,056</u>	<u>257,706</u>
Change in net position	87,509	65,863
Net position, beginning of year	<u>(18,607)</u>	<u>(84,470)</u>
Net position, end of year	<u>\$ 68,902</u>	<u>\$ (18,607)</u>

Governmental Activities. Net position increased by \$87,509 compared to a increase of \$65,863 in the prior year. Expenditures decreased largely attributable to the reduction in costs from the allocation of changes in Pension and OPEB Liabilities and Deferred Inflows and Outflows. Deferred Inflows was significantly higher than in the prior year, resulting in a reduction in expenses. Also, revenues were higher than in the prior year due to increased interest and insurance proceeds at the end of the year for bus repairs.

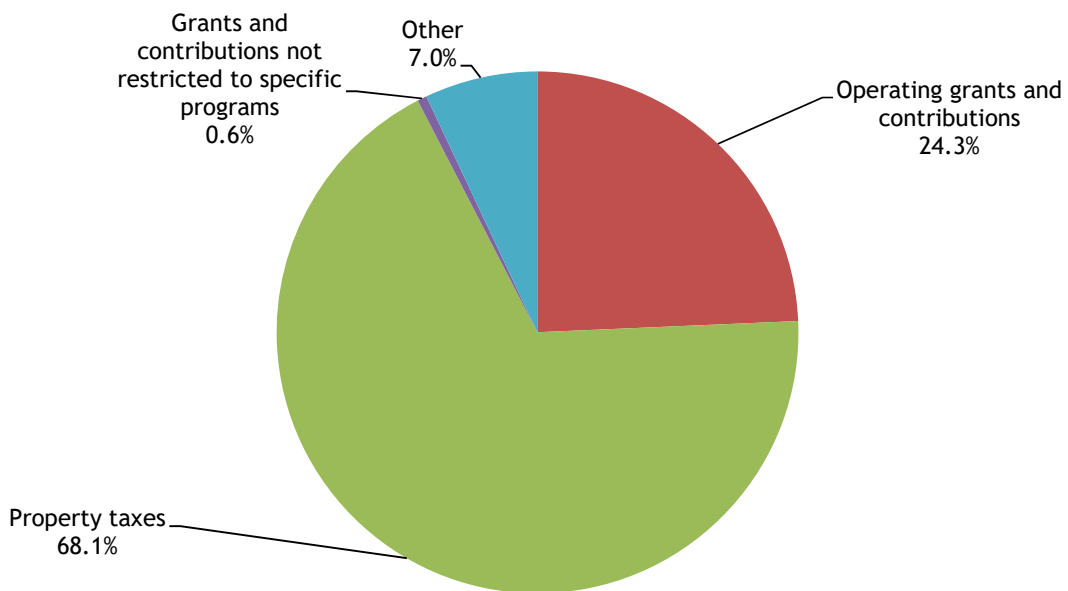
BIG JACKSON SCHOOL DISTRICT

Management's Discussion and Analysis

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



BIG JACKSON SCHOOL DISTRICT

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

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

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

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$370,443, while the total fund balance was \$370,443. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total fund balance (all unassigned) represents 123.2% of total general fund expenditures.

The fund balance of the District's general fund increased by \$38,507, or 11.6% from the prior year. The reason for the increase in the fund balance was attributed to increased revenue funding more expenses than in the prior year. Federal funds were available and utilized more than in the prior year, resulting in an \$8,295 increase in federal revenue. Also, interest rates have improved causing a \$2,459 increase in local revenues.

General Fund Budgetary Highlights

Amendments to the original adopted budget are passed in order to reflect changes in information and circumstances. Some of the more significant changes between the original adopted and final amended budgets were:

- The local revenue budget was increased by \$10,769, or 4.6% from the original budget due to increase in interest rates and insurance proceeds received near the end of the year. Also, federal revenue budget was increased by \$7,716, or 12% from the original budget due to increase in federal funding received for the current year.
- The instruction expense budget was increased by \$20,936, or 16.6% from the original budget due to increased supplies purchased in current year with grant funding - Dell Chromebooks purchased for student use.

In accordance with State statute, the District is prohibited from amending the budget after year-end. As the District's books are not closed for accounting purposes at that point, a certain level of estimation is required in determining actual expenditures. Some of the more significant differences between the final amended budget and the actual financial results were:

- General fund actual operations and maintenance expenditures were under the final amended budget by \$9,502 or 17.5% due to reduction in phone costs from removing one line, reduction in custodian costs from loss of staff, and reduction in repair costs not needed.

BIG JACKSON SCHOOL DISTRICT

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2019 amounted to \$110,005 (net of accumulated depreciation). Capital assets at year-end included the following:

	Capital Assets (Net of Depreciation)	
	2019	2018
Land	\$ 1,042	\$ 1,042
Buildings and improvements	64,670	68,179
Land improvements	10,304	11,186
Furniture and equipment	10,427	11,867
Vehicles	23,562	29,445
Total capital assets, net	<u>\$ 110,005</u>	<u>\$ 121,719</u>

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

Long-term Debt. At the end of the current fiscal year, the District had total long-term debt outstanding of \$4,971. The District's debt consisted of an installment purchase agreement in the amount of \$2,190 and accrued compensated absences of \$2,781. All of the District's debt is current at June 30, 2019.

Additional information on the District's long-term debt can be found in Note 6 of this report.

Factors Bearing on the District's Future

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

- Revenue sources of \$322,953 were reduced from prior year budgeted sources of \$343,012 and prior year actual sources of \$323,388 with anticipation of less funding from Federal Grants in 2019-20. Property Taxes, the most significant funding source for the District at 72% of the budget, was budgeted to increase about 1% from both prior year budgeted and actual amounts. State Aid was anticipated to increase 14% in the budget to reflect an anticipated increase in retirement stabilization funding from prior year budget and actual.
- Expenditures were budgeted for \$322,953 which is less than the prior year budget of \$350,418, but more than the prior year actual expenditures of \$300,672. The most significant reduction in budgeted costs were for instructional expenditures funded from Federal Grants, due to the reduction in anticipated funding. The most significant increase from prior year actual to 2019-20 budgeted expenditures is due to budgeting for repairs and maintenance which the District did not experience costs for in 2018-19.
- The Capital Project Fund has budgeted for \$5,000 of expenditures. There were no Capital Project Funds expended in the 2018-19 year.

Requests for Information

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

Big Jackson School District
4020 13 Mile Road
Paris, MI 49338

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BASIC FINANCIAL STATEMENTS

BIG JACKSON SCHOOL DISTRICT

Statement of Net Position June 30, 2019

	Governmental Activities
Assets	
Cash and investments	\$ 399,973
Receivables	26,527
Capital assets not being depreciated	1,042
Capital assets being depreciated, net	<u>108,963</u>
Total assets	<u>536,505</u>
Deferred outflows of resources	
Deferred pension amounts	110,474
Deferred other postemployment benefit amounts	<u>17,224</u>
Total deferred outflows of resources	<u>127,698</u>
Liabilities	
Accounts payable and accrued liabilities	31,075
Long-term debt (due within one year)	4,971
Net pension liability, due in more than one year	352,207
Net other postemployment benefit liability, due in more than one year	<u>89,601</u>
Total liabilities	<u>477,854</u>
Deferred inflows of resources	
Deferred pension amounts	82,097
Deferred other postemployment benefit amounts	<u>35,350</u>
Total deferred inflows of resources	<u>117,447</u>
Net position	
Net investment in capital assets	107,815
Restricted for:	
Capital projects	24,982
Unrestricted (deficit)	<u>(63,895)</u>
Total net position	<u><u>\$ 68,902</u></u>

The accompanying notes are an integral part of these financial statements.

BIG JACKSON SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2019

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 106,048	\$ -	\$ 79,867	\$ (26,181)
Supporting services	145,473	-	2,762	(142,711)
Community services	229	-	-	(229)
Interest on long-term debt	306	-	-	(306)
Total governmental activities	\$ 252,056	\$ -	\$ 82,629	(169,427)
General revenues				
Property taxes - operations				231,369
Grants and contributions not restricted to specific programs				1,935
Unrestricted investment earnings				5,216
Other revenues				18,416
Total general revenues				256,936
Change in net position				87,509
Net position, beginning of year				(18,607)
Net position, end of year				\$ 68,902

The accompanying notes are an integral part of these financial statements.

BIG JACKSON SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2019

	General Fund	Nonmajor Governmental Fund - Capital Projects	Total Governmental Funds
Assets			
Cash and investments	\$ 374,991	\$ 24,982	\$ 399,973
Accounts receivable	133	-	133
Due from other governments	26,394	-	26,394
Total assets	\$ 401,518	\$ 24,982	\$ 426,500
Liabilities			
Accounts payable	\$ 12,977	\$ -	\$ 12,977
Accrued liabilities	18,098	-	18,098
Total liabilities	31,075	-	31,075
Fund balances			
Restricted	-	24,982	24,982
Unassigned	370,443	-	370,443
Total fund balances	370,443	24,982	395,425
Total liabilities and fund balances	\$ 401,518	\$ 24,982	\$ 426,500

The accompanying notes are an integral part of these financial statements.

BIG JACKSON SCHOOL DISTRICT

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2019

Fund balances - total governmental funds	\$ 395,425
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	1,042
Capital assets being depreciated, net	108,963
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Long-term debt	(2,190)
Compensated absences	(2,781)
Certain pension-related amounts and other postemployment benefit amounts, such as the net pension liability and net other postemployment benefits liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(352,207)
Deferred outflows related to the net pension liability	110,474
Deferred inflows related to the net pension liability	(82,097)
Net other postemployment benefit liability	(89,601)
Deferred outflows related to the other postemployment benefit liability	17,224
Deferred inflows related to the other postemployment benefit liability	(35,350)
Net position of governmental activities	<u>\$ 68,902</u>

The accompanying notes are an integral part of these financial statements.

BIG JACKSON SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2019

	General Fund	Nonmajor Governmental Fund - Capital Projects	Total Governmental Funds
Revenues			
Local sources	\$ 244,636	\$ 386	\$ 245,022
State sources	22,461	-	22,461
Federal sources	67,921	-	67,921
Interdistrict sources	4,161	-	4,161
Total revenues	339,179	386	339,565
Expenditures			
Current:			
Instruction	138,487	-	138,487
Supporting services	153,001	-	153,001
Community services	229	-	229
Debt service:			
Principal	8,649	-	8,649
Interest	306	-	306
Total expenditures	300,672	-	300,672
Net change in fund balances	38,507	386	38,893
Fund balances, beginning of year	331,936	24,596	356,532
Fund balances, end of year	\$ 370,443	\$ 24,982	\$ 395,425

The accompanying notes are an integral part of these financial statements.

BIG JACKSON SCHOOL DISTRICT

Reconciliation

Net Change in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds \$ 38,893

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

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

Capital assets purchased/constructed	1,160
Depreciation expense	(12,874)

Loan proceeds provide current financial resources to governmental funds in the period issued, but loan proceeds increase long-term liabilities in the statement of net position. Repayment of loan principal is an expenditure in the governmental funds, but a reduction in long-term debt on the statement of net position.

Principal payments on long-term debt	8,649
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in the net pension liability and related deferred amounts	43,139
Change in the net other postemployment benefit liability and related deferred amounts	9,658
Change in compensated absences payable	(1,116)

Change in net position of governmental activities	\$ 87,509
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The accompanying notes are an integral part of these financial statements.

BIG JACKSON SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 233,900	\$ 244,669	\$ 244,636	\$ (33)
State sources	25,587	21,755	22,461	706
Federal sources	63,921	71,637	67,921	(3,716)
Interdistrict sources	4,951	4,951	4,161	(790)
Total revenues	328,359	343,012	339,179	(3,833)
Expenditures				
Current:				
Instruction	127,070	147,386	138,487	(8,899)
Supporting services	176,304	193,232	153,001	(40,231)
Community services	300	300	229	(71)
Debt service:				
Principal	8,500	8,650	8,649	(1)
Interest and fiscal charges	1,000	850	306	(544)
Total expenditures	313,174	350,418	300,672	(49,746)
Net change in fund balance	15,185	(7,406)	38,507	45,913
Fund balance, beginning of year	331,936	331,936	331,936	-
Fund balance, end of year	\$ 347,121	\$ 324,530	\$ 370,443	\$ 45,913

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

BIG JACKSON SCHOOL DISTRICT

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of Big Jackson School District (the “District”), consistently applied in the preparation of the accompanying financial statements, is as follows:

The Reporting Entity

The District is governed by an elected five-member Board of Education. As required by generally accepted accounting principles, these financial statements present the reporting entity of Big Jackson School District. The criteria identified in GAAP, including financial accountability, have been utilized in identifying the District’s reporting entity which includes no component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2019.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 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 and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

BIG JACKSON SCHOOL DISTRICT

Notes to Financial Statements

Property taxes, State aid, expenditure-driven grant revenue and interest 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. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General fund - This fund is the District's primary operating fund. It accounts for all financial resources not accounted for and reported in another fund.

Additionally, the District reports the following fund types:

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition of construction of capital facilities and other capital assets.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. The District had no charges to customers or applicants for goods, services, or privileges provided for the year ended June 30, 2019. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, unrestricted grants and interest income.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Property Taxes

Property taxes are recognized as revenue in the general fund on a levy year basis. The 2019 levy amounts are recognized as current property tax revenue to the extent that they are collected during the year or within 60 days after year-end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues in the year collected. Property taxes are levied December 1 on the assessed valuation of property located in the District as of the preceding December 31, the lien date. Assessed values are established annually by the various governmental units within the District and are equalized by the State of Michigan.

Investments

Investments consist of participation in an external investment pool. In accordance with GASB 79, the District's shares are recorded at amortized cost, which approximates fair value.

State statutes authorize the District to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, depository receipts of a qualified financial institution.

BIG JACKSON SCHOOL DISTRICT

Notes to Financial Statements

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Receivables

The District follows the practice of recording revenues that have been earned but not yet received as receivables. Receivables consist primarily of state aid payments from the State of Michigan and federal grant funds earned but not yet collected. No amounts have been identified as potentially uncollectible by management, and therefore, no amount has been recorded as a provision for bad debts.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government 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 acquisition cost 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight line method over the following estimated useful lives:

	Years
Buildings and improvements	15-50
Land improvements	15-25
Furniture and equipment	3-20
Buses and other vehicles	5-10

BIG JACKSON SCHOOL DISTRICT

Notes to Financial Statements

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources related to the net pension liability and the net other postemployment benefit liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

Salaries Payable and Accrued Employee Benefits

A liability is recorded at June 30, 2019 for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded.

Compensated Absences

It is the District's policy to permit employee to accumulate various earned but unused sick pay benefits. These are accrued when earned in the government-wide financial statements at a rate of 50% of their current rate of pay. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District reported deferred inflows of resources at June 30, 2019 for amounts related to pension and other postemployment benefit costs in the government-wide statement of net position.

Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the related bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, during the current period. The face amount of debt issued is reported as an other financing source. Discounts and premiums on debt issuances are reported as other financing uses and sources, respectively.

BIG JACKSON SCHOOL DISTRICT

Notes to Financial Statements

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify, or rescind a fund balance commitment. The District reports assigned fund balance for amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Assignments are made by the Board of Education and this authority has not been delegated. Unassigned fund balance is the residual classification for the general fund.

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

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefit liabilities, deferred outflows of resources and deferred inflows of resources related to pension and other postemployment benefits, and pension other postemployment benefits expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. ACCOUNTABILITY AND BUDGETARY COMPLIANCE

Budgets and Budgetary Accounting

Budgets are adopted for general and special revenue funds as required by state law and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The District considers the debt service payment schedule to be an adequate budgetary control for the debt service funds. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the Board a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.

BIG JACKSON SCHOOL DISTRICT

Notes to Financial Statements

4. Formal budgetary integration is employed as a management control device during the year for all governmental funds.
5. Adoption and amendments of all budgets used by the District are governed by Public Act 621, which was followed for the year ended June 30, 2019. Expenditures may not exceed appropriations at the function code level. The appropriations resolutions are based on the projected expenditures budget of the department heads of the District. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

3. DEPOSITS AND INVESTMENTS

The captions on the financial statements relating to cash and investments are as follows:

	Governmental Activities
Cash and investments	\$ 399,973
Cash and investments are comprised of the following at year-end:	
Checking and savings accounts	\$ 181,849
Investments	218,124
Total	\$ 399,973

Cash and cash equivalents are comprised of deposits in various financial institutions located in Michigan. State policy limits the District's investing options to financial institutions located in Michigan. All accounts are in the name of the District and a specific fund or common account.

The District chooses to disclose its investments by specifically identifying each. As of year-end, the District had investments in the Michigan Liquid Asset Fund Plus (MILAF+) Max and management series in the amount of \$218,124. Investments in MILAF+ are carried at amortized cost, in accordance with GASB Statements 72 and 79.

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The MILAF+ investment does not have a stated maturity date.

BIG JACKSON SCHOOL DISTRICT

Notes to Financial Statements

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of District’s specific financial institutions, qualified mutual funds, and qualified external investment pools as identified in Note 1 (summary of significant accounting policies). The investment policy does not have specific limits in excess of State law on investment credit risk. The District’s investments were rated by Standard and Poors as AAAM as of year-end.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned. The District minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the District’s investment policy. As of year-end, the bank balance of \$187,054 was fully collateralized and insured.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimized this risk by pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors to be in compliance with the requirements set forth in the District’s investment policy. The District is exposed to no custodial credit risk on its investments because they are held in the name of the District.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1 of the summary of significant accounting policies. The District’s investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

4. RECEIVABLES AND PAYABLES

Receivables in the government-wide financial statements at June 30, 2019 are as follows:

	Governmental Activities
Accounts	\$ 133
Due from other governments	26,394
	<hr/>
Totals	<u>\$ 26,527</u>

Accounts payable and accrued liabilities in the government-wide financial statements at June 30, 2019 are as follows:

	Governmental Activities
Accounts payable	\$ 12,977
Accrued liabilities	18,098
	<hr/>
Totals	<u>\$ 31,075</u>

BIG JACKSON SCHOOL DISTRICT

Notes to Financial Statements

5. CAPITAL ASSETS

A summary of changes in capital assets activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 1,042	\$ -	\$ -	\$ -	\$ 1,042
Capital assets, being depreciated:					
Buildings and improvements	103,063	-	-	-	103,063
Land improvements	17,702	-	-	-	17,702
Furniture and equipment	92,259	1,160	(30,781)	-	62,638
Vehicles	54,395	-	-	-	54,395
	<u>267,419</u>	<u>1,160</u>	<u>(30,781)</u>	<u>-</u>	<u>237,798</u>
Less accumulated depreciation for:					
Buildings and improvements	(34,884)	(3,509)	-	-	(38,393)
Land improvements	(6,516)	(882)	-	-	(7,398)
Furniture and equipment	(80,392)	(2,600)	30,781	-	(52,211)
Vehicles	(24,950)	(5,883)	-	-	(30,833)
	<u>(146,742)</u>	<u>(12,874)</u>	<u>30,781</u>	<u>-</u>	<u>(128,835)</u>
Total capital assets being depreciated, net	<u>120,677</u>	<u>(11,714)</u>	<u>-</u>	<u>-</u>	<u>108,963</u>
Governmental activities capital assets, net	<u>\$ 121,719</u>	<u>\$ (11,714)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,005</u>

Depreciation expense was charged to functions/programs of governmental activities as follows:

Governmental activities	
Instruction	\$ 5,102
Supporting services	<u>7,772</u>
	<u>\$ 12,874</u>

BIG JACKSON SCHOOL DISTRICT

Notes to Financial Statements

6. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2019:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
Notes from direct borrowings and direct placements:					
Installment purchase agreement	\$ 10,839	\$ -	\$ (8,649)	\$ 2,190	\$ 2,190
Compensated absences	1,665	2,781	(1,665)	2,781	2,781
Total governmental activities	\$ 12,504	\$ 2,781	\$ (10,314)	\$ 4,971	\$ 4,971

The District's notes from direct borrowings and direct placements consists of the following item:

	Ending Balance	Due Within One Year
School bus loan installment purchase agreement due in quarterly installments of \$2,239, including interest at 3.99%, through August 2019.	\$ 2,190	\$ 2,190

Future principal and interest payment requirements on notes from direct borrowings and direct placements are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 2,190	\$ 22	\$ 2,212

Compensated absences are expected to be liquidated by the general fund.

7. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Plan Description

The Michigan Public School Employees' Retirement System (the "System" or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the "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.

BIG JACKSON SCHOOL DISTRICT

Notes to Financial Statements

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available at the ORS website at www.michigan.gov/orsschools.

Pension Benefits Provided

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

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

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

BIG JACKSON SCHOOL DISTRICT

Notes to Financial Statements

Other Postemployment Benefits Provided

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, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare 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 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. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution 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% employee contribution into their 457 account as of their transition date, earning them 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 were deposited into their 401(k) account.

Contributions

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. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 19-year period for the 2018 fiscal year.

BIG JACKSON SCHOOL DISTRICT

Notes to Financial Statements

The table below summarizes pension contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	17.89% - 18.25%
Member Investment Plan (MIP)	3.00% - 7.00%	17.89% - 18.25%
Pension Plus	3.00% - 6.40%	16.46% - 16.61%
Pension Plus 2	6.20%	19.59% - 19.74%
Defined Contribution	0.00%	13.39% - 13.54%

Required contributions to the pension plan from the District were \$24,660 for the year ended June 30, 2019.

The table below summarizes OPEB contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	7.67% - 7.93%
Personal Healthcare Fund (PHF)	0.00%	7.42% - 7.57%

Required contributions to the OPEB plan from the District were \$9,407 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$352,207 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. The District’s proportion of the net pension liability was determined by dividing each employer’s statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018, the District’s proportion was 0.00117%, which was a decrease of 0.00014% from its proportion measured as of September 30, 2017.

BIG JACKSON SCHOOL DISTRICT

Notes to Financial Statements

For the year ended June 30, 2019, the District recognized pension expense of \$5,360. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 1,634	\$ 2,559	\$ (925)
Changes in assumptions	81,571	-	81,571
Net difference between projected and actual earnings on pension plan investments	-	24,082	(24,082)
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,863	55,456	(52,593)
	<u>86,068</u>	<u>82,097</u>	<u>3,971</u>
District contributions subsequent to the measurement date	24,406	-	24,406
	<u>24,406</u>	<u>-</u>	<u>24,406</u>
Total	<u>\$ 110,474</u>	<u>\$ 82,097</u>	<u>\$ 28,377</u>

The \$24,406 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	\$ (7,196)
2020	7,689
2021	2,755
2022	<u>723</u>
Total	<u>\$ 3,971</u>

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

At June 30, 2019, the District reported a liability of \$89,601 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018, the District's proportion was 0.00113% which was a decrease of 0.00020% from its proportion measured as of September 30, 2017.

BIG JACKSON SCHOOL DISTRICT

Notes to Financial Statements

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,062. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 16,677	\$ (16,677)
Changes in assumptions	9,489	-	9,489
Net difference between projected and actual earnings on OPEB plan investments	-	3,444	(3,444)
Changes in proportion and differences between employer contributions and proportionate share of contributions	2	15,229	(15,227)
	<u>9,491</u>	<u>35,350</u>	<u>(25,859)</u>
District contributions subsequent to the measurement date	7,733	-	7,733
	<u>7,733</u>	<u>-</u>	<u>7,733</u>
Total	<u>\$ 17,224</u>	<u>\$ 35,350</u>	<u>\$ (18,126)</u>

The \$7,733 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	\$ (5,938)
2020	(5,938)
2021	(5,938)
2022	(5,229)
2023	<u>(2,816)</u>
Total	<u>\$ (25,859)</u>

BIG JACKSON SCHOOL DISTRICT

Notes to Financial Statements

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. The total pension and OPEB liabilities in the September 30, 2017 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	7.05%
Pension Plus plan (hybrid)	7.00%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	7.15%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.0% Year 12
Mortality	RP-2014 Male and Female Healthy Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.
Other OPEB assumptions:	
Opt-out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5304 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.6018 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

BIG JACKSON SCHOOL DISTRICT

Notes to Financial Statements

Long-term Expected Return on Pension 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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.70%	1.60%
Alternative investment pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.05%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.81%
Short-term investment pools	2.00%	0.00%	0.00%
	<u>100.00%</u>		<u>5.66%</u>
Inflation			2.30%
Risk adjustment			-0.91%
Investment rate of return			<u>7.05%</u>

BIG JACKSON SCHOOL DISTRICT

Notes to Financial Statements

Long-term Expected Return on OPEB Plan Assets

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.70%	1.60%
Private equity pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.05%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.81%
Short-term investment pools	2.00%	0.00%	0.00%
	<u>100.00%</u>		<u>5.66%</u>
Inflation			2.30%
Risk adjustment			<u>-0.81%</u>
Investment rate of return			<u>7.15%</u>

Discount Rate

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan) and 7.15%, respectively. The projection of cash flows used to determine these discount rates 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 and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

BIG JACKSON SCHOOL DISTRICT

Notes to Financial Statements

Sensitivity of District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 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 higher:

	1% Decrease (6.05% / 6.00% / 5.00%)	Current Discount Rate (7.05% / 7.00% / 6.00%)	1% Increase (8.05% / 8.00% / 7.00%)
District's proportionate share of the net pension liability	\$ 462,421	\$ 352,207	\$ 260,638

Sensitivity of District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net OPEB liability	\$ 107,564	\$ 89,601	\$ 74,491

Sensitivity of District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net OPEB liability	\$ 73,695	\$ 89,601	\$ 107,847

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

BIG JACKSON SCHOOL DISTRICT

Notes to Financial Statements

Payable to the Pension Plan

At June 30, 2019, the District reported a payable of \$3,917 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2019.

Payable to the OPEB Plan

At June 30, 2019, the District reported a payable of \$790 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2019.

8. FUND BALANCES - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies fund balances based primarily on the extent to which it is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Nonmajor Governmental Fund - Capital Projects	Total
Restricted			
Capital projects	\$ -	\$ 24,982	\$ 24,982
Unassigned	<u>370,443</u>	<u>-</u>	<u>370,443</u>
Total fund balances - governmental funds	<u>\$ 370,443</u>	<u>\$ 24,982</u>	<u>\$ 395,425</u>

9. NET INVESTMENT IN CAPITAL ASSETS

The composition of the District's net investment in capital assets as of June 30, 2019, was as follows:

	Governmental Activities
Capital assets:	
Capital assets not being depreciated	\$ 1,042
Capital assets being depreciated, net	<u>108,963</u>
	110,005
Related debt:	
Installment debt	<u>2,190</u>
Net investment in capital assets	<u>\$ 107,815</u>

BIG JACKSON SCHOOL DISTRICT

Notes to Financial Statements

10. CONTINGENCIES

Federal Grant Programs

The District participates in federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, not to be material.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2019, the District carried commercial insurance and participated in a public entity risk pool. The District has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.



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REQUIRED SUPPLEMENTARY INFORMATION

BIG JACKSON SCHOOL DISTRICT

Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30,				
	2015	2016	2017	2018	2019
District's proportion of the net pension liability	0.00194000%	0.00133000%	0.00136000%	0.00131000%	0.00117000%
District's proportionate share of the net pension liability	\$ 426,424	\$ 325,710	\$ 340,531	\$ 340,596	\$ 352,207
District's covered payroll	\$ 168,950	\$ 114,127	\$ 119,306	\$ 107,895	\$ 96,727
District's proportionate share of the net pension liability as a percentage of its covered payroll	252.40%	285.39%	285.43%	315.67%	364.12%
Plan fiduciary net position as a percentage of the total pension liability	66.20%	63.17%	63.27%	64.21%	62.36%

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

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

BIG JACKSON SCHOOL DISTRICT

Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of District Pension Contributions

	Year Ended June 30,				
	2015	2016	2017	2018	2019
Contractually required contribution	\$ 25,485	\$ 21,312	\$ 20,746	\$ 30,828	\$ 24,660
Contributions in relation to the contractually required contribution	<u>(25,485)</u>	<u>(21,312)</u>	<u>(20,746)</u>	<u>(30,828)</u>	<u>(24,660)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 140,274	\$ 113,348	\$ 122,072	\$ 87,609	\$ 99,873
Contributions as a percentage of covered payroll	18.17%	18.80%	16.99%	35.19%	24.69%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

BIG JACKSON SCHOOL DISTRICT

Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Proportionate Share of the Net OPEB Liability

	Year Ended June 30,	
	2018	2019
District's proportion of the net OPEB liability	0.001310%	0.001130%
District's proportionate share of the net OPEB liability	\$ 117,720	\$ 89,601
District's covered payroll	107,895	96,727
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	109.11%	92.63%
Plan fiduciary net position as a percentage of the total OPEB liability	64.21%	42.95%

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

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

BIG JACKSON SCHOOL DISTRICT

Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of District's OPEB Contributions

	Year Ended June 30,	
	2018	2019
Contractually required contribution	\$ 6,316	\$ 9,407
Contributions in relation to the contractually required contribution	<u>(6,316)</u>	<u>(9,407)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 87,609	\$ 99,873
Contributions as a percentage of covered payroll	7.21%	9.42%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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GENERAL FUND

BIG JACKSON SCHOOL DISTRICT

Detail Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - By Activity - General Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 233,900	\$ 244,669	\$ 244,636	\$ (33)
State sources	25,587	21,755	22,461	706
Federal sources	63,921	71,637	67,921	(3,716)
Interdistrict sources	4,951	4,951	4,161	(790)
Total revenues	328,359	343,012	339,179	(3,833)
Expenditures				
Instruction:				
Basic programs:				
Elementary	77,678	103,371	97,996	(5,375)
Added needs:				
Special education	2,691	2,696	2,696	-
Compensatory education	46,701	41,319	37,795	(3,524)
Total added needs	49,392	44,015	40,491	(3,524)
Total instruction	127,070	147,386	138,487	(8,899)
Supporting services:				
Instructional staff:				
Improvement of instruction	6,360	8,770	3,805	(4,965)
General administration:				
Board of Education	17,350	22,400	17,822	(4,578)
Executive administration	1	1	1	-
Total general administration	17,351	22,401	17,823	(4,578)
School administration:				
Office of the principal	32,513	30,221	25,556	(4,665)
Other school administration	500	500	-	(500)
Total school administration	33,013	30,721	25,556	(5,165)
Business services:				
Other central services	8,500	8,500	6,462	(2,038)
Pupil accounting	466	584	585	1
Other business services	7,575	9,275	6,898	(2,377)
Total business services	16,541	18,359	13,945	(4,414)

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BIG JACKSON SCHOOL DISTRICT

Detail Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - By Activity - General Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Supporting services (concluded):				
Transportation	\$ 51,667	\$ 58,515	\$ 46,908	\$ (11,607)
Operations and maintenance:				
Building services	51,372	54,466	44,964	(9,502)
Total supporting services	176,304	193,232	153,001	(40,231)
Community services	300	300	229	(71)
Debt service:				
Principal	8,500	8,650	8,649	(1)
Interest and fiscal charges	1,000	850	306	(544)
Total debt service	9,500	9,500	8,955	(545)
Total expenditures	313,174	350,418	300,672	(49,746)
Net change in fund balances	15,185	(7,406)	38,507	45,913
Fund balances, beginning of year	331,936	331,936	331,936	-
Fund balances, end of year	\$ 347,121	\$ 324,530	\$ 370,443	\$ 45,913

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

September 30, 2019

Board of Education
Big Jackson School District
Paris, 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 the major fund, and the aggregate remaining fund information of the *Big Jackson School District* (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 30, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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.

Rehmann Lohman LLC