



Bridgman Public School District
Berrien County, Michigan

Financial Report
June 30, 2018



St. Joseph, MI

BRIDGMAN PUBLIC SCHOOL DISTRICT
Bridgman, Michigan
June 30, 2018

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BRIDGMAN PUBLIC SCHOOL DISTRICT
Bridgman, Michigan
June 30, 2018

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BRIDGMAN PUBLIC SCHOOL DISTRICT
Bridgman, Michigan
June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Bridgman Public School District
Bridgman, Michigan

Report to the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bridgman Public School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bridgman Public School District as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the financial statements, in fiscal year 2018, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The District's unrestricted net position has been restated as of June 30, 2017 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major fund budgetary comparison schedule, the Schedule of the District's contributions to the net pension and other post-employment benefits, and the Schedule of the District's proportionate share of the net pension and other post-employment benefit liabilities, as identified 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 Bridgman Public School District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018, on our consideration of the 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.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
October 12, 2018

Bridgman Public School District is a K-12 school district located in Berrien County, Michigan. The Management's Discussion and Analysis, a requirement of the Governmental Accounting Standards Board ("GASB") Statement No. 34 ("GASB 34"), is intended to be discussion and analysis of the financial results for the fiscal year ended June 30, 2018 of the management of Bridgman Public School District (the "District").

Generally accepted accounting principles ("GAAP") and GASB 34 require the reporting of two types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

District-Wide Financial Statements

The District-wide financial statements are full accrual basis statements. They report all of the District's assets, deferred outflows, liabilities and deferred inflows, short-term and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the debt service funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Position of the District-wide financial statements.

Fund Financial Statements

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Service Fund – QSCB and 2015 Refunding Bonds (a debt service fund), Recreation Fund and Food Services Fund (special revenue funds), Sinking Fund (a capital projects fund), and Debt Service Fund – 2012 Building and Site Bonds (a debt service fund).

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No capital asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

The District as Trustee — Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position. These are excluded activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Agency Fund is an unbudgeted fund that accounts for the activities of student groups and other types of clearing accounts.

Summary of Net Position

The District had a net deficit of \$7,688,021 and \$8,526,979 as of June 30, 2018 and 2017, respectively. The net position of the District as of June 30, 2018 and 2017 is summarized in the table below:

	June 30, 2018	June 30, 2017*
Assets		
Current assets	\$ 4,575,018	\$ 3,974,315
Net capital assets	21,594,018	22,457,220
Total Assets	<u>\$ 26,169,036</u>	<u>\$ 26,431,535</u>
Deferred Outflows of Resources	<u>\$ 4,397,418</u>	<u>\$ 3,100,747</u>
Liabilities		
Current liabilities	\$ 2,726,557	\$ 2,599,120
Noncurrent liabilities	33,941,827	34,829,480
Total Liabilities	<u>\$ 36,668,384</u>	<u>\$ 37,428,600</u>
Deferred Inflows of Resources	<u>\$ 1,586,091</u>	<u>\$ 630,661</u>
Net Position (Deficit)		
Net investment in capital assets	\$ 6,483,186	\$ 5,739,015
Restricted	1,545,178	1,203,966
Unrestricted	(15,716,385)	(15,469,960)
Total Net Position (Deficit)	<u>\$ (7,688,021)</u>	<u>\$ (8,526,979)</u>

*June 30, 2017 balances have been restated for GASB 75 implementation.

During fiscal year 2018, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective July 1, 2017. The District is a participating employer in the Michigan Public School Employees' Retirement System ("MPSERS"), a cost-sharing, multi-employer plan. In connection with the implementation of this new standard, the District recorded a net OPEB liability, and net position as of June 30, 2017, was restated to reflect the required adjustments (See Note 17 to financial statements).

Analysis of Financial Position

During fiscal year ended June 30, 2018, the District's net position increased by \$838,958. A few of the significant factors affecting net position during the year are discussed below:

A. General Fund Operations

The District's revenues and net transfers from General Fund operations exceeded expenditures by \$115,251 for the fiscal year ended June 30, 2018. See the section entitled Results of Operations, below, for further discussion of General Fund operations.

Analysis of Financial Position (Concluded)

B. Investment in Capital Assets

The District's investment in capital assets decreased by \$863,202 during the year. The net activity for the year is summarized in the following table:

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Assets not being depreciated	\$ 219,431	\$ -	\$ (68,331)	\$ 151,100
Assets being depreciated	36,459,547	249,082	68,331	36,776,960
Less: Accumulated depreciation	<u>(14,221,758)</u>	<u>(1,112,284)</u>	<u>-</u>	<u>(15,334,042)</u>
Net capital assets	<u>\$ 22,457,220</u>	<u>\$ (863,202)</u>	<u>\$ -</u>	<u>\$ 21,594,018</u>

Current year capital addition of \$249,082 is comprised of work related to the STEM laboratory, garage fuel tank and lintels repair and improvements.

C. Long-Term Debt

During fiscal 2007, the District issued \$1,805,000 of general obligation – limited tax School Building and Site bonds. The proceeds were used for the remodeling, re-equipping, and improvement of existing District sites. During the current fiscal year, the District made principal payments totaling \$185,000.

During fiscal 2012, the District issued \$1,770,000 of general obligation – unlimited tax School Building and Site bonds. The proceeds were used for partially remodeling, furnishing, and equipping school facilities, and developing and improving sites. During the current fiscal year, the District made principal payments totaling \$270,000.

During fiscal 2010, the District issued \$15,000,000 of general obligation – unlimited tax School Building and Site Bonds. The proceeds were used for acquiring, installing and equipping instructional technology for school facilities; equipping and remodeling school facilities; construction and improvement of athletic facilities; developing and improving sites, and paying the costs of issuing the bonds. During the current fiscal year, the District made \$1,150,000 of principal payments.

During fiscal 2016, bonds totaling \$3,605,000 were issued and recorded in the Debt Service – QSCB and 2015 Refunding Bonds Fund. The refunding was done for an estimated present value savings of \$156,237. During the current fiscal year, the District made its scheduled debt payments for this bond, which were interest-only payments.

Results of Operations

The District-wide results of operations for the fiscal years ended June 30, 2018 and 2017 are summarized in the table below:

	<u>2018</u>	<u>2017</u>
Revenues		
General Revenues		
Property taxes levied for general operations	\$ 9,867,388	\$ 9,146,484
Property taxes levied for recreational purposes	698,017	648,695
Property taxes levied for debt service purposes	1,743,613	1,620,409
Property taxes levied for capital project purposes	85,751	79,692
Other general revenues	213,237	195,546
Total general revenues	<u>\$ 12,608,006</u>	<u>\$ 11,690,826</u>
Operating Grants/Contributions		
Federal	\$ 386,539	\$ 401,559
State of Michigan	1,476,027	1,303,570
Other operating grants	152,198	254,971
Total operating grants/contributions	<u>\$ 2,014,764</u>	<u>\$ 1,960,100</u>
Capital Grants/Contributions		
Federal bond interest subsidy	\$ 593,826	\$ 645,780
Other capital grants	150,000	-
Total capital grants/contributions	<u>\$ 743,826</u>	<u>\$ 645,780</u>
Charges for Services		
Food services	\$ 282,516	\$ 254,086
Athletics	80,625	80,425
Recreation	47,322	51,238
Total charges for services	<u>\$ 410,463</u>	<u>\$ 385,749</u>
Total revenues	<u>\$ 15,777,059</u>	<u>\$ 14,682,455</u>
Expenses		
Instruction and instructional support	\$ 7,569,142	\$ 7,218,129
Support services	4,070,015	3,453,220
Food services	519,339	503,779
Recreation	409,038	577,403
Athletics	392,424	386,155
Interest on long-term debt	865,859	919,335
Depreciation (unallocated)	1,112,284	1,101,240
Total expenses	<u>\$ 14,938,101</u>	<u>\$ 14,159,261</u>
Change in Net Position	\$ 838,958	\$ 523,194
Beginning Net Position	(8,526,979)	(3,403,297)
Cumulative Effect of Change in Accounting	-	(5,646,876)
Beginning Net Position, Restated	<u>\$ (8,526,979)</u>	<u>\$ (9,050,173)</u>
Ending Net Position	<u>\$ (7,688,021)</u>	<u>\$ (8,526,979)</u>

State of Michigan Aid (Net State Foundation Grant)**A. The State of Michigan aid is determined by the following variables:**

1. State of Michigan State Aid Act per student foundation allowance,
2. Student Enrollment - Blended at 90 percent of current year fall count and 10 percent of prior year winter count, and
3. The District's non-homestead levy.

The District is an out-of-formula district, which means the District's non-homestead levy exceeded the total foundation granted by the State. As such, there are no State Foundation Allowance funds provided by the State, but the District does receive other State categorical grants.

Student Enrollment

The District's student enrollment for the fall count of 2017-2018 was 849 students. The District's enrollment decreased by 34 students from the prior year's student count. The following summarizes fall student enrollments for the past five years:

<u>Fiscal Year</u>	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2017-2018	849	(34)
2016-2017	883	(49)
2015-2016	932	4
2014-2015	928	(43)
2013-2014	971	(12)

Subsequent to year end June 30, 2018, preliminary student enrollments for 2018-2019 indicate enrollments will remain consistent with the fiscal 2019.

B. Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes)

The District levies 8.376 mills of property taxes 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 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property levy for the 2017-2018 fiscal year produced revenue of \$9,867,388. Revenue produced by the non-homestead tax levy increased by 7.9 percent over the prior year.

B. Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes), Concluded

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

<u>Fiscal Year</u>	Non-Homestead <u>Tax Levy</u>	<u>% Change from Prior Year</u>
2017-2018	\$ 9,867,388	7.9%
2016-2017	9,146,484	3.9%
2015-2016	8,806,216	6.2%
2014-2015	8,289,901	11.6%
2013-2014	7,428,288	5.4%

Five Year Average Increase 7.00%

C. Debt Service Funds

The District's debt service funds levies are based on the taxable valuation of all properties – homestead and non-homestead. It is used to pay principal and interest on bond obligations of the District.

For 2017-2018, the District's debt millage levies totaled 1.22 mills that generated revenue of \$1,743,613.

D. Sinking Fund

The District's Sinking Fund is to be used for capital repairs. The sinking fund levy is determined by the difference of 1.28 mills and the debt levy. For 2017-2018, this was .06 mills and resulted in Sinking Fund revenue of \$85,751. The maximum Sinking Fund levy is .5 mills.

E. Recreation Fund

The District's recreation fund levies are based on the taxable valuation of all properties – homestead and non-homestead. The recreation fund levy is used to maintain community pool and other recreation facilities within the District.

For 2017-2018, the millage was .4884 mills and generated revenue of \$698,017.

F. Food Sales to Students & Adults (School Lunch Program)

The District's food and milk sales to students and adults increased slightly, increasing by \$28,430 to \$282,516 from the prior school year. School breakfast, lunch, and milk prices did not change from the prior year. The total expenditures and transfers out from Food Services operations exceeded total revenues and transfers in for the year by \$37,269.

General Fund Expenditures Budget Vs. Actual—Five Year History

<u>Fiscal Year</u>	<u>Expenditures</u>			<u>Variance:</u>	<u>Variance:</u>
	<u>Preliminary Budget</u>	<u>Expenditures Final Budget</u>	<u>Expenditures Final Audit</u>	<u>Audit vs. Prelim. Budget</u>	<u>Audit vs. Final Budget</u>
2017-2018	\$ 11,772,943	\$ 12,059,385	\$ 12,082,792	-2.63%	-0.19%
2016-2017	10,908,599	11,155,698	11,146,148	-2.18%	0.09%
2015-2016	10,275,886	10,557,317	10,497,375	-2.16%	0.57%
2014-2015	9,270,737	9,923,778	9,892,535	-6.71%	0.31%
2013-2014	8,833,457	8,869,915	9,158,115	-3.68%	-3.25%
Five Year Average (-Over/Under) Budget				-3.47%	-0.49%

General Fund Revenues Budget Vs. Actual—Five Year History

<u>Fiscal Year</u>	<u>Revenues</u>			<u>Variance:</u>	<u>Variance:</u>
	<u>Preliminary Budget</u>	<u>Revenues Final Budget</u>	<u>Revenues Final Audit</u>	<u>Audit vs. Prelim. Budget</u>	<u>Audit vs. Final Budget</u>
2017-2018	\$ 11,821,329	\$ 12,228,401	\$ 12,198,043	3.19%	-0.25%
2016-2017	10,954,070	11,309,090	11,303,326	3.19%	-0.05%
2015-2016	10,330,420	10,876,402	10,839,268	4.93%	-0.34%
2014-2015	9,405,074	10,099,649	10,073,594	7.11%	-0.26%
2013-2014	8,748,797	8,771,540	8,945,185	2.24%	1.98%
Five Year Average (Over/-Under) Budget				4.13%	0.22%

Original vs. Final Budget

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

As a matter of practice, the District may amend its budget during the school year. For the 2017-2018 year, the District amended its original budget in January 2018 and June 2018.

Contacting the District's Financial Management

The financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, please contact the Business Office at Bridgman Public School District.

BRIDGMAN PUBLIC SCHOOL DISTRICTSTATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
Assets	
Current assets	
Cash and investments	\$ 4,008,190
Due from other governmental units	399,129
Inventories	30,803
Prepaid expenditures	136,896
Total current assets	<u>\$ 4,575,018</u>
Noncurrent assets	
Capital assets not being depreciated	\$ 151,100
Capital assets being depreciated, net	21,442,918
Net capital assets	<u>\$ 21,594,018</u>
Total Assets	<u>\$ 26,169,036</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	\$ 3,915,791
Deferred outflows of resources related to OPEB	315,156
Deferred interest charges on bond issuance	166,471
Total Deferred Outflows of Resources	<u>\$ 4,397,418</u>
Liabilities	
Current liabilities	
Accounts payable	\$ 231,332
Accrued payroll and other liabilities	679,947
Accrued interest	132,311
Unearned revenue	45,802
Long-term debt, due within one year	1,637,165
Total current liabilities	<u>\$ 2,726,557</u>
Noncurrent liabilities	
Long-term debt, due in more than one year	\$ 13,640,138
Net pension liability	15,144,001
Net OPEB liability	5,157,688
Total noncurrent liabilities	<u>\$ 33,941,827</u>
Total Liabilities	<u>\$ 36,668,384</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	\$ 1,411,724
Deferred inflows of resources related to OPEB	174,367
Total Deferred Inflows of Resources	<u>\$ 1,586,091</u>
Net Position (Deficit)	
Net investment in capital assets	\$ 6,483,186
Restricted for:	
Capital projects	337,251
Debt service	872,742
Recreation	335,185
Unrestricted	(15,716,385)
Total Net Position (Deficit)	<u>\$ (7,688,021)</u>

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

BRIDGMAN PUBLIC SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions	Net (Expense) Revenue and Changes in Net Position
Primary government -					
Governmental activities:					
Instruction	\$ 7,569,142	\$ -	\$ 1,993,164	\$ 150,000	\$ (5,425,978)
Support services	4,070,015	-	-	-	(4,070,015)
Food services	519,339	282,516	21,600	-	(215,223)
Recreation	409,038	47,322	-	-	(361,716)
Athletics	392,424	80,625	-	-	(311,799)
Interest on long-term debt	865,859	-	-	593,826	(272,033)
Depreciation (unallocated)	1,112,284	-	-	-	(1,112,284)
	<u>\$ 14,938,101</u>	<u>\$ 410,463</u>	<u>\$ 2,014,764</u>	<u>\$ 743,826</u>	<u>\$ (11,769,048)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					\$ 9,867,388
Property taxes, levied for recreational purposes					698,017
Property taxes, levied for debt service purposes					1,743,613
Property taxes, levied for capital project purposes					85,751
Interest and investment earnings					53,744
Other					159,493
Total general revenues					<u>\$ 12,608,006</u>
Change in Net Position					\$ 838,958
Net Position (Deficit) - beginning of year, as previously reported					(2,880,103)
Cumulative Effect of Change in Accounting (Note 17)					(5,646,876)
Net Position - beginning of year					<u>(8,526,979)</u>
Net Position (Deficit) - end of year					<u>\$ (7,688,021)</u>

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

BRIDGMAN PUBLIC SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Debt Service Fund- QSCB and 2015 Refunding Bonds	Other Non-Major Governmental Funds	Total
Assets				
Cash and cash equivalents	\$ 2,444,318	\$ 842,130	\$ 721,742	\$ 4,008,190
Due from other governmental units	304,027	-	3,176	307,203
Due from other governmental funds	1,333	-	97,683	99,016
Inventories	25,789	-	5,014	30,803
Prepaid expenditures	136,896	-	-	136,896
Total Assets	\$ 2,912,363	\$ 842,130	\$ 827,615	\$ 4,582,108
Liabilities				
Accounts payable	\$ 209,658	\$ -	\$ 21,674	\$ 231,332
Accrued salaries and other liabilities	679,947	-	-	679,947
Unearned revenue	45,802	-	-	45,802
Due to other governmental funds	38,431	59,252	1,333	99,016
Total Liabilities	\$ 973,838	\$ 59,252	\$ 23,007	\$ 1,056,097
Fund Balances				
Non-spendable - inventories	\$ 25,789	\$ -	\$ 5,014	\$ 30,803
Non-spendable - prepaid items	136,896	-	-	136,896
Restricted for capital projects	-	-	337,251	337,251
Restricted for debt retirement	-	782,878	89,864	872,742
Restricted for food services	-	-	37,294	37,294
Restricted for recreation	-	-	335,185	335,185
Unassigned	1,775,840	-	-	1,775,840
Total Fund Balances	\$ 1,938,525	\$ 782,878	\$ 804,608	\$ 3,526,011
Total Liabilities and Fund Balances	\$ 2,912,363	\$ 842,130	\$ 827,615	\$ 4,582,108

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

BRIDGMAN PUBLIC SCHOOL DISTRICT**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Fund Balances - Governmental Funds **\$ 3,526,011**

Amounts reported for governmental activities in the Statement
of Net Position are different because:

Accrued federal receivable for interest subsidy related to the 2010 QSCB bond
issuance that will be received after 60 days but earned by June 30, 2018. 91,926

Capital assets used in governmental activities are not financial
resources and are not reported in the funds.

Cost of the capital assets 36,928,060
Accumulated depreciation (15,334,042)

Deferred outflows of resources related to:

Pensions 3,915,791
OPEB 315,156

Long-term liabilities are not due and payable in the current
period and are not reported in the funds.

Bonds payable (15,095,000)
Unamortized premiums (182,303)

Net pension liability (15,144,001)

Net OPEB liability (5,157,688)

Accrued interest on long-term debt is not included as a liability in
governmental funds, it is recorded when paid. (132,311)

Deferred interest charges from bond refundings are not capitalized in the
governmental funds. 166,471

Deferred inflows of resources related to benefit changes in assumptions and
in differences between projected and actual earnings on pension plan investments.

Pensions (801,530)
OPEB (174,367)

Deferred inflow in support of pension contributions made subsequent to the
measurement date. (610,194)

Total Net Position (Deficit) - Governmental Activities **\$ (7,688,021)**

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

BRIDGMAN PUBLIC SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	General Fund	Debt Service Fund- QSCB and 2015 Refunding Bonds	Other Non-Major Governmental Funds	Total
Revenues				
Property taxes	\$ 9,867,388	\$ 1,372,023	\$ 1,155,358	\$ 12,394,769
Local sources	390,118	-	329,838	719,956
State sources	1,454,427	-	21,600	1,476,027
Federal sources	148,263	602,474	238,276	989,013
Intermediate sources	152,198	-	-	152,198
Earnings on investments	45,649	1,701	6,394	53,744
Total Revenues	\$ 12,058,043	\$ 1,976,198	\$ 1,751,466	\$ 15,785,707
Expenditures				
Instruction and instructional support services	\$ 7,466,315	\$ -	\$ -	\$ 7,466,315
Supporting services	4,389,129	-	514,161	4,903,290
Recreation	-	-	409,038	409,038
Debt service				
Principal	185,000	1,150,000	270,000	1,605,000
Interest	15,803	827,500	24,463	867,766
Intergovernmental payments	17,507	-	-	17,507
Capital outlay	-	-	26,576	26,576
Total Expenditures	\$ 12,073,754	\$ 1,977,500	\$ 1,244,238	\$ 15,295,492
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (15,711)	\$ (1,302)	\$ 507,228	\$ 490,215
Other Financing Sources (Uses)				
Operating transfers in	\$ 140,000	\$ -	\$ 9,038	\$ 149,038
Operating transfers out	(9,038)	-	(140,000)	(149,038)
Total Other Financing Sources (Uses)	\$ 130,962	\$ -	\$ (130,962)	\$ -
Net Change in Fund Balances	\$ 115,251	\$ (1,302)	\$ 376,266	\$ 490,215
Fund Balances - Beginning of year	1,823,274	784,180	428,342	3,035,796
Fund Balances - End of year	\$ 1,938,525	\$ 782,878	\$ 804,608	\$ 3,526,011

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

BRIDGMAN PUBLIC SCHOOL DISTRICT**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances - Total Governmental Funds	\$ 490,215
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(1,112,284)
Capital outlay	249,082
Accrued federal receivable for interest subsidy related to the 2010 QSCB bond issuance that will be received after 60 days but earned for full accrual by June 30, 2018.	(8,648)
Repayment of bond principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position.	1,605,000
Change in benefit expense related to pension	(593,202)
Change in benefit expense related to OPEB	194,723
Amortization expense for bond premium	12,165
Current year use of deferred interest charges associated with the issuance of the 2015 refunding bonds	(9,792)
Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.	<u>11,699</u>
Change in Net Position of Governmental Activities	<u>\$ 838,958</u>

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

BRIDGMAN PUBLIC SCHOOL DISTRICT

FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	<u>Agency Fund- Student Activities</u>
Assets	
Cash and cash equivalents	\$ 118,151
Liabilities	
Due to student groups	\$ 118,151

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Bridgman Public School District (the “District”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units and with the rules prescribed in the accounting manual by the Michigan Department of Education. The following is a summary of the significant accounting policies used by the District:

Reporting Entity

The District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (“GASB”) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the District’s reporting entity, and which organizations are legally separate, component units of the District. Based on the application of the criteria, the District does not contain any component units.

District-Wide and Fund Financial Statements

The District-wide financial statements (i.e., the Statement of Net Position and the Statement of 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. All of the District’s government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements – The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

District-Wide Statements (concluded) – Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of inter-fund activity has been eliminated from the district-wide financial statements.

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

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in other funds.

Debt Service Fund – 2010 Qualified School Construction Bonds ("QSCB") and 2015 Refunding Bonds is the fund that accounts for the accumulation of resources for, and the payments of, the long-term debt principal, interest, and other related costs of the 2010 QSCB bond and 2015 Refunding Bonds issued.

Additionally, the District reports the following fund types:

Special Revenue Funds are funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of these funds. The non-major special revenue funds maintained by the District are the Recreation and Food Services Funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Concluded)**

Capital Projects Funds are used to account for financial resources that are restricted for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The non-major capital projects fund maintained by the District is the “Sinking Fund.”

Debt Service Funds are used to account for the accumulation of resources for, and the payments of, the long-term debt principal, interest, and other related costs. The non-major debt service fund maintained by the District is the “2012 Building and Site Bonds.”

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary Fund net position and results of operations are not included in the district-wide statements. Agency Funds are custodial in nature and do not involve measurement of results of operations.

The District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity

Deposits and Investments – Cash and investments include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

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

Property tax and other trade receivables are shown for the District. An allowance for uncollectible amounts is determined annually and is recorded as a liability on the statement of net position. For the District, taxpayers in the city of Bridgman and Lake Charter, Baroda, and Lincoln Townships, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 for 100 percent of the taxes which are due September 15. The final collection date is February 28, after which uncollected taxes are added to the Berrien County delinquent tax rolls.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (Continued)**

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

The District 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.

Inventories – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The District does not have infrastructure type assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years
Land Improvements	10-20 years

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (Continued)**

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 period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. These deferred outflows relate to the pension and OPEB plans, and deferred interest charges on bond issuance.

Compensated Absences – Employees are allowed to accrue varying amounts of sick leave each year depending on employee classification. However, no liability for unused sick leave is accrued as such amounts cannot be reasonably estimated as compensation for future absences are contingent upon absences being caused by future illness. Vacation accruals have been recorded in the financial statements for those employees who earn and are allowed to accrue and be paid for unused vacation upon termination.

Unearned Revenue – The District 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 is recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

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 a future period(s) and will not be recognized as an inflow of sources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, for long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available. The District has two items that qualify for reporting in this category. These deferred inflows relate to the pension and OPEB plans.

Fund Equity – In accordance with the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District report fund balance using the following classifications: non spendable, restricted, committed, assigned and unassigned.

The following are definitions for the five fund balance classifications:

Non-spendable fund balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (Concluded)**

Restricted fund balance – includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed constraint originally.

Assigned fund balance – includes amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed.

Unassigned fund balance – is the residual classification for General Fund. This classification represents governmental fund balances that have not been assigned to other funds or that have not been restricted, committed, or assigned to specific purposes within the respective governmental fund balances.

The District board has adopted a formal fund balance policy. When multiple components of fund balance are available for the same expenditure (for example, a project has both restricted and unrestricted funds available for it), spending will occur in this order – restricted, committed, assigned and unassigned.

Pension and Other Postemployment Benefit (OPEB) Plans – For the purposes of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB 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. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. 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.

Comparative Data – Comparative data is not included in the District's financial statements.

Estimates – The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, deferred outflows, liabilities, deferred inflows, revenues and expenses.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles and state law for the general fund. All annual appropriations lapse at fiscal year-end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the District to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year-end; the commitments will be re-appropriated and honored during the subsequent year. There were no encumbrances at year end.

Excess of Expenditures Over Appropriations in Budgeted Funds – See the District’s budgetary comparison schedule for the General Fund for budgeted variances. Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the District.

Net Position Deficit – As of June 30, 2018, the District-Wide Statement of Net Position had a cumulative net deficit of \$7,688,021.

NOTE 3. DEPOSITS AND INVESTMENTS

At year-end, the District’s deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Fund	Total Primary Government
Cash and cash equivalents	\$ 4,008,190	\$ 118,151	\$ 4,126,341

Bank Deposits: All cash of the District is on deposit with financial institutions which provide FDIC insurance coverage.

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2018, \$3,718,191 of the District’s bank balances of \$4,360,006 was exposed to custodial credit risk, because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the District’s name.

NOTE 3. DEPOSITS AND INVESTMENTS (CONCLUDED)

Investments: Michigan law permits investments in: 1) Bonds and other obligations of the United States Governments, 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively, 3) Certain commercial paper, 4) United States Government repurchase agreements, 5) Banker's acceptance of the United States Bank, and 6) Certain mutual funds. The District has put further restrictions on those investments through its current policy. As of June 30, 2018, the District had no investments.

Interest Rate Risk: In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit Risk: State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by Nationally Recognized Statistical Rating Organizations ("NRSRO's"). As of June 30, 2018, the District had no investments.

Concentration of Credit Risk: The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As of June 30, 2018, the District had no investments.

Custodial Credit Risk – Investments: For an Investment, this is the risk that in the event of bank failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2018, the District had no investments.

Fair Value Measurement – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The District had no assets with recurring fair value measurements as of June 30, 2018.

NOTE 4. RECEIVABLES AND PAYABLES

Receivables as of year-end for the District's individual major funds, and the non-major funds and fiduciary funds in the aggregate, including any allowance for uncollectible amounts are as follows:

	General Fund	Non-Major Funds	Total
Receivables:			
Intergovernmental	\$ 304,027	\$ 3,176	\$ 307,203

Payables as of year-end for the District's individual major funds, and the non-major and fiduciary funds in the aggregate, are as follows:

	General Fund	Non-Major Funds	Total
Payables:			
Trade	\$ 209,658	\$ 21,674	\$ 231,332

NOTE 5. CAPITAL ASSETS

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Assets not being depreciated:				
Land	\$ 151,100	\$ -	\$ -	\$ 151,100
Construction in progress	68,331	-	(68,331)	-
Subtotal	\$ 219,431	\$ -	\$ (68,331)	\$ 151,100
Capital assets being depreciated:				
Building and building improvements	\$ 28,946,971	\$ 241,052	\$ 68,331	\$ 29,256,354
Land improvements	3,424,029	-	-	3,424,029
Buses and other vehicles	1,224,412	-	-	1,224,412
Furniture and equipment	2,864,135	8,030	-	2,872,165
Subtotal	\$ 36,459,547	\$ 249,082	\$ 68,331	\$ 36,776,960
Accumulated depreciation:				
Building and building improvements	\$ 10,553,481	\$ 677,618	\$ -	\$ 11,231,099
Land improvements	1,097,646	151,135	-	1,248,781
Buses and other vehicles	1,139,299	48,488	-	1,187,787
Furniture and equipment	1,431,332	235,043	-	1,666,375
Subtotal	\$ 14,221,758	\$ 1,112,284	\$ -	\$ 15,334,042
Net capital assets being depreciated	\$ 22,237,789			\$ 21,442,918
Net capital assets	\$ 22,457,220			\$ 21,594,018

Depreciation expense of \$1,112,284 was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Due To/From Other Funds:		
Receivable Fund	Payable Fund	Amount
General Fund	Recreation Fund	\$ 1,333
Food Services Fund	General Fund	8,340
Sinking Fund	General Fund	1,478
Debt Service Fund - 2012 Building and Site Bonds	General Fund	28,613
Debt Service Fund - 2012 Building and Site Bonds	Debt Service Fund - QSCB and 2015 Refunding Bonds	59,252

The amounts due from the Recreation Fund and the Food Services Fund to the General fund exist due to an invoice paid by the General Fund on behalf of the Recreation Fund. The other amounts due between funds all arise from tax allocations.

The following are the interfund transfers that occurred during the year:

Interfund Transfers:		
Transfer In:	Transfer Out:	Amount
Food Services Fund	General Fund	\$ 9,038
General Fund	Recreation Fund	140,000

The Recreation Fund transfers monies to the General Fund to offset costs incurred by the General Fund. The General Fund transferred an amount to the Food Services fund to repay part of the fiscal 2017 allocations of indirect costs.

NOTE 7. LONG-TERM DEBT

The District has issued bonds to provide for the improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
Bonds	\$ 16,700,000	\$ -	\$ (1,605,000)	\$ 15,095,000	\$ 1,625,000
Unamortized premiums	194,468	-	(12,165)	182,303	12,165
Total Long-Term Debt	\$ 16,894,468	\$ -	\$ (1,617,165)	\$ 15,277,303	\$ 1,637,165

NOTE 7. LONG-TERM DEBT (CONTINUED)

Governmental Activities:

General obligation bonds consist of:

\$1,770,000 - 2012 School Building and Site Bonds (general obligation - unlimited tax); payable in annual installments of \$100,000 to \$315,000 beginning May 1, 2012 through May 1, 2021; interest from 1.25% to 2.25%.	\$ 900,000
\$15,000,000 - 2010 School Building and Site Bonds, Series A, QSCB, (general obligation - unlimited tax); payable in installments of \$1,150,000 to \$1,175,000 beginning May 1, 2015 through May 1, 2027; interest from 3.8% to 6.50%.	10,400,000
\$1,805,000 - 2007 School Building and Site Bonds (general obligation - limited tax); payable in annual installments of \$100,000 to \$190,000 beginning May 1, 2008 through May 1, 2019; interest at 4.00%.	190,000
\$3,605,000 - 2015 Refunding Bonds (general obligation - unlimited tax); payable in installments of \$72,100 to \$594,200 beginning May 1, 2016 through May 1, 2035; interest at 4.0%.	<u>3,605,000</u>
	<u><u>\$ 15,095,000</u></u>

Annual debt service requirements to maturity for the bond and unamortized premiums are as follows:

	<i>Governmental Activities:</i>		
	Principal	Interest	Total
2019	\$ 1,625,000	\$ 786,264	\$ 2,411,264
2020	1,450,000	720,764	2,170,764
2021	1,465,000	651,914	2,116,914
2022	1,150,000	580,426	1,730,426
2023	1,150,000	512,000	1,662,000
2024-2028	5,100,000	1,477,002	6,577,002
2029-2033	2,250,000	451,000	2,701,000
2034-2035	905,000	54,400	959,400
Unamortized premiums	182,303	-	182,303
	<u>\$ 15,277,303</u>	<u>\$ 5,233,770</u>	<u>\$ 20,511,073</u>

NOTE 7. LONG-TERM DEBT (CONCLUDED)

Interest expense of \$865,859 was not charged to activities as the District considers its debt impacts multiple activities and allocation is not practical. Future interest payments listed in the above schedules are presented gross, and have not been offset by the interest subsidy anticipated to be received by the federal government for the Qualified School Construction Bonds. The Qualified School Construction Bonds issued by the District is a federal funded program that is not subject to Uniform Guidance audit requirements and are not required to be included in the Schedule of Expenditures of Federal Awards.

Defeased Debt – During fiscal 2016, the District defeased \$3,675,000 of unlimited tax refunding bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future interest and principal payments totaling \$6,299,786. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District’s financial statements. As of June 30, 2018, the amount of defeased debt outstanding, but removed from the District’s financial statements, is \$3,675,000. The final payment date for the 2015 refunding bonds is May 1, 2035.

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers’ compensation) as well as medical benefits provided to employees. The District has purchased commercial insurance for health claims, workers’ compensation and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9. PROVISION FOR UNCOLLECTIBLE PROPERTY TAXES

The Berrien County Treasurer’s office assumes the responsibility of collecting delinquent real and personal property taxes. The County advances real property taxes in anticipation of collection, but it remits delinquent personal property taxes as it receives payment.

The Bridgman Public District has been advised that it is responsible for repayment to the County, plus interest, of any uncollectible real property taxes. Accordingly, a provision of \$18,000 for uncollectible real property taxes has been established to provide for such a repayment to the County. This amount is included in other liabilities.

NOTE 10. UNEARNED/UNAVAILABLE REVENUE

Governmental funds report unearned revenue in connection with resources received but not earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Description	Unavailable	Unearned
At Risk (31A)	\$ -	\$ 25,071
Reach Higher Grant	-	8,010
Early Literacy	-	7,931
Other amounts	-	4,790
Total	\$ -	\$ 45,802

NOTE 11. SINKING FUND EXPENDITURES

The Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the District has complied with the applicable provisions of Section 1212 of the Revised School Code.

NOTE 12. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Plan Description – The District participates in the Michigan Public School Employees' Retirement System (MPERS or the "System"), a cost-sharing, statewide, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. Certain District employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and other postemployment healthcare plans. That report is available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided - Benefit provisions of the defined benefit (DB) pension plan and 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 for the defined benefit pension plan and the postemployment healthcare plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced to 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

NOTE 12. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in the years in which investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions – Public Act 300 of 1980, as amended, required the District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the State Legislature. Under these provisions, each District's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3 percent 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 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stop paying the 3 percent contribution to the retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

NOTE 12. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

The District's contributions are determined based on employee elections. There are multiple different pension and healthcare benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS. The range of rates is as follows for the plan year ending September 30, 2017:

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.03%
Member Investment Plan	3.0 - 7.0%	19.03%
Pension Plus	3.0 - 6.4%	18.40%
Defined Contribution	0.00%	15.27%

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.00%	5.91%
Personal Healthcare Fund (PHF)	0.00%	5.69%

The District's required and actual pension contributions to the plan for the year ended September 30, 2017 were \$1,370,702. The District's required and actual pension contributions include an allocation of \$610,194 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2018. For the year ended June 30, 2018, the contributions also include a one-time payment to the District received under Section 147c(2) of the State Aid Act, which the District then remitted as a contribution to the plan.

The District's required and actual OPEB contributions to the plan for the year ended September 30, 2017 were \$453,446.

Net Pension Liability – At June 30, 2018, the District reported a liability of \$15,144,001 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the District's proportion was 0.05843 percent and 0.05656 percent, respectively.

Net OPEB Liability – At June 30, 2018, the District reported a liability of \$5,157,688 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the District's proportion was 0.05824 percent of MPSERS in total.

NOTE 12. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2018, the District recognized pension expense of \$1,908,028, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 131,612	\$ 74,308
Changes of assumptions	1,659,146	-
Net difference between projected and actual earnings on pension plan investments	-	723,983
Changes in proportion and differences between District contributions and proportionate share of contributions	779,810	3,239
District contributions subsequent to the measurement date	1,345,223	-
Revenues in support of contributions subsequent to the measurement date	-	610,194
Total	<u>\$ 3,915,791</u>	<u>\$ 1,411,724</u>

Deferred inflows of resources of \$610,194 resulting from the pension portion of State Aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2019. 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 Ending June 30	Amount:
2018	\$ 614,219
2019	801,654
2020	333,781
2021	19,384
	<u>\$ 1,769,038</u>

The contributions subsequent to the measurement date will be included as a reduction of the net pension and OPEB liabilities in the following year.

NOTE 12. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the District recognized OPEB expense of \$345,015. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 54,914
Net difference between projected and actual earnings on pension plan investments	-	119,453
Changes in proportion and differences between District contributions and proportionate share of contributions	135	-
District contributions subsequent to the measurement date	315,021	-
Total	<u>\$ 315,156</u>	<u>\$ 174,367</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Year Ending June 30	Amount:
2018	\$ (42,106)
2019	(42,106)
2020	(42,106)
2021	(42,106)
2022	(5,808)
	<u>\$ (174,232)</u>

NOTE 12. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Actuarial Assumptions – The total pension liability and total OPEB liability as of September 30, 2017 is based on the results of an actuarial valuation as of September 30, 2016 and rolled forward. The total pension and OPEB liabilities were determined using the following actuarial assumptions:

Summary of Actuarial Assumptions

Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	3.5%
Investment Rate of Return - Pension	7.0 - 7.5%
Investment Rate of Return - OPEB	7.5%
Projected Salary Increases	3.5 - 12.3%, including wage inflation at 3.5%
Healthcare Cost Trend Rate	7.5%, Year 1 graded to 3.5% Year 12
Cost-of-Living Pension Adjustments	3% Annual Non-Compounded for MIP
Mortality	Members RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB

Assumption changes as a result of an experience study for the periods from 2007 to 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

Long-Term Expected Return on Plan Assets – The long-term expected rate of return on pension plan and 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 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
% Alternative Investment Pools	18.0%	8.7%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	-0.1%
Real Estate and Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.0%
Short Term Investment Pools	2.0%	-0.9%
TOTAL	100.0%	

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

NOTE 12. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Rate of Return – For the plan year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, and OPEB plan investment, net of OPEB plan investment expense, was 13.24% and 11.82%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate - The discount rate used to measure the total pension liability was 7.00 - 7.50 percent as of September 30, 2017, depending on the plan option. The discount rate used to measure the total OPEB liability was 7.50 percent as of September 30, 2017. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plans fiduciary net position and the OPEB plans fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

MPSERS approved a decrease in the discount rate for the September 30, 2017 annual actuarial valuation for the pension plan and the OPEB plan to 7.05 percent and 7.15 percent, respectively. As a result, the actuarial computed employer contributions, net pension liability, and net OPEB liability will increase for the measurement period ending September 30, 2018.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the District, calculated using the discount rate, depending on the plan option. The following also reflects what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease (Non-Hybrid/Hybrid) 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 8.5% / 8.0%
\$ 19,727,596	\$ 15,144,001	\$ 11,284,906

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the District, calculated using the current discount rate. It also reflects what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
\$ 6,041,144	\$ 5,157,688	\$ 4,407,911

NOTE 12. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONCLUDED)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

- The following presents the net OPEB liability of the District, calculated using the current healthcare cost trend rate. It also reflects what the District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
6.5%	7.5%	8.5%
\$ 4,367,869	\$ 5,157,688	\$ 6,054,474

Pension Plan and OPEB Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan - At June 30, 2018, the District reported a payable of \$49,102 and \$21,051 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018.

NOTE 13. OTHER BENEFITS

In addition to the pension benefits described previously, the District also provides 403(b) tax deferred annuity plans. All employees are eligible to participate in the plans and are fully vested immediately for all contributions.

The District is also able to offer a tax deferred "buy-in" program for years of service for all eligible employees in the state-provided pension plan. The percentage rate for the employee's contribution was calculated based on the previous year's salary and age.

NOTE 14. SUMMARY OF FEDERAL REVENUES RECEIVED

Financial Statement Reporting Units:	
General Fund	\$ 148,263
Debt Service Fund - QSCB and 2015 Refunding Bond	602,474
Non-Major Fund - Food Services Fund	238,276
Total Federal Revenues reported in Financial Statement Audit	<u>\$ 989,013</u>
Less Federal Revenues that are excluded from Uniform Guidance consideration:	
Federal interest subsidy in debt service fund	(602,474)
Total Uniform Guidance regulated Federal Revenue*	<u><u>\$ 386,539</u></u>

* Since the federal funding received and expended is below the \$750,000 threshold for purposes of the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), the District did not have a single audit for the year ended June 30, 2018.

NOTE 15. CONTINGENT LIABILITIES

Grants – In the normal course of operations, the District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 16. TAX ABATEMENT

The District has evaluated the tax abatements related to the District and determined none is material for disclosure as of June 30, 2018.

NOTE 17. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

In fiscal year 2018, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the District to recognize on the face of the financial statements its proportionate share of the Net OPEB liability related to its participation in the Michigan Public School Employees' Retirement System (MPERS). The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

For the year ending June 30, 2017, the District did not consider revenues received from State Aid in support of pension contributions after the measurement date as deferred inflows. The District has begun recording the deferred inflows to maintain consistency with the new standard. The implementation resulted in the District reporting a net pension liability, deferred outflows of resources, and deferred inflows of resources as of June 30, 2017. The following summarizes the restatements that have been made to the District's financial statements:

Net OPEB liability	\$	(5,440,219)
Deferred outflows of resources related to OPEB		390,558
Deferred inflows of resources for revenue received from State Aid in support of OPEB contributions		(161,965)
Deferred inflows of resources for revenue received from State Aid in support of pension contributions		(435,250)
Cumulative Effect on Change in Accounting	\$	<u>(5,646,876)</u>

NOTE 18. UPCOMING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. Any activity meeting the criteria should be reported in the fiduciary fund in the basic financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the District's financial statements for the year ending June 30, 2020.

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

NOTE 19. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 12, 2018, the date of the financial statements were available to be issued. No events or transactions occurred during this period which require recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

BRIDGMAN PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY SCHEDULE
BUDGETARY COMPARISON SCHEDULE — GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance (Negative) Positive
Revenues				
Property taxes	\$ 9,820,148	\$ 9,909,510	\$ 9,867,388	\$ (42,122)
Local sources	165,500	387,253	390,118	2,865
State sources	1,367,635	1,443,582	1,454,427	10,845
Federal sources	144,023	149,340	148,263	(1,077)
Intermediate sources	122,023	152,198	152,198	-
Earnings on investments	32,000	46,518	45,649	(869)
Total Revenues	<u>\$ 11,651,329</u>	<u>\$ 12,088,401</u>	<u>\$ 12,058,043</u>	<u>\$ (30,358)</u>
Expenditures				
Instruction				
Basic programs	\$ 6,051,979	\$ 6,139,969	\$ 6,062,773	\$ 77,196
Added needs	1,353,257	1,235,003	1,266,172	(31,169)
Adult and continuing education	123,483	134,775	137,370	(2,595)
Supporting services				
Pupil	582,897	713,721	787,333	(73,612)
Instructional staff	330,235	336,836	337,935	(1,099)
General administration	253,066	256,478	256,582	(104)
School administration	702,120	689,425	686,902	2,523
Business services	358,171	320,442	318,479	1,963
Athletics	378,449	387,874	389,388	(1,514)
Operations and maintenance	939,055	1,138,363	1,124,604	13,759
Transportation	466,609	488,187	487,906	281
Debt service				
Principal	185,000	185,000	185,000	-
Interest	15,000	15,803	15,803	-
Intergovernmental payments	33,622	17,509	17,507	2
Total Expenditures	<u>\$ 11,772,943</u>	<u>\$ 12,059,385</u>	<u>\$ 12,073,754</u>	<u>\$ (14,369)</u>
Excess (Deficit) of Revenues Over (Under)				
Expenditures	<u>\$ (121,614)</u>	<u>\$ 29,016</u>	<u>\$ (15,711)</u>	<u>\$ (44,727)</u>
Other Financing Sources (Uses)				
Operating transfers in	\$ 170,000	\$ 140,000	\$ 140,000	\$ -
Operating transfers out	-	-	(9,038)	(9,038)
Total Other Financing Sources (Uses)	<u>\$ 170,000</u>	<u>\$ 140,000</u>	<u>\$ 130,962</u>	<u>\$ (9,038)</u>
Net Change in Fund Balances	\$ 48,386	\$ 169,016	\$ 115,251	<u>\$ (53,765)</u>
Fund Balances - Beginning of year	1,823,274	1,823,274	1,823,274	
Fund Balances - End of year	<u>\$ 1,871,660</u>	<u>\$ 1,992,290</u>	<u>\$ 1,938,525</u>	

The Notes to Required Supplementary Information are an integral part of this statement.

BRIDGMAN PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BRIDGMAN PUBLIC SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of net pension liability	0.05843%	0.05656%	0.05652%	0.05188%
District's proportionate share of net pension liability	\$ 15,144,001	\$ 14,111,958	\$ 13,804,730	\$ 11,426,867
District's covered-employee payroll	\$ 4,961,329	\$ 4,770,734	\$ 4,874,967	\$ 4,630,281
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	305.24%	295.80%	283.18%	246.79%
Plan fiduciary net position as a percentage of total pension liability	63.96%	63.27%	63.17%	66.20%

The Notes to Required Supplementary Information are an integral part of this statement.

BRIDGMAN PUBLIC SCHOOL DISTRICT**REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF BRIDGMAN PUBLIC SCHOOL DISTRICT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE PLAN YEAR ENDED JUNE 30**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,498,981	\$ 1,396,936	\$ 1,314,076	\$ 1,022,706
Contributions in relation to statutorily required contributions	<u>1,498,981</u>	<u>1,396,936</u>	<u>1,314,076</u>	<u>1,022,706</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,935,377	\$ 5,098,838	\$ 4,896,859	\$ 4,868,348
Contributions as a percentage of covered-employee payroll	30.37%	27.40%	26.84%	21.01%

The Notes to Required Supplementary Information are an integral part of this statement.

BRIDGMAN PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BRIDGMAN PUBLIC SCHOOL DISTRICT'S
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30

	<u>2017</u>
District's proportion of net OPEB liability	0.05824%
District's proportionate share of net OPEB liability	\$ 5,157,688
District's covered-employee payroll	\$ 4,961,329
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	103.96%
Plan fiduciary net position as a percentage of total OPEB liability	36.53%

The Notes to Required Supplementary Information are an integral part of this statement.

BRIDGMAN PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BRIDGMAN PUBLIC SCHOOL DISTRICT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE YEAR ENDED JUNE 30

	<u>2018</u>
Statutorily required contributions	\$ 352,970
Contributions in relation to statutorily required contributions	<u>352,970</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 4,935,377
Contributions as a percentage of covered-employee payroll	7.15%

The Notes to Required Supplementary Information are an integral part of this statement.

BRIDGMAN PUBLIC SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

Change of pension benefit terms: There were no changes of benefit terms for the plan year ended September 30, 2017.

Change of pension assumptions: On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent to 7.00 to 7.50 percent based on the group.

Change of OPEB benefit terms: There were no changes of benefit terms for the plan year ended September 30, 2017.

Change of OPEB assumptions: There were no changes of benefit assumptions for the plan year ended September 30, 2017.

**OTHER SUPPLEMENTARY
INFORMATION**

BRIDGMAN PUBLIC SCHOOL DISTRICT

COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds		Capital Projects		Debt Service Fund	Total Non-Major Governmental Funds
	Recreation Fund	Food Services Fund	Sinking Fund	- 2012 Building and Site Bonds		
Assets						
Cash and investments	\$ 354,412	\$ 29,558	\$ 335,773	\$ 1,999	\$ 721,742	
Due from other governmental units	-	3,176	-	-	3,176	
Due from other governmental funds	-	8,340	1,478	87,865	97,683	
Inventories	-	5,014	-	-	5,014	
Total Assets	\$ 354,412	\$ 46,088	\$ 337,251	\$ 89,864	\$ 827,615	
Liabilities						
Accounts payable	\$ 17,894	\$ 3,780	\$ -	\$ -	\$ 21,674	
Due to other governmental funds	1,333	-	-	-	1,333	
Total Liabilities	\$ 19,227	\$ 3,780	\$ -	\$ -	\$ 23,007	
Fund Balances						
Non-spendable - inventories	\$ -	\$ 5,014	\$ -	\$ -	\$ 5,014	
Restricted for capital projects	-	-	337,251	-	337,251	
Restricted for debt retirement	-	-	-	89,864	89,864	
Restricted for food services	-	37,294	-	-	37,294	
Restricted for recreation	335,185	-	-	-	335,185	
Total Fund Balances	\$ 335,185	\$ 42,308	\$ 337,251	\$ 89,864	\$ 804,608	
Total Liabilities and Fund Balances	\$ 354,412	\$ 46,088	\$ 337,251	\$ 89,864	\$ 827,615	

BRIDGMAN PUBLIC SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	Special Revenue Funds		Capital Projects		Debt Service Fund	Total Non-Major Governmental Funds
	Recreation Fund	Food Services Fund	Sinking Fund	- 2012 Building and Site Bonds		
Revenues						
Property taxes	\$ 698,017	\$ -	\$ 85,751	\$ 371,590	\$ 1,155,358	
Local sources	47,322	282,516	-	-	329,838	
State sources	-	21,600	-	-	21,600	
Federal sources	-	238,276	-	-	238,276	
Earnings on investments	3,831	-	2,563	-	6,394	
Total Revenues	\$ 749,170	\$ 542,392	\$ 88,314	\$ 371,590	\$ 1,751,466	
Expenditures						
Supporting services	\$ -	\$ 514,161	\$ -	\$ -	\$ 514,161	
Recreation	409,038	-	-	-	409,038	
Debt service	-	-	-	-	-	
Principal payments	-	-	-	270,000	270,000	
Interest	-	-	-	24,463	24,463	
Capital outlay	-	-	26,576	-	26,576	
Total Expenditures	\$ 409,038	\$ 514,161	\$ 26,576	\$ 294,463	\$ 1,244,238	
Excess of Revenues over Expenditures	\$ 340,132	\$ 28,231	\$ 61,738	\$ 77,127	\$ 507,228	
Other Financing Sources (Uses)						
Operating transfers in	\$ -	\$ 9,038	\$ -	\$ -	\$ 9,038	
Operating transfers out	(140,000)	-	-	-	(140,000)	
Total Other Financing Sources (Uses)	\$ (140,000)	\$ 9,038	\$ -	\$ -	\$ (130,962)	
Net Change in Fund Balances	\$ 200,132	\$ 37,269	\$ 61,738	\$ 77,127	\$ 376,266	
Fund Balances - Beginning of year	135,053	5,039	275,513	12,737	428,342	
Fund Balances - End of year	\$ 335,185	\$ 42,308	\$ 337,251	\$ 89,864	\$ 804,608	

MANAGEMENT COMPLIANCE LETTER



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

To the Board of Education
Bridgman Public School District
Bridgman, 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 Bridgman Public School District (the “District”), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated October 12, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. See financial statement findings 2018-001 and 2018-002.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free of 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*.

District’s Response to Findings

Bridgman Public School District’s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Bridgman Public School District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
October 12, 2018

SECTION I – STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

No findings existed for the prior year.

SECTION II – FINANCIAL STATEMENT FINDINGS

2018-001 – Material Weakness – Financial Statement Preparation

Criteria: Establishment and maintenance of internal controls over the financial reporting process. Internal controls should be in place to provide reasonable assurance to the District that management prepare, monitor, and report annual financial activity without auditor intervention.

Condition: Personnel responsible for financial reporting have time and monetary constraints that require assistance in preparing the financial statements and related footnotes. The staff of the District does understand the information included in the annual financial statements, but obtained assistance in the preparation.

Effect of Condition: The effect of this condition places a reliance on the independent auditor to be part of the District’s internal controls over financial reporting.

Recommendation: The District should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

View of Responsible Officials and Planned Corrective Actions: We are aware of this deficiency. We feel this finding is largely a result of unforeseen staffing changes at our District. Accordingly, we are taking steps to ensure the current personnel responsible for financial reporting continue to deepen their understanding of the financial statements and are provided the resources needed to sufficiently participate in preparation of the financial statements.

SECTION II – FINANCIAL STATEMENT FINDINGS, CONCLUDED

2018-002 – Material Weakness – Material Audit Adjustments

Criteria: School districts are responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles. The District should prevent, or detect and correct in a timely manner, misstatements in the general ledger accounts.

Condition: Audit procedures detected material misstatements in the accounts of the District.

Effect of Condition: Prior to adjustments proposed and recorded through the audit process, the accounts were materially misstated.

Recommendation: The District has already reviewed and approved the necessary correcting journal entries, and their effect is properly included in the audited financial statements. Accordingly, no further corrective action is needed.

View of Responsible Officials and Planned Corrective Actions: We are aware of these misstatements, and we have taken and continue to take steps to ensure accuracy of the general ledger accounts for this year and future years. We feel this situation was in part a result of unforeseen staffing changes, and we are confident this finding will not occur in future years.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The District has spent under the \$750,000 threshold for federal expenditures and is not required to have a single audit under the Uniform Guidance.