

**Bridgeport-Spaulling Community
School District**

Financial Statements

June 30, 2018

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Bridgeport-Spaulding Community School District
Members of the Board of Education and Administration
June 30, 2018

Members of the Board of Education

Robert Lange – President

Tedi Morris – Vice President

John Rhines – Treasurer

Patrick Nelson – Secretary

Michelle Albertson – Trustee

Dempsey Allen – Trustee

Jay Bruns – Trustee

Administration

Carol Selby – Superintendent (prior to June 30, 2018)

Mark Whelton – Superintendent (current)

Patricia Bullock – Director of Finance

Melissa Cabine – Financial Consultant



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Independent Auditors' Report

Management and the Board of Education
Bridgeport-Spaulding Community School District
Bridgeport, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the administration's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, and schedule of the school district's OPEB contributions 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 the Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary 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, other than the prior year information, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Supplementary Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Bridgeport-Spaulding Community School District's financial statements as of and for the year ended June 30, 2017, which are not presented with the accompanying basic financial statements. In our report dated September 8, 2017, we expressed unmodified opinions on the respective basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Bridgeport-Spaulding Community School District's basic financial statements as a whole. The 2017 information in the comparative supplementary schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2017 information in the comparative supplementary schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2018 on our consideration of the Bridgeport-Spaulding Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Bridgeport-Spaulding Community School District's 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 Bridgeport-Spaulding Community School District's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Saginaw, MI
October 2, 2018

ADMINISTRATION'S DISCUSSION AND ANALYSIS



Bridgeport-Spaulling Community School District Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2018

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Bridgeport-Spaulling Schools Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2018.

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

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 that 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: Food Service (Special Revenue), Debt Service, Sinking Fund, and various trust and agency accounts.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No 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 year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with restricted net position 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.



Bridgeport-Spaulling Community School District
Administration's Discussion and Analysis
For Fiscal Year Ended June 30, 2018

Summary of Net Position:

The following summarizes the net position at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Assets		
Current assets	<u>\$ 6,892,061</u>	<u>\$ 6,115,111</u>
Capital assets - not being depreciated	70,000	70,000
Capital assets - being depreciated	34,259,275	34,197,648
Less: accumulated depreciation	<u>22,797,947</u>	<u>22,173,177</u>
Capital assets, net book value	11,531,328	12,094,471
Deferred outflows of resources	<u>4,774,432</u>	<u>2,541,103</u>
Total assets and deferred outflows of resources	<u>23,197,821</u>	<u>20,750,685</u>
Liabilities		
Current liabilities	4,829,105	5,374,861
Long-term liabilities	<u>28,006,189</u>	<u>21,060,504</u>
Total liabilities	32,835,294	26,435,365
Deferred inflows of resources	<u>3,180,423</u>	<u>1,495,483</u>
Total liabilities and deferred inflows of resources	<u>36,015,717</u>	<u>27,930,848</u>
Net position		
Net investment in capital assets	10,541,328	10,974,471
Restricted	668,581	20,555
Unrestricted	<u>(24,027,805)</u>	<u>(18,175,189)</u>
Total net position	<u>\$ (12,817,896)</u>	<u>\$ (7,180,163)</u>



**Bridgeport-Spaulling Community School District
Administration's Discussion and Analysis
For Fiscal Year Ended June 30, 2018**

Analysis of Financial Position:

During fiscal year ended June 30, 2018, the District's net position increased by \$981,624. A few of the significant factors affecting net position during the year are discussed below:

A. General Fund Operations

The District revenues from General Fund exceeded expenditures by \$664,335 for the fiscal year ended June 30, 2017. See the section entitled Results of Operations, below for further discussion of General Fund operations.

B. Debt, Principal Payments

The District made principal payments on bonded, long-term debt obligations that reduced the amount of the districts long-term liabilities as follows:

	Principal			
	Balance June 30, 2017	Proceeds	Payments	Balance June 30, 2018
2009 School Facilities Bonds	\$ 1,120,000	\$ -	\$ 130,000	\$ 990,000

C. Net Capital Assets

The District's net capital assets decreased by \$563,143 during the fiscal year. This can be summarized as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets	\$ 34,267,648	\$ 81,757	\$ 20,130	\$ 34,329,275
Less: accumulated depreciation	(22,173,177)	(644,900)	(20,130)	(22,797,947)
Net capital assets	\$ 12,094,471	\$ (563,143)	\$ -	\$ 11,531,328



**Bridgeport-Spaulling Community School District
Administration's Discussion and Analysis
For Fiscal Year Ended June 30, 2018**

Results of Operations:

For the fiscal years ended June 30, 2018 and 2017, the District wide results of operations were:

	<u>2018</u>	<u>2017</u>
Revenues		
General revenues	\$ 12,486,108	\$ 12,784,796
Program revenues		
Operating grants and contributions	5,486,896	5,484,710
Charges for services	<u>180,540</u>	<u>230,515</u>
Total program revenues	<u>5,667,436</u>	<u>5,715,225</u>
Expenditures		
Instruction	9,494,463	8,753,534
Support services	6,515,228	6,577,729
Food service	1,082,065	1,074,464
Interest on long-term debt	21,050	11,240
Other	<u>59,114</u>	<u>112,544</u>
Total expenditures	<u>17,171,920</u>	<u>16,529,511</u>
Change in net position	981,624	1,970,510
Beginning net position	<u>(13,799,520)</u>	<u>(9,150,673)</u>
Ending net position	<u>\$ (12,817,896)</u>	<u>\$ (7,180,163)</u>

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

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

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment – Blended at 90 percent of current year's October count and 10 percent of prior year's February count
- c. The District's non-homestead levy



**Bridgeport-Spaulling Community School District
Administration's Discussion and Analysis
For Fiscal Year Ended June 30, 2018**

Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Bridgeport-Spaulling Community School District foundation allowance was \$7,631 per student for the 2017-18 school year. The foundation allowance was \$7,511 in the prior year.

Student Enrollment:

The District's student enrollment blended count for 2017-2018 was 1,512 students. The blended count for 2017-18 is 10% of the February 2017 and 90% of October 2017. The District's enrollment decreased from the prior school year's student count. The following summarizes fall student enrollments in the past five years:

<u>Fiscal Year</u>	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2017-2018	1,512	-1
2016-2017	1,513	-55
2015-2016	1,568	-92
2014-2015	1,660	40
2013-2014	1,620	155

The student count increase for 2013-2014 is due to the dissolution of the Buena Vista School District. The student count decrease for 2015-2016 and 2016-2017 was mainly due to a loss of students to neighboring districts. Student count for 2016-2017 and 2017-2018 was very consistent.

2. Property Taxes levied for General Operations (General Fund Non-Homestead Taxes)

The District levies mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxes are 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 taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property revenue for the 2017-2018 fiscal year was \$1,616,672. The non-homestead tax levy was \$252,934 higher than that of the prior year due to additional taxes received from Buena Vista Township.



**Bridgeport-Spaulling Community School District
Administration’s Discussion and Analysis
For Fiscal Year Ended June 30, 2018**

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

Fiscal Year	Non-Homestead Tax Levy	% Change from Prior Year
2017-2018	\$1,616,672	18.55%
2016-2017	1,363,738	-0.55%
2015-2016	1,371,307	0.79%
2014-2015	1,360,535	1.00%
2013-2014	1,353,665	3.00%

3. Sinking Fund

The District passed a sinking fund levy in 2017-2018 that is specifically used for acquiring new school sites, construction or repair of school buildings, and technology.

For 2017-2018 the District’s sinking fund millage levy was 3.0 that generated revenues of \$819,007.

4. Food Sales to Students and Adults (School Lunch Program)

The District’s food program revenues increased by \$45,645 to \$1,131,450 from the prior school year. The net increase in revenues was due to an increase in the number of meals served in 2017-2018.

The total revenues for Food Service exceeded total expenditures for the year by \$19,084 in the food services fund. The increase was primary due to an increase in the number of meals served in 2017-2018.

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, Bridgeport-Spaulling Community School District amends its budget during the school year. For fiscal year June 30, 2018 the budget was amended in February 2018. The June 2018 budget amendment was the final budget for the fiscal year.



Bridgeport-Spaulling Community School District Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2018

Change from Original to Final Budget

General Fund Revenues:

Total Revenues - Original Budget	\$ 15,056,241
Total Revenues - Final Budget	16,494,923
Increase in Budgeted Revenues	1,438,682
Percentage Increase	9.56%

The final revenues budget reflects the following change from the original budget:

- Revenues increased slightly due to a significant increase in revenue per pupil and 21 H funds from state aid and property taxes.

General Fund Expenditures:

Total Expenditures - Original Budget	\$ 15,008,381
Total Expenditures - Final Budget	16,339,127
Increase in Budgeted Expenditures	1,330,746
Percentage Increase	8.87%

The expenses increased primarily due to increases in federal expenses that corresponded to the federal, state and local revenue. Also the district has an increase in salaries and benefits.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances and to show the School District's accountability for the funds it receives. If you have questions about this report or need additional information, contact the Business Office, Bridgeport-Spaulling Community School District.

BASIC FINANCIAL STATEMENTS

Bridgeport-Spauling Community School District
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash	\$ 4,266,201
Accounts receivable	940
Due from other governmental units	2,609,050
Inventory	15,870
Capital assets not being depreciated	70,000
Capital assets - net of accumulated depreciation	11,461,328
Total assets	18,423,389
Deferred outflows of resources	
Deferred amount relating to the net pension liability	4,336,677
Deferred amount relating to the net OPEB liability	437,755
Total deferred outflows of resources	4,774,432
Total assets and deferred outflows of resources	23,197,821
Liabilities	
Accounts payable	529,337
State aid anticipation note payable	2,900,000
Accrued salaries payable	1,179,951
Accrued expenditures	152,449
Unearned revenue	67,368
Noncurrent liabilities	
Debt due within one year	144,676
Debt due in more than one year	872,000
Net pension liability	20,115,344
Net OPEB liability	6,874,169
Total liabilities	32,835,294

See Accompanying Notes to the Financial Statements

Bridgeport-Spaulling Community School District
Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>
Deferred inflows of resources	
Deferred amount relating to the net pension liability	\$ 2,948,026
Deferred amount relating to the net OPEB liability	<u>232,397</u>
Total deferred inflows of resources	<u>3,180,423</u>
Total liabilities and deferred inflows of resources	<u>36,015,717</u>
Net position	
Net investment in capital assets	10,541,328
Restricted for	
Capital projects	668,581
Unrestricted (deficit)	<u>(24,027,805)</u>
Total net position	<u>\$ (12,817,896)</u>

See Accompanying Notes to the Financial Statements

Bridgeport-Spaulling Community School District
Statement of Activities
For the Year Ended June 30, 2018

	Program Revenues				Net (Expense)
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Revenue and Changes in Net Position
Functions/Programs					
Instruction	\$ 9,494,463	\$ -	\$ 3,530,774	\$ -	\$ (5,963,689)
Supporting services	6,515,228	84,595	920,617	-	(5,510,016)
Food services	1,082,065	95,945	1,035,505	-	49,385
Community services	21,050	-	-	-	(21,050)
Interest on long-term debt	59,114	-	-	-	(59,114)
Total governmental activities	\$ 17,171,920	\$ 180,540	\$ 5,486,896	\$ -	(11,504,484)
General revenues					
					1,686,752
					4,026
					819,007
					9,778,484
					1,991
					1,110
					194,738
					12,486,108
					981,624
					(13,799,520)
					\$ (12,817,896)

See Accompanying Notes to the Financial Statements

Bridgeport-Spaulling Community School District
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 3,218,611	\$ 1,047,590	\$ 4,266,201
Accounts receivable	940	-	940
Due from other funds	185,805	-	185,805
Due from other governmental units	2,573,746	35,304	2,609,050
Inventory	-	15,870	15,870
Total assets	<u>\$ 5,979,102</u>	<u>\$ 1,098,764</u>	<u>\$ 7,077,866</u>
Liabilities			
Accounts payable	\$ 513,616	\$ 15,721	\$ 529,337
State aid anticipation note payable	2,900,000	-	2,900,000
Due to other funds	-	185,805	185,805
Accrued salaries payable	1,179,951	-	1,179,951
Accrued expenditures	143,710	-	143,710
Unearned revenue	67,368	-	67,368
Total liabilities	<u>4,804,645</u>	<u>201,526</u>	<u>5,006,171</u>
Fund balance			
Non-spendable			
Inventory	-	15,870	15,870
Restricted for			
Food service	-	212,787	212,787
Capital projects	-	668,581	668,581
Unassigned	1,174,457	-	1,174,457
Total fund balance	<u>1,174,457</u>	<u>897,238</u>	<u>2,071,695</u>
Total liabilities and fund balance	<u>\$ 5,979,102</u>	<u>\$ 1,098,764</u>	<u>\$ 7,077,866</u>

See Accompanying Notes to the Financial Statements

Bridgeport-Spaulling Community School District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2018

Total fund balances for governmental funds	\$ 2,071,695
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	70,000
Capital assets - net of accumulated depreciation	11,461,328
Deferred outflows (inflows) of resources	
Deferred inflows of resources resulting from the net pension liability	(2,948,026)
Deferred inflows of resources resulting from the net OPEB liability	(232,397)
Deferred outflows of resources resulting from the net pension liability	4,336,677
Deferred outflows of resources resulting from the net OPEB liability	437,755
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(8,739)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Net pension liability	(20,115,344)
Net OPEB liability	(6,874,169)
Compensated absences	(24,000)
Bonds payable	(990,000)
State aid payable	<u>(2,676)</u>
Net position of governmental activities	<u><u>\$(12,817,896)</u></u>

Bridgeport-Spaulding Community School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Local sources	\$ 1,903,657	\$ 919,361	\$ 2,823,018
State sources	12,666,126	41,916	12,708,042
Federal sources	1,520,445	993,589	2,514,034
Interdistrict sources	<u>104,886</u>	<u>-</u>	<u>104,886</u>
Total revenues	<u>16,195,114</u>	<u>1,954,866</u>	<u>18,149,980</u>
Expenditures			
Current			
Education			
Instruction	9,178,482	-	9,178,482
Supporting services	5,841,458	-	5,841,458
Food services	2,660	1,042,366	1,045,026
Community services	21,149	-	21,149
Capital outlay	402,354	150,801	553,155
Debt service			
Principal	-	130,000	130,000
Interest and other expenditures	<u>-</u>	<u>60,174</u>	<u>60,174</u>
Total expenditures	<u>15,446,103</u>	<u>1,383,341</u>	<u>16,829,444</u>
Excess of revenues over expenditures	<u>749,011</u>	<u>571,525</u>	<u>1,320,536</u>

See Accompanying Notes to the Financial Statements

Bridgeport-Spaulding Community School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses)			
Proceeds from sale of capital assets	\$ 1,110	\$ -	\$ 1,110
Transfers in	70,000	155,786	225,786
Transfers out	<u>(155,786)</u>	<u>(70,000)</u>	<u>(225,786)</u>
Total other financing sources (uses)	<u>(84,676)</u>	<u>85,786</u>	<u>1,110</u>
Net change in fund balance	664,335	657,311	1,321,646
Fund balance - beginning	<u>510,122</u>	<u>239,927</u>	<u>750,049</u>
Fund balance - ending	<u>\$ 1,174,457</u>	<u>\$ 897,238</u>	<u>\$ 2,071,695</u>

See Accompanying Notes to the Financial Statements

Bridgeport-Spaulling Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - Total governmental funds	\$ 1,321,646
Total change in net position reported for governmental activities in the statement of activities is different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(644,900)
Capital outlay	81,757
Expenses are recorded when incurred in the statement of activities.	
Interest	1,060
Compensated absences	14,000
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in the net pension liability	(217,970)
Net change in deferrals of resources related to the net pension liability	343,031
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in the net OPEB liability	68,886
Net change in deferrals of resources related to the net OPEB liability	(118,340)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
State aid payable	2,454
Repayments of long-term debt	130,000
Change in net position of governmental activities	\$ 981,624

See Accompanying Notes to the Financial Statements

Bridgeport-Spaulding Community School District
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash	\$ 12,980	\$ 46,548
Investments	64,588	-
Total assets	77,568	\$ 46,548
Liabilities		
Due to agency fund activities	-	\$ 46,548
Net position		
Assets held for scholarships and loans	\$ 77,568	

See Accompanying Notes to the Financial Statements

Bridgeport-Spaulding Community School District
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2018

	<u>Private Purpose Trust Funds</u>
Additions	
Local sources	\$ 6,202
Interest and investment earnings	<u>122</u>
Total additions	6,324
Deductions	
Scholarships	<u>13,000</u>
Change in net position	(6,676)
Net position - beginning	<u>84,244</u>
Net position - ending	<u>\$ 77,568</u>

See Accompanying Notes to the Financial Statements

Bridgeport-Spaulling Community School District
Notes to the Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Bridgeport-Spaulling Community School District (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School 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 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 School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position are reported in three parts (1) net investment in capital assets (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

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.

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 School District 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

Bridgeport-Spaulling Community School District
Notes to the Financial Statements
June 30, 2018

well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

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

The School District reports the following major governmental fund:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District’s Special Revenue Fund is the Food Service Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Sinking Fund – The Sinking Fund is used to record the sinking fund property tax levy and other revenue and the disbursement of invoices specifically for acquiring new school sites, construction or repair of school buildings.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Trust Funds are funds entrusted to the School District for

scholarship awards and loans and the principal and interest of the trust may be spent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Net Position or Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2018, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.0000
Commercial personal property	6.0000
 Sinking Fund	 3.0000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District’s boundaries. The School District’s entire tax roll lies within the Townships of Bridgeport, Spaulling and Buena Vista.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real

Bridgeport-Spauling Community School District
Notes to the Financial Statements
June 30, 2018

property taxes uncollected as of March 1 are purchased by the County of Saginaw and remitted to the School District by May 15.

Investments – Investments are stated at fair value based on a quoted market price. Certificates of deposit are stated at cost which approximates fair value.

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.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Site improvements	10-20 years
Equipment and furniture	5-15 years
Buses and other vehicles	5-10 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Compensated Absences – Sick days are earned by employees at a prorated rate at 10 to 15 days per year. A maximum of 60 to 145 sick days may be accumulated by an employee. Terminating employees who meet certain service requirements are paid for accumulated sick days to a maximum number of days at a rate determined by their job category.

Vacation days are earned by various employee groups at various rates.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

Bridgeport-Spauling Community School District
Notes to the Financial Statements
June 30, 2018

In the School District's fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

Postemployment Benefits Other Than Pensions – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four

years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education. The Board of Education has granted the Superintendent the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

Bridgeport-Spaulling Community School District
Notes to the Financial Statements
June 30, 2018

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending June 30, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. Statement No. 86 is effective for the fiscal year ending June 30, 2018.

Upcoming Accounting and Reporting Changes

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four

Bridgeport-Spaulling Community School District
Notes to the Financial Statements
June 30, 2018

fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring 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. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

The School District is evaluating the impact that the above GASBs will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby cancel all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

Bridgeport-Spauling Community School District
Notes to the Financial Statements
June 30, 2018

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year.

Excess of Expenditures over Appropriations

The School District did not have significant expenditure budget variances.

Compliance – Sinking Funds

The Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, management believes the School District has complied, in all material respects, with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 4,266,201	\$ 59,528	\$ 4,325,729
Investments	-	64,588	64,588
	<u>\$ 4,266,201</u>	<u>\$ 124,116</u>	<u>\$ 4,390,317</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 4,389,997
Petty cash and cash on hand	<u>320</u>
Total	<u>\$ 4,390,317</u>

Interest Rate Risk

In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than 6 months.

Credit Risk

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of Credit Risk

The District has no policy that would limit the amount that may be invested with any one issuer.

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. The District does not have a deposit policy for custodial credit risk. As of year end, \$4,135,390 of the District's bank balance of \$4,531,849 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Bridgeport-Spauling Community School District
Notes to the Financial Statements
June 30, 2018

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 70,000	\$ -	\$ -	\$ 70,000
Capital assets being depreciated				
Buildings and additions	33,732,765	-	-	33,732,765
Equipment and furniture	156,968	47,919	-	204,887
Buses and other vehicles	307,915	33,838	20,130	321,623
Total capital assets being depreciated	34,197,648	81,757	20,130	34,259,275
Less accumulated depreciation				
Buildings and additions	21,795,920	622,498	-	22,418,418
Equipment and furniture	86,443	10,392	-	96,835
Buses and other vehicles	290,814	12,010	20,130	282,694
Total accumulated depreciation	22,173,177	644,900	20,130	22,797,947
Net capital assets being depreciated	12,024,471	(563,143)	-	11,461,328
Net capital assets	\$ 12,094,471	\$ (563,143)	\$ -	\$ 11,531,328

Depreciation expense was charged to activities of the School District as follows:

Governmental activities	
Instruction	\$ 368,454
Support services	234,495
Food services	41,951
Total governmental activities	<u>\$ 644,900</u>

Note 5 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
General	Nonmajor	<u>\$ 185,805</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Bridgeport-Spauling Community School District
Notes to the Financial Statements
June 30, 2018

Interfund transfers consist of the following:

	Transfers Out		
	General Fund	Nonmajor Governmental Funds	Total
Transfers in			
General Fund	\$ -	\$ 70,000	\$ 70,000
Nonmajor governmental funds	155,786	-	155,786
	<u>\$ 155,786</u>	<u>\$ 70,000</u>	<u>\$ 225,786</u>

A transfer of \$155,786 from the General Fund to the Debt Service Fund was made to cover the principal and interest payment on the facilities bond. A transfer of \$70,000 was made to reimburse the General Fund for indirect costs incurred by the Food Service Fund.

Note 6 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	<u>\$ 3,950,000</u>	<u>\$ 2,900,000</u>	<u>\$ 3,950,000</u>	<u>\$ 2,900,000</u>

Note 7 - Operating Leases

The School District has non-cancelable operating leases for buses. Total cost for the lease was \$212,276 for the year ended June 30, 2018.

The future minimum lease payments for the leases are as follows:

<u>Year ending June 30,</u>		
2019		\$ 187,564
2020		<u>74,906</u>
Total		<u>\$ 262,470</u>

Note 8 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 1,120,000	\$ -	\$ 130,000	\$ 990,000	\$ 135,000
Compensated absences	38,000	28,750	42,750	24,000	7,000
State aid repayment	5,130	-	2,454	2,676	2,676
Total	<u>\$ 1,163,130</u>	<u>\$ 28,750</u>	<u>\$ 175,204</u>	<u>\$ 1,016,676</u>	<u>\$ 144,676</u>

Bridgeport-Spauling Community School District
Notes to the Financial Statements
June 30, 2018

General obligation bonds payable at year end, consist of the following:

\$1,950,000 serial bond due in annual installments of \$130,000 to
 \$200,000 through May 1, 2024, interest at 5.15% to 5.50% \$ 990,000

Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 135,000	\$ 53,602	\$ 188,602
2020	150,000	46,650	196,650
2021	155,000	38,776	193,776
2022	170,000	30,250	200,250
2023	180,000	20,900	200,900
2024	200,000	11,000	211,000
Total	<u>\$ 990,000</u>	<u>\$ 201,178</u>	<u>\$ 1,191,178</u>

The general obligation bonds are payable from a voter approved debt levy. Other long-term debt liabilities are expected to be paid primarily from General Fund resources.

Compensated Absences

Accrued compensated absences at year end, consist of \$2,000 of vacation hours earned and vested and \$22,000 in accrued sick time benefits. For governmental activities, compensated absences are primarily liquidated by the general fund.

Note 9 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees.

The School District has purchased commercial insurance for errors and omissions and malpractice. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District participates in a public entity risk pool through the School Employers Group. With the exception of unemployment and employee medical claims, as described below, this program provides substantially all the insurance needs of the School District. The possibility of additional liabilities in excess of current year contributions exists, however, since the amounts are indeterminable and believed to be immaterial, no contingent liabilities or assets have been recognized on the School District's financial statements.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. No provision has been made for possible future claims.

Note 10 - Pension Plan

Plan Description

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

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

Bridgeport-Spauling Community School District
Notes to the Financial Statements
June 30, 2018

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

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

Benefits Provided

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

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

Contributions

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

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

The schedule below summarizes pension contribution rates in effect for fiscal year 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	0.0%	15.27%

Required contributions to the pension plan from the School District were \$1,820,665 for the year ending September 30, 2017.

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

At June 30, 2018, the School District reported a liability of \$20,115,344 for its proportionate share of the MPERS 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 rolled forward from September 2016. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement

Bridgeport-Spauling Community School District
Notes to the Financial Statements
June 30, 2018

period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2017, the School District's proportion was 0.0776 percent, which was a decrease of 0.0021 percent from its proportion measured as of September 30, 2016. At September 30, 2017, the total pension expense for the School District was \$1,667,981.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	\$ 174,816	\$ (98,702)
Changes in assumptions	2,203,796	-
Net difference between projected and actual earnings on pension plan investments	-	(961,646)
Changes in proportion and differences between district contributions and proportionate share of contributions	-	(940,443)
District contributions subsequent to the measurement date	1,958,065	(947,235)
	\$ 4,336,677	\$ (2,948,026)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

Deferred (Inflow) and Deferred Outflow of Resources by Year
(To Be Recognized in Future Pension Expense)

2018	\$	(50,489)
2019		361,346
2020		167,884
2021		(100,920)
	\$	377,821

Actuarial Assumptions

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

Bridgeport-Spauling Community School District
Notes to the Financial Statements
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Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of Return:
 - MIP and Basic Plans (Non-Hybrid): 7.5%
 - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5188

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, 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)
test	<u>100.0%</u>	

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

Bridgeport-Spaulling Community School District
Notes to the Financial Statements
June 30, 2018

Rate of Return

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

Discount Rate

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease (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%
\$ 26,203,603	\$ 20,115,344	\$ 14,989,418

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

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Bridgeport-Spauling Community School District
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June 30, 2018

Note 11 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

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

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the

premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Bridgeport-Spauling Community School District
Notes to the Financial Statements
June 30, 2018

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017.

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

Required contributions to the OPEB plan from the School District were \$604,353 for the year ended September 30, 2017.

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

At June 30, 2018, the School District reported a liability of \$6,874,169 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability 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 rolled forward from September 2016. The School District's proportion of the net OPEB liability was determined by

dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the School District's proportion was 0.0776 percent. At September 30, 2017, the total OPEB expense for the School District was \$459,874.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ (73,190)
Net difference between projected and actual earnings on OPEB plan investments	-	(159,207)
Changes in proportion and differences between district contributions and proportionate share of contributions	344	-
District contributions subsequent to the measurement date	437,411	-
	<u>\$ 437,755</u>	<u>\$ (232,397)</u>

Bridgeport-Spauling Community School District
Notes to the Financial Statements
June 30, 2018

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year
 (To Be Recognized in Future OPEB Expense)

	2018	\$		(56,082)	
	2019			(56,082)	
	2020			(56,082)	
	2021			(56,082)	
	2022			(7,725)	
				(232,053)	
		\$		(232,053)	

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2016
- Actuarial Cost Method: Entry Age, Normal

- Wage inflation rate: 3.5%
- Investment Rate of Return: 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
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Other Assumptions:

- Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.4744

Bridgeport-Spauling Community School District
Notes to the Financial Statements
June 30, 2018

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2017, 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)
test	<u>100.0%</u>	

*

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

Rate of Return

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

Discount Rate

A discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
\$	8,051,639	\$ 6,874,169	\$ 5,874,866

Bridgeport-Spauling Community School District
Notes to the Financial Statements
June 30, 2018

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

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

1% Decrease 6.5%	Current Healthcare Cost Trend Rate 7.5%	1% Increase 8.5%
\$ 5,821,497	\$ 6,874,169	\$ 8,069,405

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Note 12 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2018.

Note 13 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by the cities and townships within the County. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2017, the School District's property tax revenues were reduced by \$22,065 under these programs.

There are no significant abatements made by the School District.

Note 14 - Adoption of New Accounting Standards

As indicated in Note 1, the School District has adopted Government Accounting Standards Board Statement 75. This required the School District to record their proportionate share of the net OPEB liability and OPEB expense. Previously, these amounts were not recorded on the School District's statements. The standards require this change to be applied retroactively. The impact of this change is to reduce beginning net position in the statement of activities as of July 1, 2017 by \$6,619,357, restating it from (\$7,180,163) to (\$13,799,520).

REQUIRED SUPPLEMENTARY INFORMATION

Bridgeport-Spaulling Community School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 1,737,915	\$ 1,905,820	\$ 1,903,657	\$ (2,163)
State sources	11,695,857	12,743,106	12,666,126	(76,980)
Federal sources	1,462,469	1,669,597	1,520,445	(149,152)
Interdistrict sources	80,000	105,400	104,886	(514)
	<u>14,976,241</u>	<u>16,423,923</u>	<u>16,195,114</u>	<u>(228,809)</u>
Expenditures				
Instruction				
Basic programs	6,086,957	6,762,741	6,652,696	(110,045)
Added needs	2,457,002	2,668,841	2,525,786	(143,055)
Adult and continuing education				
Supporting services				
Pupil	712,415	720,681	691,204	(29,477)
Instructional staff	791,418	1,100,880	919,335	(181,545)
General administration	368,212	399,494	388,051	(11,443)
School administration	795,938	823,694	776,679	(47,015)
Business	386,617	377,722	289,955	(87,767)
Operations and maintenance	1,759,930	1,663,366	1,598,794	(64,572)
Pupil transportation services	761,524	746,834	715,489	(31,345)
Central	261,753	279,058	253,206	(25,852)
Athletics	214,713	209,113	208,745	(368)
Food service	-	2,336	2,660	324
Community services	14,080	25,917	21,149	(4,768)
Capital outlay	207,720	403,020	402,354	(666)
	<u>14,818,279</u>	<u>16,183,697</u>	<u>15,446,103</u>	<u>(737,594)</u>
Excess of revenues over expenditures	<u>157,962</u>	<u>240,226</u>	<u>749,011</u>	<u>508,785</u>

Bridgeport-Spaulling Community School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other financing sources (uses)				
Proceeds from sale of capital assets	\$ 10,000	\$ 1,000	\$ 1,110	\$ 110
Transfers in	70,000	70,000	70,000	-
Transfers out	<u>(190,102)</u>	<u>(155,430)</u>	<u>(155,786)</u>	<u>(356)</u>
Total other financing sources (uses)	<u>(110,102)</u>	<u>(84,430)</u>	<u>(84,676)</u>	<u>(246)</u>
Net change in fund balance	47,860	155,796	664,335	508,539
Fund balance - beginning	<u>510,122</u>	<u>510,122</u>	<u>510,122</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 557,982</u></u>	<u><u>\$ 665,918</u></u>	<u><u>\$ 1,174,457</u></u>	<u><u>\$ 508,539</u></u>

Bridgeport-Spaulling Community School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
A. School District's proportion of net pension liability (%)	0.07760%	0.07980%	0.08040%	0.08554%						
B. School District's proportionate share of net pension liability	\$ 20,115,344	\$ 19,897,374	\$ 19,644,062	\$ 18,841,464						
C. School District's covered-employee payroll	\$ 6,406,651	\$ 6,703,812	\$ 6,690,410	\$ 7,418,977						
D. School District's proportionate share of net pension liability as a percentage of its covered- employee payroll	313.98%	296.81%	293.62%	253.96%						
E. Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.20%						

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.

Change of benefit assumptions: There were no changes of benefit terms in plan fiscal year 2017.

Bridgeport-Spaulling Community School District
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Statutorily required contributions	\$ 2,123,115	\$ 1,198,939	\$ 1,246,106	\$ 1,538,704						
B. Contributions in relation to statutorily required contributions	<u>2,123,115</u>	<u>1,198,939</u>	<u>1,246,106</u>	<u>1,538,704</u>						
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
D. School District's covered-employee payroll	\$ 6,410,534	\$ 6,375,137	\$ 6,513,915	\$ 6,919,564						
E. Contributions as a percentage of covered-employee payroll	33.12%	18.81%	19.13%	22.24%						

Bridgeport-Spaulling Community School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
A. School District's proportion of net OPEB liability (%)	0.07760%									
B. School District's proportionate share of net OPEB liability	\$ 6,874,169									
C. School District's covered-employee payroll	\$ 6,406,651									
D. School District's proportionate share of net OPEB liability as a percentage of its covered- employee payroll	107.30%									
E. Plan fiduciary net position as a percentage of total OPEB liability	36.39%									

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.

Change of benefit assumptions: There were no changes of benefit terms in plan fiscal year 2017.

Bridgeport-Spaulling Community School District
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

		For the Years Ended June 30,									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A.	Statutorily required contributions	\$ 488,936									
B.	Contributions in relation to statutorily required contributions	<u>488,936</u>									
C.	Contribution deficiency (excess)	<u>\$ -</u>									
D.	School District's covered-employee payroll	\$ 6,410,534									
E.	Contributions as a percentage of covered-employee payroll	7.63%									

OTHER SUPPLEMENTARY INFORMATION

Bridgeport-Spaulding Community School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Special Revenue Fund		Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Debt Service Fund	Sinking Fund	
Assets				
Cash	\$ 379,009	\$ -	\$ 668,581	\$ 1,047,590
Due from other governmental units	35,304	-	-	35,304
Inventory	15,870	-	-	15,870
Total assets	<u>\$ 430,183</u>	<u>\$ -</u>	<u>\$ 668,581</u>	<u>\$ 1,098,764</u>
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ 15,721	\$ -	\$ -	\$ 15,721
Due to other funds	185,805	-	-	185,805
Total liabilities	<u>201,526</u>	<u>-</u>	<u>-</u>	<u>201,526</u>
Fund balance				
Nonspendable				
Inventory	15,870	-	-	15,870
Restricted for				
Food service	212,787	-	-	212,787
Capital projects	-	-	668,581	668,581
Total fund balance	<u>228,657</u>	<u>-</u>	<u>668,581</u>	<u>897,238</u>
Total liabilities and fund balance	<u>\$ 430,183</u>	<u>\$ -</u>	<u>\$ 668,581</u>	<u>\$ 1,098,764</u>

Bridgeport-Spaulling Community School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service		Sinking Fund	
Revenues				
Local sources	\$ 95,945	\$ 4,034	\$ 819,382	\$ 919,361
State sources	41,916	-	-	41,916
Federal sources	993,589	-	-	993,589
Total revenues	<u>1,131,450</u>	<u>4,034</u>	<u>819,382</u>	<u>1,954,866</u>
Expenditures				
Current				
Education				
Food services	1,042,366	-	-	1,042,366
Capital outlay	-	-	150,801	150,801
Debt service				
Principal	-	130,000	-	130,000
Interest and other expenditures	-	60,174	-	60,174
Total expenditures	<u>1,042,366</u>	<u>190,174</u>	<u>150,801</u>	<u>1,383,341</u>
Excess (deficiency) of revenues over expenditures	<u>89,084</u>	<u>(186,140)</u>	<u>668,581</u>	<u>571,525</u>
Other financing sources (uses)				
Transfers in	-	155,786	-	155,786
Transfers out	(70,000)	-	-	(70,000)
Total other financing sources (uses)	<u>(70,000)</u>	<u>155,786</u>	<u>-</u>	<u>85,786</u>
Net change in fund balance	19,084	(30,354)	668,581	657,311
Fund balance - beginning	209,573	30,354	-	239,927
Fund balance - ending	<u>\$ 228,657</u>	<u>\$ -</u>	<u>\$ 668,581</u>	<u>\$ 897,238</u>

Bridgeport-Spaulding Community School District
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	2018	2017
Assets		
Cash	\$ 3,218,611	\$ 3,018,625
Accounts receivable	940	2,146
Due from other funds	185,805	283,599
Due from other governmental units	2,573,746	2,559,915
Total assets	\$ 5,979,102	\$ 5,864,285
Liabilities		
Accounts payable	\$ 513,616	\$ 253,027
State aid anticipation note payable	2,900,000	3,950,000
Payroll deductions and withholdings	143,710	238,437
Accrued expenditures	1,179,951	912,699
Unearned revenue	67,368	-
Total liabilities	4,804,645	5,354,163
Fund balance		
Unassigned	1,174,457	510,122
Total liabilities and fund balance	\$ 5,979,102	\$ 5,864,285

Bridgeport-Spaulding Community School District
Other Supplementary Information
General Fund
Schedule of Revenues Compared to Prior Year
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenue from local sources		
Property tax levy	\$ 1,686,752	\$ 1,377,990
Earnings on investments	1,608	736
Other local revenues	<u>215,297</u>	<u>340,913</u>
Total revenues from local sources	<u>1,903,657</u>	<u>1,719,639</u>
Revenues from state sources		
Grants - unrestricted	9,776,030	9,691,157
Grants - restricted	<u>2,890,096</u>	<u>2,555,407</u>
Total revenues from state sources	<u>12,666,126</u>	<u>12,246,564</u>
Revenues from federal sources		
Grants	<u>1,520,445</u>	<u>1,861,954</u>
Interdistrict sources		
ISD collected millage	<u>104,886</u>	<u>136,851</u>
Other financing sources		
Proceeds from sale of capital assets	1,110	11,456
Transfers in	<u>70,000</u>	<u>93,756</u>
Total other financing sources	<u>71,110</u>	<u>105,212</u>
Total revenue and other financing sources	<u>\$ 16,266,224</u>	<u>\$ 16,070,220</u>

Bridgeport-Spaulling Community School District
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Prior Year
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Basic program - elementary		
Salaries	\$ 1,293,035	\$ 1,210,513
Employee benefits	976,721	910,770
Purchased services	121,538	92,523
Supplies and materials	33,405	25,758
Total elementary	<u>2,424,699</u>	<u>2,239,564</u>
Basic program - middle school		
Salaries	867,883	893,263
Employee benefits	677,482	653,401
Purchased services	109,069	97,032
Supplies and materials	44,332	27,617
Total middle school	<u>1,698,766</u>	<u>1,671,313</u>
Basic program - high school		
Salaries	1,166,640	987,608
Employee benefits	866,495	681,875
Purchased services	102,781	95,402
Supplies and materials	110,471	99,390
Other	85,590	123,911
Total high school	<u>2,331,977</u>	<u>1,988,186</u>
Basic program - pre-school		
Salaries	35,810	34,676
Employee benefits	16,481	16,102
Purchased services	143,636	138,362
Supplies and materials	1,327	1,916
Total pre-school	<u>197,254</u>	<u>191,056</u>

Bridgeport-Spaulling Community School District
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Prior Year
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Added needs - special education		
Salaries	\$ 929,469	\$ 904,261
Employee benefits	720,531	705,084
Purchased services	37,317	62,658
Supplies and materials	2,150	29
Other	<u>336,437</u>	<u>273,840</u>
Total special education	<u>2,025,904</u>	<u>1,945,872</u>
Added needs - compensatory education		
Salaries	187,580	202,589
Employee benefits	134,627	125,935
Purchased services	126,553	54,481
Supplies and materials	<u>51,122</u>	<u>61,460</u>
Total compensatory education	<u>499,882</u>	<u>444,465</u>
Pupil - guidance services		
Salaries	93,440	87,978
Employee benefits	<u>69,609</u>	<u>66,113</u>
Total guidance services	<u>163,049</u>	<u>154,091</u>
Pupil - health services		
Purchased services	<u>-</u>	<u>3,500</u>
Pupil - psychological services		
Other	<u>99,000</u>	<u>90,700</u>
Pupil - speech services		
Purchased services	4,500	-
Other	<u>271,340</u>	<u>237,700</u>
Total speech services	<u>275,840</u>	<u>237,700</u>

Bridgeport-Spaulding Community School District
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Prior Year
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Pupil - social work services		
Salaries	\$ 79,561	\$ 81,684
Employee benefits	48,842	43,879
Purchased services	-	1,027
Total social work services	<u>128,403</u>	<u>126,590</u>
Pupil - other support services		
Salaries	10,496	19,586
Employee benefits	4,724	11,916
Purchased services	9,692	15,874
Total other pupil support services	<u>24,912</u>	<u>47,376</u>
Instructional staff - improvement of education		
Salaries	167,322	190,401
Employee benefits	108,921	111,927
Purchased services	217,791	270,942
Supplies and materials	11,156	5,604
Total improvement of education	<u>505,190</u>	<u>578,874</u>
Instructional staff - educational media services		
Salaries	24,100	27,601
Employee benefits	10,726	12,215
Total educational media services	<u>34,826</u>	<u>39,816</u>
Instructional staff - technology assisted instruction		
Purchased services	18,337	780
Supplies and materials	49,112	-
Total technology assisted instruction	<u>67,449</u>	<u>780</u>

Bridgeport-Spaulling Community School District
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Prior Year
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Instructional staff - supervision and direction of instructional staff		
Salaries	\$ 114,450	\$ 189,614
Employee benefits	86,325	114,525
Purchased services	4,650	6,171
Supplies and materials	8,074	14,837
Other	<u>80,350</u>	<u>94,700</u>
Total supervision and direction of instructional staff	<u>293,849</u>	<u>419,847</u>
Instructional staff - academic student assessment		
Purchased services	<u>18,021</u>	<u>20,000</u>
General administration - board of education		
Salaries	2,260	2,120
Purchased services	87,705	111,867
Supplies and materials	-	121
Other	<u>9,091</u>	<u>5,459</u>
Total board of education	<u>99,056</u>	<u>119,567</u>
General administration - executive administration		
Salaries	162,045	157,997
Employee benefits	120,354	108,344
Purchased services	2,271	1,679
Supplies and materials	1,912	-
Other	<u>2,413</u>	<u>2,898</u>
Total executive administration	<u>288,995</u>	<u>270,918</u>
School administration - office of the principal		
Salaries	436,573	433,437
Employee benefits	332,639	337,682
Purchased services	-	11,736
Supplies and materials	4,467	3,048
Other	<u>3,000</u>	<u>2,000</u>
Total office of the principal	<u>776,679</u>	<u>787,903</u>

Bridgeport-Spaulling Community School District
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Prior Year
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Business - fiscal services		
Salaries	\$ 27,838	\$ 77,000
Employee benefits	24,176	64,603
Purchased services	131,501	64,573
Supplies and materials	4,445	334
Other	1,370	1,723
Total fiscal services	<u>189,330</u>	<u>208,233</u>
Business - internal services		
Salaries	6,376	7,202
Employee benefits	5,741	8,168
Purchased services	530	-
Supplies and materials	186	214
Total internal services	<u>12,833</u>	<u>15,584</u>
Business - other		
Employee benefits	-	22
Purchased services	1,597	1,203
Other	86,195	138,294
Total other business	<u>87,792</u>	<u>139,519</u>
Operations and maintenance - operating building services		
Salaries	398,215	332,049
Employee benefits	314,245	293,400
Purchased services	361,056	535,567
Supplies and materials	525,278	555,312
Other	-	217
Total operating building services	<u>1,598,794</u>	<u>1,716,545</u>

Bridgeport-Spaulling Community School District
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Prior Year
For the Years Ended June 30, 2018 and 2017

	2018	2017
Pupil transportation services		
Salaries	\$ 342,834	\$ 352,059
Employee benefits	187,591	191,196
Purchased services	55,957	46,034
Supplies and materials	107,057	95,350
Other	22,050	10,464
Total transportation services	715,489	695,103
Central - staff/personnel services		
Salaries	69	-
Employee benefits	30	-
Purchased services	5,528	2,225
Supplies and materials	666	-
Total staff/personnel services	6,293	2,225
Central - support services technology		
Purchased services	130,034	197,747
Supplies and materials	32,488	11,522
Other	84,391	84,863
Total support services technology	246,913	294,132
Athletics activities		
Salaries	44,556	42,307
Employee benefits	19,687	16,215
Purchased services	130,201	128,152
Supplies and materials	10,721	9,206
Other	3,580	2,728
Total athletic activities	208,745	198,608
Food service		
Supplies and materials	2,660	2,660

Bridgeport-Spaulling Community School District
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Prior Year
For the Years Ended June 30, 2018 and 2017

	2018	2017
Community services - community activities		
Salaries	\$ 1,564	\$ 1,367
Employee benefits	694	593
Purchased services	1,718	3,700
Supplies and materials	3,952	5,678
Total community activities	7,928	11,338
Community services - non-public school pupils		
Salaries	8,769	-
Employee benefits	4,452	-
Total non-public school pupils	13,221	-
Capital outlay		
Basic program - elementary	108,321	-
Basic program - high school	39,920	-
Operations and maintenance - operating building services	41,837	-
Pupil transportation services	212,276	207,924
Total capital outlay	402,354	207,924
Other financing uses		
Transfers out	155,786	186,103
Total expenditures and other financing uses	\$ 15,601,889	\$ 15,056,092

Bridgeport-Spaulding Community School District
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2018

Date of issue: 2009
Original amount of issue: \$ 1,950,000
Purpose of issue: School Facilities

Interest Rate	Year	Annual Maturity May 1st	Semi-annual Interest Payments		Total Fiscal Year Requirements
			November 1st	May 1st	
5.00%	2019	\$ 135,000	\$ 26,801	\$ 26,801	\$ 188,602
5.15%	2020	150,000	23,325	23,325	196,650
5.25%	2021	155,000	19,387	19,387	193,774
5.50%	2022	170,000	15,125	15,125	200,250
5.50%	2023	180,000	10,450	10,450	200,900
5.50%	2024	200,000	5,500	5,500	211,000
		<u>\$ 990,000</u>	<u>\$ 100,588</u>	<u>\$ 100,588</u>	<u>\$ 1,191,176</u>