

Saugatuck Public
Schools



Year Ended
June 30, 2015

Financial
Statements

SAUGATUCK PUBLIC SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 21, 2015

Board of Education
Saugatuck Public Schools
Douglas, 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 *Saugatuck Public Schools* (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Saugatuck Public Schools as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 68

As described in Note 12, the District implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in the current year. Accordingly, beginning net position of governmental activities was restated. Our opinion is 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 management's discussion and analysis and the schedules for the pension plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2015, on our consideration of Saugatuck Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rehmann Johnson LLC

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MANAGEMENT'S DISCUSSION AND ANALYSIS

SAUGATUCK PUBLIC SCHOOLS

Management's Discussion and Analysis

As management of Saugatuck Public Schools (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015.

Financial Highlights

- The District implemented GASB Statement No. 68 in the current year. In addition to expanded disclosure requirements, the District is required to report its proportionate share of the MPERS net pension liability on the statement of net position. This change has resulted in a negative total net position of governmental activities of \$5,295,334.
- The District's total net position increased by \$518,431.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,439,448, a decrease of \$698,070 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,307,630 or 15% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements including the management's discussion and analysis, budgetary schedules and combining and individual fund financial statements and schedules.

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

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

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

Both of the government-wide financial statements display functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The activities of the District include instruction, supporting services, athletics, food services and community and recreation. The District has no business-type activities as of and for the year ended June 30, 2015.

SAUGATUCK PUBLIC SCHOOLS

Management's Discussion and Analysis

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

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

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

The District maintains numerous individual governmental funds and one agency fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund and the bond debt service fund, each of which is considered to be a major fund. Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Fiduciary fund. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management's discussion and analysis and the schedules for the MPSERS pension plan immediately following the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At June 30, 2015, the District reported a deficit net position of \$(5,295,334). The timing of debt service payments and depreciation of capital assets has a significant impact on this balance as well as the requirement to report the District's proportionate share of the MPSERS net pension liability on its statement of net position.

SAUGATUCK PUBLIC SCHOOLS

Management's Discussion and Analysis

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

An additional portion of the District's net position represents resources that are subject to other external restrictions on how they may be used. The remaining balance of *unrestricted net position* may be used to meet the District's ongoing obligations to its general programs.

	Net Position	
	2015	2014
Assets		
Current and other assets	\$ 3,285,670	\$ 3,983,738
Capital assets, net	20,937,016	21,383,081
Total assets	<u>24,222,686</u>	<u>25,366,819</u>
Deferred outflows of resources	<u>2,153,028</u>	<u>357,799</u>
Liabilities		
Other liabilities	12,401,031	973,785
Long-term liabilities	18,003,209	19,326,937
Total liabilities	<u>30,404,240</u>	<u>20,300,722</u>
Deferred inflows of resources	<u>1,266,808</u>	<u>-</u>
Net position		
Net investment in capital assets	3,739,447	3,060,419
Restricted	795,407	843,709
Unrestricted (deficit)	(9,830,188)	1,519,768
Total net position	<u>\$ (5,295,334)</u>	<u>\$ 5,423,896</u>

SAUGATUCK PUBLIC SCHOOLS

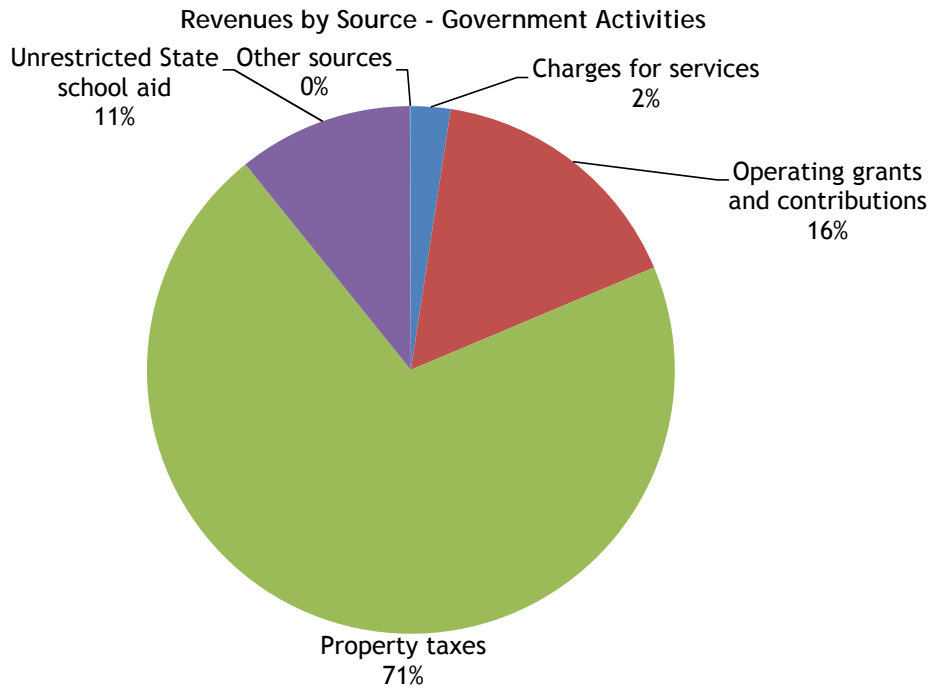
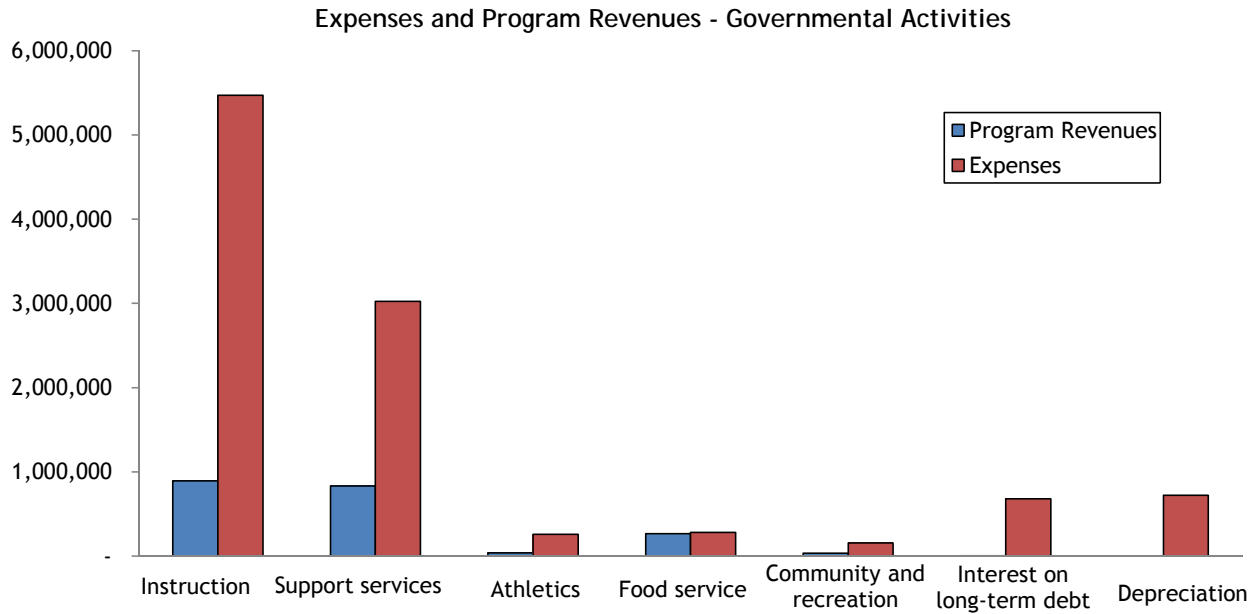
Management's Discussion and Analysis

	Change in Net Position	
	2015	2014
Revenues		
Program revenues:		
Charges for services	\$ 267,735	\$ 244,234
Operating grants and contributions	1,804,276	1,642,212
General revenues:		
Property taxes	7,840,680	7,731,964
Unrestricted State school aid	1,192,272	1,784,178
Unrestricted investment earnings	3,670	4,043
Other revenues	3,873	4,900
Total revenues	<u>11,112,506</u>	<u>11,411,531</u>
Expenses		
Instruction	5,470,369	5,462,178
Supporting services	3,025,834	3,131,194
Athletics	258,634	260,742
Food service	280,127	260,397
Community and recreation	155,252	144,435
Interest on long-term debt	682,067	815,185
Unallocated depreciation	721,792	753,648
Total expenses	<u>10,594,075</u>	<u>10,827,779</u>
Change in net position	518,431	583,752
Net position, beginning of year	5,423,896	4,840,144
Restatement for implementation of GASB 68	<u>(11,237,661)</u>	<u>-</u>
Net position, end of year	<u>\$ (5,295,334)</u>	<u>\$ 5,423,896</u>

Governmental Activities. Net position increased by \$518,431. Unrestricted State aid revenue decreased by approximately \$592,000 primarily due to a reduction in the amount awarded under Proposal A. Expenditures decreased approximately 2.2% over the prior fiscal year, primarily due to the advance refunding of certain bonds which allowed the District to take advantage of lower interest rates.

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Management's Discussion and Analysis



The District's general fund balance decreased by \$366,261 during the fiscal year. The primary factor impacting the change in fund balance was a 4.5% decrease in student enrollment.

The fund balance of the bond debt service fund decreased by \$120,693. The District's bonds are being repaid with voter-approved property tax millages. These rates are adjusted annually to approximate the actual needs of the District for repayment of principal and interest. The property tax revenues recognized in excess of current year debt service needs will be used to offset taxes levied in the following year.

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Management's Discussion and Analysis

General Fund Budgetary Highlights

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

- The final budget for local revenue sources increased from the original budget because of prior year tax adjustments paid due to Tax Tribunal changes. Local grants for technology and professional development and ACT 18 reimbursements for the transportation of students with special needs increased over original budgeted amounts.
- The budget for basic programs (a component of instruction expense) was increased \$191,369 from \$4,781,955 to \$4,973,324. This was primarily due to the addition of one full time teacher, an increase in the district's portion of the state retirement UAAL payments, and increased fees for dual enrollment and post secondary tuition paid to colleges.
- The budget for pupil services (a component of supporting services expense) was increased \$65,294 from \$469,039 to \$534,333. This was due to the direct hiring of a school psychologist position.

The District is not permitted to amend the budget after June 30, 2015 in accordance with State law. Therefore, the budget is estimated as close to actual as possible, with the understanding that small variances are expected. Variances between the final amended budget and the actual expenditures were insignificant. Total revenues and total expenditures were within 0.20% and 1.10% of the final amended budget, respectively.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2015 amounted to \$20,937,016 (net of accumulated depreciation). This investment in capital assets included land, buildings, vehicles and equipment. Significant purchases during the year included security upgrades, kitchen equipment, and flooring. Capital assets at fiscal year-end included the following:

	Capital Assets (Net of Depreciation)	
	2015	2014
Land	\$ 555,563	\$ 555,563
Construction in progress	-	7,366
Buildings and improvements	18,533,130	19,072,621
Buses and vehicles	195,419	239,455
Furniture and equipment	1,652,904	1,508,076
Total capital assets, net	<u>\$20,937,016</u>	<u>\$21,383,081</u>

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

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Management's Discussion and Analysis

Long-term Debt. At the end of the current fiscal year, the District had total long-term debt outstanding of \$18,003,209. Long-term debt at fiscal year-end included the following:

	Long-term Debt	
	2015	2014
Bonds payable	\$17,730,000	\$18,965,000
Installment purchase agreements	72,000	90,000
Unamortized discounts/premiums	51,804	117,814
Compensated absences	149,405	154,123
Total long-term debt	\$18,003,209	\$19,326,937

The District's total debt decreased by \$1,323,728 during the current fiscal year due to the District making scheduled debt payments. The District refunded its outstanding 2005 general obligation limited tax bonds by issuing 2015 refunding bonds. The refunding resulted in substantial interest savings to the District over the remaining life of the bonds. Additional information on the District's long-term debt can be found in Note 7.

Factors Bearing on the District's Future

- Student enrollments for fiscal year 15-16 are projected to be at the same levels as the previous school year.
- State Aid Foundation Allowance increased by \$25 per student. However the District still remains 9% lower than 2009-2010 funding levels.
- Pressures on the general fund budget continue to be in the following areas:
 - State Health insurance cap increased by 2.3%, an additional \$24,000 in expenses, as several of our plans are at the cap.
 - State and Federal revenue sources continue to diminish. State Aid Foundation Allowance increase of \$25 per student for FY 15-16 was offset by a decrease in other state aid categorical funding.
 - Federal Grant Sources, such as Title I, Title II and IDEA are all projected to decrease by a total of \$36,000.
- The District continues to look at ways to leverage partnerships with area public schools for reducing non-instructional expenditures. The District currently participates in a multi-school consortium for technology support, and partners with three other public schools to share a food service director, bus mechanic services, and custodial cleaning.
- The current teachers bargaining agreement is in the last year of a two year agreement.

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Management's Discussion and Analysis

Requests for Information

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

Director of Business and Human Resources
Saugatuck Public Schools
201 Randolph Street
P.O. Box 818
Douglas, MI 49406

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BASIC FINANCIAL STATEMENTS

SAUGATUCK PUBLIC SCHOOLS

Statement of Net Position

June 30, 2015

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,208,038
Investments	1,608,468
Receivables	465,957
Inventories	3,207
Capital assets not being depreciated	555,563
Capital assets being depreciated, net	<u>20,381,453</u>
Total assets	<u>24,222,686</u>
Deferred outflows of resources	
Loss on advance bond refundings, net	415,532
Deferred pension amounts	<u>1,737,496</u>
Total deferred outflows of resources	<u>2,153,028</u>
Liabilities	
Accounts payable and accrued liabilities	932,370
Unearned revenue	9,560
Long-term debt:	
Due within one year	1,111,926
Due in more than one year	16,891,283
Net pension liability	<u>11,459,101</u>
Total liabilities	<u>30,404,240</u>
Deferred inflows of resources	
Deferred pension amounts	<u>1,266,808</u>
Net position	
Net investment in capital assets	3,739,447
Restricted for:	
Food service operations	85,733
Community recreation programs	158,574
Capital improvements	255,863
Debt service	295,237
Unrestricted (deficit)	<u>(9,830,188)</u>
Total net position	<u>\$ (5,295,334)</u>

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

SAUGATUCK PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2015

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 5,470,369	\$ 20,188	\$ 874,586	\$ (4,575,595)
Supporting services	3,025,834	64,587	769,586	(2,191,661)
Athletics	258,634	39,513	-	(219,121)
Food service	280,127	109,047	156,376	(14,704)
Community and recreation	155,252	34,400	394	(120,458)
Interest on long-term debt	682,067	-	3,334	(678,733)
Unallocated depreciation	721,792	-	-	(721,792)
Total governmental activities	\$ 10,594,075	\$ 267,735	\$ 1,804,276	(8,522,064)
General revenues				
Property taxes				7,840,680
Unrestricted State school aid				1,192,272
Unrestricted investment earnings				3,670
Other revenues				3,873
Total general revenues				9,040,495
Change in net position				518,431
Net position, beginning of year, as restated				(5,813,765)
Net position, end of year				\$ (5,295,334)

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

SAUGATUCK PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2015

	General Fund	Bond Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 74,791	\$ 384,552	\$ 748,695	\$ 1,208,038
Investments	1,608,468	-	-	1,608,468
Accounts receivable	-	2,064	91	2,155
Due from other funds	195	4,524	2,280	6,999
Due from other governments	463,802	-	-	463,802
Inventories	-	-	3,207	3,207
Total assets	\$ 2,147,256	\$ 391,140	\$ 754,273	\$ 3,292,669
Liabilities				
Accounts payable	\$ 3,397	\$ -	\$ 6,679	\$ 10,076
Due to other governments	68,180	-	-	68,180
Accrued liabilities	758,406	-	-	758,406
Due to other funds	2,280	195	4,524	6,999
Unearned revenue	7,363	-	2,197	9,560
Total liabilities	839,626	195	13,400	853,221
Fund balances				
Nonspendable	-	-	3,207	3,207
Restricted	-	390,945	737,666	1,128,611
Unassigned	1,307,630	-	-	1,307,630
Total fund balances	1,307,630	390,945	740,873	2,439,448
Total liabilities and fund balances	\$ 2,147,256	\$ 391,140	\$ 754,273	\$ 3,292,669

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

SAUGATUCK PUBLIC SCHOOLS

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2015

Fund balances - total governmental funds	\$ 2,439,448
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statements.	
Capital assets not being depreciated	555,563
Capital assets being depreciated, net	20,381,453
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and installment purchase agreements	(17,802,000)
Unamortized discounts/premiums on bonds	(51,804)
Unamortized deferred loss on bond refunding	415,532
Accrued interest on bonds and installment purchase agreements	(95,708)
Compensated absences	(149,405)
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(11,459,101)
Deferred outflows related to the net pension liability	1,737,496
Deferred inflows related to the net pension liability	(1,266,808)
Net position of governmental activities	<u>\$ (5,295,334)</u>

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

SAUGATUCK PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2015

	General Fund	Bond Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 6,315,351	\$ 1,949,706	\$ 551,892	\$ 8,816,949
State sources	1,888,750	-	13,578	1,902,328
Federal sources	250,431	-	142,798	393,229
Total revenues	8,454,532	1,949,706	708,268	11,112,506
Expenditures				
Current:				
Instruction	5,558,314	-	-	5,558,314
Supporting services	2,995,276	-	-	2,995,276
Athletics	261,240	-	-	261,240
Food service	-	-	264,511	264,511
Community and recreation	-	-	157,819	157,819
Debt service:				
Principal	18,000	1,080,000	-	1,098,000
Interest and fiscal charges	2,268	699,314	-	701,582
Taxes abated and written off	-	647	-	647
Capital outlay	24,092	-	458,657	482,749
Total expenditures	8,859,190	1,779,961	880,987	11,520,138
Revenues over (under) expenditures	(404,658)	169,745	(172,719)	(407,632)
Other financing sources (uses)				
Transfers in	38,397	-	-	38,397
Transfers out	-	-	(38,397)	(38,397)
Issuance of refunding bonds payable	-	6,410,000	-	6,410,000
Payment to refunding bond escrow	-	(6,700,438)	-	(6,700,438)
Total other financing sources (uses)	38,397	(290,438)	(38,397)	(290,438)
Net changes in fund balances	(366,261)	(120,693)	(211,116)	(698,070)
Fund balances, beginning of year	1,673,891	511,638	951,989	3,137,518
Fund balances, end of year	\$ 1,307,630	\$ 390,945	\$ 740,873	\$ 2,439,448

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

SAUGATUCK PUBLIC SCHOOLS

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ (698,070)

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

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

Capital assets purchased/constructed	275,727
Depreciation expense	(721,792)

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

Issuance of refunding bonds payable	(6,410,000)
Payment to refunding bond escrow agent	6,700,438
Principal payments on long-term debt	1,098,000
Amortization of bond premiums and discounts, net	3,985
Amortization of deferred loss on bond refunding	(15,680)

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

Change in the net pension liability and related deferred amounts	249,248
Change in accrued interest payable on long-term debt	31,857
Change in the accrual for compensated absences	4,718

Change in net position of governmental activities	<u>\$ 518,431</u>
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The accompanying notes are an integral part of these basic financial statements.

SAUGATUCK PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 6,197,058	\$ 6,300,275	\$ 6,315,351	\$ 15,076
State sources	1,908,506	1,886,523	1,888,750	2,227
Federal sources	243,539	250,667	250,431	(236)
Total revenues	8,349,103	8,437,465	8,454,532	17,067
Expenditures				
Current:				
Instruction	5,406,857	5,585,156	5,558,314	(26,842)
Supporting services	2,862,674	3,064,021	2,995,276	(68,745)
Athletics	266,170	264,517	261,240	(3,277)
Debt service:				
Principal	22,900	18,000	18,000	-
Interest and fiscal charges	-	2,268	2,268	-
Capital outlay	-	24,093	24,092	(1)
Total expenditures	8,558,601	8,958,055	8,859,190	(98,865)
Revenues over (under) expenditures	(209,498)	(520,590)	(404,658)	115,932
Other financing sources				
Transfers in	30,000	49,540	38,397	(11,143)
Net changes in fund balance	(179,498)	(471,050)	(366,261)	104,789
Fund balance, beginning of year	1,673,891	1,673,891	1,673,891	-
Fund balance, end of year	\$ 1,494,393	\$ 1,202,841	\$ 1,307,630	\$ 104,789

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

SAUGATUCK PUBLIC SCHOOLS

Statement of Fiduciary Assets and Liabilities

Agency Fund
June 30, 2015

	Student Activities Fund
Assets	
Cash and cash equivalents	<u>\$ 176,640</u>
Liabilities	
Due to student groups	<u>\$ 176,640</u>

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

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NOTES TO FINANCIAL STATEMENTS

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of *Saugatuck Public Schools* (the “District”), consistently applied in the preparation of the accompanying financial statements, is as follows:

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the reporting entity of Saugatuck Public Schools. The criteria identified in GASB Statements 39 and 61, including financial accountability, have been utilized in identifying the District’s reporting entity which includes no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2015.

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

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund follows the accrual basis of accounting, but does not have a measurement focus.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

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

Property taxes, State school aid, expenditure-driven grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources not accounted for and reported in another fund.

The *bond debt service fund* accounts for financial resources restricted for principal and interest payments on bonds payable. Revenues are generated primarily through a dedicated property tax millage.

Additionally, the government reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

The *agency fund* accounts for resources held on the behalf of other individuals and governments.

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

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

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

Budgets and Budgetary Accounting

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

1. The Superintendent submits to the Board a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all governmental funds.
5. Adoption and amendments of all budgets used by the District are governed by Public Act 621, which was followed for the year ended June 30, 2015. Expenditures may not exceed appropriations at the function level. The appropriations resolutions are based on the projected expenditures budget of the department heads of the District. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Encumbrances

The District does not formally record encumbrances in the accounting records during the year as a normal practice. Appropriations lapse at year-end and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

Property Taxes

Property taxes are recognized as revenue in the general and debt service funds on a levy year basis. The 2014 levy amounts are recognized as current property tax revenue to the extent that they are collected during the year or within sixty days after year-end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues in the year collected. Property taxes are levied December 1 on the assessed valuation of property located in the District as of the preceding December 31, the lien date. Assessed values are established annually by the various governmental units within the District and are equalized by the State of Michigan.

Cash and Cash Equivalents

The District considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

Investments

Investments consist of mutual funds and are recorded in the District's records at fair value.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

Receivables

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

Inventories

Inventories consist of food items. Inventories are stated at cost (first in, first out).

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

Assets	Years
Buildings and improvements	20-45
Furniture and equipment	5-20
Buses and vehicles	8

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows for the loss on refunding. This amount represents the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred outflows of resources related to the net pension liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date. More detailed information on pension-related deferred outflows of resources can be found in Note 8.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

Salaries Payable and Accrued Employee Benefits

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

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The District pays these insurances for this period as a part of the compensation for services rendered in the preceding school year.

Vested Termination Benefits

Most employees of the District are compensated for leaves of absence chargeable to sick days. Each school year, the covered employees are credited with a number of sick days and any unused portion of such allowances can accumulate. Upon retirement, those employees who meet certain age and years of service requirements will be paid for a portion of sick days accumulated to a maximum number of days and at a rate determined by their job category.

The liability for the sick leave has been computed using the vesting method in accordance with GAAP. This liability is shown on the statement of net position.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District's deferred inflows of resources consist of amount related to pension costs. More detailed information can be found in Note 8.

Bonded Construction Costs and Sinking Funds

The 2013 capital projects fund includes activities funded with bonds issued on June 27, 2013. For these capital projects, the District has complied with the applicable provisions of §1351a of the Michigan Revised School Code.

The building and site sinking fund accounts for capital project activities funded with a sinking fund millage. For this fund, the District has complied with the applicable provisions of §1212(1) of the Michigan Revised School Code.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

Fund Equity

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

The Board of Education has adopted a minimum fund balance policy in which the total fund balance of the general fund will be equal to at least 15 percent of the general fund expenditures and transfers out.

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

Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the District.

Pensions

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 Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

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

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

2. STATE OF MICHIGAN SCHOOL AID

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan school aid appropriation acts. State funding represented 22% of the District’s general fund revenue during the 2015 fiscal year.

3. ACCOUNTABILITY AND BUDGETARY COMPLIANCE

Excess of Expenditures over Appropriations in Budgetary Funds

For the year ended June 30, 2015, the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated for general fund instructional staff expenditures. Final appropriations were \$176,701 and total expenditures were \$176,877 resulting in a budget variance of \$176.

4. DEPOSITS AND INVESTMENTS

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

	Governmental Activities	Fiduciary Fund	Total
Cash and cash equivalents	\$ 1,208,038	\$ 176,640	\$ 1,384,678
Investments	1,608,468	-	1,608,468
Total	\$ 2,816,506	\$ 176,640	\$ 2,993,146

Cash and investments are comprised of the following at year-end:

Checking and savings accounts	\$ 1,384,237
Investments - mutual funds	1,608,468
Cash on hand	441
Total	\$ 2,993,146

State statutes authorize the District to invest in:

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

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

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

Cash and cash equivalents are comprised of deposits in one (1) financial institution located in Michigan. State policy limits the District's investing options to financial institutions located in Michigan. All accounts are in the name of the District and a specific fund or common account. They are recorded in District records at fair value.

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The District's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. None of the District's deposits or investments had fixed maturities at year-end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of District's specific financial institutions, qualified mutual funds, and qualified external investment pools as identified above. The investment policy does not have specific limits in excess of state law on investment credit risk. The District's investments were rated AAAM by Standard & Pools.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the District's investment policy. As of year-end, \$1,311,103 of the District's bank balance of \$1,561,103 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimized this risk by prequalifying the financial institutions, brokers/dealers, intermediaries and advisors to be in compliance with the requirement set forth in the District's investment policy. Of the above investments, the District's custodial credit risk exposure cannot be determined because the mutual funds do not consist of specifically identifiable securities.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

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

5. CAPITAL ASSETS

A summary of changes in capital assets activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 555,563	\$ -	\$ -	\$ -	\$ 555,563
Construction in progress	7,366	230,191	-	(237,557)	-
	<u>562,929</u>	<u>230,191</u>	<u>-</u>	<u>(237,557)</u>	<u>555,563</u>
Capital assets, being depreciated:					
Buildings and improvements	25,595,006	23,519	-	-	25,618,525
Buses and vehicles	697,333	-	-	-	697,333
Furniture and equipment	2,772,038	22,017	-	237,557	3,031,612
	<u>29,064,377</u>	<u>45,536</u>	<u>-</u>	<u>237,557</u>	<u>29,347,470</u>
Less accumulated depreciation for:					
Buildings and improvements	(6,522,385)	(563,010)	-	-	(7,085,395)
Buses and vehicles	(457,878)	(44,036)	-	-	(501,914)
Furniture and equipment	(1,263,962)	(114,746)	-	-	(1,378,708)
	<u>(8,244,225)</u>	<u>(721,792)</u>	<u>-</u>	<u>-</u>	<u>(8,966,017)</u>
Total capital assets being depreciated, net	<u>20,820,152</u>	<u>(676,256)</u>	<u>-</u>	<u>237,557</u>	<u>20,381,453</u>
Governmental activities capital assets, net	<u>\$ 21,383,081</u>	<u>\$ (446,065)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,937,016</u>

Depreciation expense is reported as unallocated in the statement of activities.

The District has an outstanding construction commitment for a paving and flooring project at the High School in the amount of approximately \$215,000. This project was not started prior to year-end.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

6. TRANSFERS AND INTERFUND BALANCES

At June 30, 2015, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General fund	\$ 195	\$ 2,280
Bond debt service	4,524	195
Nonmajor governmental funds	2,280	4,524
	<u>\$ 6,999</u>	<u>\$ 6,999</u>

The District reports interfund balances between some of its funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the balance sheet for the governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the year ended June 30, 2015, interfund transfers consisted of the following:

	Transfers Out Nonmajor Governmental Funds
General fund	<u>\$ 38,397</u>

Transfers relate to indirect charges to the general fund from the food service and community recreation special revenue funds.

7. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2015:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 18,965,000	\$ 6,410,000	\$ (7,645,000)	\$ 17,730,000	\$ 1,075,000
Installment purchase agreement	90,000	-	(18,000)	72,000	18,000
Total installment debt	19,055,000	6,410,000	(7,663,000)	17,802,000	1,093,000
Unamortized discounts / premiums on bonds	117,814	-	(66,010)	51,804	3,985
Compensated absences	154,123	34,506	(39,224)	149,405	14,941
Total long-term debt	<u>\$ 19,326,937</u>	<u>\$ 6,444,506</u>	<u>\$ (7,768,234)</u>	<u>\$ 18,003,209</u>	<u>\$ 1,111,926</u>

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

The District's installment debt consists of the following items:

	Ending Balance	Due Within One Year
\$11,905,000 2008 building site general obligation unlimited tax bonds for the purpose of defraying all or part of the cost of constructing remodeling and equipping, or reequipping, school facilities, due in annual installments of \$200,000 to \$1,625,000 plus interest ranging from 3.500 to 4.500%, payable semi-annually through May 1, 2028.	\$ 10,605,000	\$ 300,000
\$1,185,000 2013 school improvement and bus general obligation unlimited tax bonds for the purpose of acquiring, installing and equipping educational technology for school facilities, and purchasing equipment, furnishings, and school buses, due in annual installments of \$235,000 to \$240,000 plus interest ranging from 0.750 to 1.300%, payable semi-annually through May 1, 2018.	715,000	235,000
\$6,410,000 2015 refunding bonds for the purpose of refunding the 2005 general obligation unlimited tax bonds, due in annual installments of \$540,000 to \$820,000 plus interest at 1.840%, payable semi-annually through May 1, 2024.	6,410,000	540,000
\$128,000 installment purchase agreement for new boiler in Saugatuck High School, due in annual installments of \$18,000 to \$20,000 plus interest at 2.490%, payable annually through May 1, 2019.	72,000	18,000
Total installment debt	\$ 17,802,000	\$ 1,093,000

Following is a summary of future principal and interest payments on installment debt:

Year Ended June 30,	Principal	Interest	Total
2016	\$ 1,093,000	\$ 260,544	\$ 1,353,544
2017	1,203,000	229,889	1,432,889
2018	1,228,000	197,016	1,425,016
2019	1,258,000	164,870	1,422,870
2020	1,275,000	131,954	1,406,954
2021-2025	6,940,000	551,730	7,491,730
2026-2028	4,805,000	175,344	4,980,344
	<u>\$ 17,802,000</u>	<u>\$ 1,711,347</u>	<u>\$ 19,513,347</u>

Compensated absences are generally liquidated by the general fund.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

Advance Refunding. During fiscal year 2015, the District issued \$6,410,000 of 2015 refunding bonds to provide resources to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments on \$6,565,000 of refunded 2005 general obligation limited tax bonds. As a result, the bonds are considered defeased and the liability has been removed from the statement of net position. The refunding resulted in a savings of \$723,087 and an economic gain of \$669,341. The bonds were called prior to year-end. Accordingly, no defeased bonds are outstanding at June 30, 2015.

8. RETIREMENT PLAN

General Information about the Pension Plan

Plan Description. The District contributes to the Michigan Public School Employees Retirement System (“MPERS”), a cost-sharing multiple-employer pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Services with oversight from a 12-member board. Benefit provisions are established and may be amended by state statute. The Office of Retirement Services issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report can be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling (517) 322-5103.

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPERS is as follows:

Plan Name	Plan Type	Plan Status
Member Investment Plan (MIP)	Defined Benefit	Closed
Basic	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

The *Member Investment Plan (MIP)* includes additional subgroups based on hire date. The *MIP Fixed* plan includes members hired prior to January 1, 1990. The *MIP Graded* plan includes members first hired from January 1, 1990 through June 30, 2008. The *MIP Plus* plan includes members first hired from July 1, 2008 through June 30, 2010. Members who initially enrolled in the MIP plan and made a voluntary election to contribute a higher rate are participants in the *MIP 7%* plan.

Members hired between July 1, 2010 and September 3, 2012 were enrolled in the *Pension Plus* plan. Members hired on or after September 4, 2012 are automatically enrolled in this plan unless an election is made to participate in the defined contribution plan. The plan includes a pension component as well as a savings component. Member contributions to the savings component are matched at a rate of 50% by the employer (up to a maximum of 1%) and invested in a 401(k) plan.

Effective February 1, 2013, members that initially enrolled in MIP were provided the option to convert to a defined contribution plan (*Basic 4%*). In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4% employer contributions to a personal 401(k) account.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

A member first enrolling in MPSERS on or after September 4, 2012 may elect to enroll in the *defined contribution* plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the Pension Plus plan as described above.

Benefits Provided. MPSERS provides retirement, death, disability and postemployment benefits to eligible participants. Retirement benefits are calculated as a percentage of the employee's final average compensation times the employee's years of service. All participants qualify for a benefit multiplier of 1.5% for the first 30 years of service. Certain benefit groups receive a reduced rate of 1.25% for service above 30 years. Disability benefits are calculated the same as regular service retirement. Participants are eligible to receive full retirement benefits upon reaching the age and years of service requirements below. Most plans offer additional options for early retirement if certain stipulations have been met. Voluntary contributions vest immediately.

Plan	Eligibility Based on Years of Service	Vesting
Member Investment Plan (MIP)	Age 46 with 30 years or age 60 with 10 years	10 years
Basic	Age 55 with 30 years or age 60 with 10 years	10 years
Pension Plus	Age 60 with 10 years	4 years
Defined Contribution	Age 46 with 30 years or age 60 with 10 years	4 years

Contributions. Employer contributions to the plans are based on a percentage of covered payroll that has been actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Member contributions are determined based on date of hire and the plan selected. In addition, the District is invoiced monthly an amount that approximates 7.63% of covered payroll for "MPSERS UAAL Stabilization." This additional contribution is offset by monthly State aid payments equal to the amounts actually billed by the Office of Retirement Services. For the plan year ended September 30, 2015, an additional 1.13% MPSERS liability prepayment was invoiced as a one-time cost. Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization and one-time prepayment rates, range from 27.52% to 31.83% of covered payroll. Plan member contributions range from 0.0% to 7.0% of covered payroll.

The District's contribution to MPSERS under all pension plans for the year ended June 30, 2015, inclusive of the MPSERS UAAL Stabilization and one-time prepayment, was \$1,396,247.

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

At June 30, 2015, the District reported a liability of \$11,459,101 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2014, the District's proportion (as calculated by MPSERS) was 0.05202415%.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

For the year ended June 30, 2015, the District recognized pension expense of \$928,266. At June 30, 2015, the District reported pension-related deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Changes in assumptions	\$ 422,816	\$ -	\$ 422,816
Changes in proportion and differences between employer contribution and proportionate share	179	-	179
Net difference between projected and actual earnings on pension plan investments	-	1,266,808	(1,266,808)
	<u>422,995</u>	<u>1,266,808</u>	<u>(843,813)</u>
District contributions subsequent to the measurement date	1,314,501	-	1,314,501
	<u>1,314,501</u>	<u>-</u>	<u>1,314,501</u>
Total	<u>\$ 1,737,496</u>	<u>\$ 1,266,808</u>	<u>\$ 470,688</u>

The amount of deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as pension-related deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2016	\$ (206,710)
2017	(206,710)
2018	(206,710)
2019	<u>(223,683)</u>
	<u>\$ (843,813)</u>

Actuarial Assumptions. The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.5%
Salary increases	3.5% to 12.3%, including wage inflation at 3.5%
Investment rate of return	8.0% (7.0% for the Pension Plus plan)
Cost of living adjustments	3.0% annual, non-compounded for MIP members
Healthcare cost trend rate	8.5% year 1 graded to 3.5% year 12

The mortality table used in this valuation was the RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. 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.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	4.80%	1.34%
Alternative investment pools	18.00%	8.50%	1.53%
International equity	16.00%	6.10%	0.98%
Fixed income pools	10.50%	1.50%	0.16%
Real estate and infrastructure pools	10.00%	5.30%	0.53%
Absolute return pools	15.50%	6.30%	0.98%
Short-term investment pools	2.00%	-0.20%	-0.01%
	100.00%		5.50%
Inflation			2.50%
Investment rate of return			8.00%

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that District contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the District, calculated using the discount rate of 8.0%, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
District’s proportionate share of the net pension liability	\$ 15,107,827	\$ 11,459,101	\$ 8,384,996

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

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

Payable to the Pension Plan. At June 30, 2015, the District reported a payable of \$179,437 for the outstanding amount of contributions to the Plan required for the year ended June 30, 2015.

Other Postemployment Benefits

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the *Premium Subsidy* plan, a defined benefit postemployment healthcare plan, which is funded by employers on a cash disbursement basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 2.20% to 2.71% of covered payroll. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that cover up to 80% of cost.

Plan members enrolled on or after September 4, 2012 participate in the *Personal Healthcare Fund*. This defined contribution other postemployment benefits plan includes a required 2% employee contribution into a personal tax-deferred account, which is matched by an additional 2% employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund option. Effective February 1, 2013, these members are no longer required to make the 3% employee contribution. Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 are pending a Supreme Court resolution.

The District's contributions to MPSERS for other postemployment benefits amounted to \$171,149 for the year ended June 30, 2015.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

9. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Bond Debt Service	Nonmajor Governmental Funds	Total
Nonspendable				
Inventories	\$ -	\$ -	\$ 3,207	\$ 3,207
Restricted				
Debt service	-	390,945	-	390,945
Food service operations	-	-	82,526	82,526
Community recreation programs	-	-	158,574	158,574
Capital improvements	-	-	496,566	496,566
Total restricted	-	390,945	737,666	1,128,611
Unassigned	1,307,630	-	-	1,307,630
Total fund balances - governmental funds	\$ 1,307,630	\$ 390,945	\$ 740,873	\$ 2,439,448

10. NET INVESTMENT IN CAPITAL ASSETS

The composition of the District's net investment in capital assets as of June 30, 2015, was as follows:

	Governmental Activities
Capital assets:	
Capital assets not being depreciated	\$ 555,563
Capital assets being depreciated, net	20,381,453
	<u>20,937,016</u>
Related debt:	
Total bonds and installment purchase agreements	17,802,000
Unexpended bond proceeds	(240,703)
Unamortized bond premiums/discounts, net	51,804
Deferred loss on bond refunding	(415,532)
	<u>17,197,569</u>
Net investment in capital assets	<u>\$ 3,739,447</u>

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

11. CONTINGENCIES

Federal Grant Programs

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

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2015, the District carried commercial insurance and participated in a public entity risk pool. The District has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

12. RESTATEMENT

The District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result of this change, beginning net position of governmental activities was decreased by \$11,237,661.



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REQUIRED SUPPLEMENTARY INFORMATION

SAUGATUCK PUBLIC SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30, 2015
District's proportion of the net pension liability	0.05202415%
District's proportionate share of the net pension liability	\$ 11,459,101
District's covered-employee payroll	4,465,700
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	256.60%
Plan fiduciary net position as a percentage of the total pension liability	66.20%

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

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

SAUGATUCK PUBLIC SCHOOLS

Required Supplementary Information MPERS Cost-Sharing Multiple-Employer Plan

Schedule of District Contributions

	Year Ended June 30, 2015
Contractually required contribution	\$ 1,396,247
Contributions in relation to the contractually required contribution	<u>(1,396,247)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	4,680,682
Contributions as a percentage of covered employee payroll	29.83%

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

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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

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GENERAL FUND

SAUGATUCK PUBLIC SCHOOLS

Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Property taxes	\$ 5,516,010	\$ 5,487,846	\$ 5,487,712	\$ (134)
Act 18	598,000	639,930	646,359	6,429
Tuition	36,800	68,450	71,826	3,376
Rentals	1,000	4,000	4,272	272
Earnings on investments	3,000	2,000	2,215	215
Other local sources	42,248	98,049	102,967	4,918
Total local sources	6,197,058	6,300,275	6,315,351	15,076
State sources:				
State School Aid	1,908,506	1,886,523	1,888,750	2,227
Federal sources:				
Title I	77,531	78,827	78,827	-
Title II-A	17,718	23,388	23,388	-
Special education (IDEA)	147,390	147,390	147,390	-
Other federal sources	900	1,062	826	(236)
Total federal sources	243,539	250,667	250,431	(236)
Total revenues	8,349,103	8,437,465	8,454,532	17,067
Expenditures				
Instruction:				
Basic programs:				
Elementary	2,122,770	2,094,867	2,088,586	(6,281)
Middle school	773,676	838,187	832,511	(5,676)
High school	1,826,795	1,975,827	1,973,282	(2,545)
Pre-kindergarten	49,208	56,395	55,470	(925)
Summer school	9,506	8,048	7,988	(60)
Total basic programs	4,781,955	4,973,324	4,957,837	(15,487)

continued...

SAUGATUCK PUBLIC SCHOOLS

Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (continued)				
Instruction (concluded):				
Added needs:				
Special education	\$ 547,371	\$ 533,005	\$ 521,650	\$ (11,355)
Compensatory education	77,531	78,827	78,827	-
Total added needs	<u>624,902</u>	<u>611,832</u>	<u>600,477</u>	<u>(11,355)</u>
Total instruction	<u>5,406,857</u>	<u>5,585,156</u>	<u>5,558,314</u>	<u>(26,842)</u>
Supporting services:				
Pupil services:				
Guidance services	147,543	154,172	152,439	(1,733)
Health services	25,100	18,100	16,246	(1,854)
Psychology services	30,800	77,975	77,100	(875)
Speech services	119,896	125,879	124,762	(1,117)
Social work services	85,880	83,785	81,805	(1,980)
Other pupil services	59,820	74,422	74,177	(245)
Total pupil services	<u>469,039</u>	<u>534,333</u>	<u>526,529</u>	<u>(7,804)</u>
Instructional staff:				
Improvement of instruction	66,587	114,070	115,268	1,198
Media center	32,490	33,571	34,165	594
Student assessment	7,300	5,460	5,349	(111)
Other staff services	23,600	23,600	22,095	(1,505)
Total instructional staff	<u>129,977</u>	<u>176,701</u>	<u>176,877</u>	<u>176</u>
General administration:				
Board of Education	26,900	35,854	34,155	(1,699)
Executive administration	246,090	246,750	243,126	(3,624)
Total general administration	<u>272,990</u>	<u>282,604</u>	<u>277,281</u>	<u>(5,323)</u>
School administration:				
Office of the Principal	<u>581,219</u>	<u>608,411</u>	<u>604,078</u>	<u>(4,333)</u>
Business services:				
Fiscal services	207,545	211,377	205,714	(5,663)
Other business services	67,159	73,569	71,298	(2,271)
Total business services	<u>274,704</u>	<u>284,946</u>	<u>277,012</u>	<u>(7,934)</u>

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SAUGATUCK PUBLIC SCHOOLS

Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Supporting services (concluded):				
Operation and maintenance	\$ 657,200	\$ 690,213	\$ 680,481	\$ (9,732)
Pupil transportation	285,935	294,190	279,015	(15,175)
Other support services:				
Communications	18,365	28,969	26,464	(2,505)
Staff services	11,000	7,000	6,450	(550)
Technology	160,745	155,387	139,822	(15,565)
Pupil accounting	1,500	1,267	1,267	-
Total other support services	191,610	192,623	174,003	(18,620)
Total supporting services	2,862,674	3,064,021	2,995,276	(68,745)
Athletics	266,170	264,517	261,240	(3,277)
Debt service:				
Principal	22,900	18,000	18,000	-
Interest and fiscal charges	-	2,268	2,268	-
Total debt service	22,900	20,268	20,268	-
Capital outlay	-	24,093	24,092	(1)
Total expenditures	8,558,601	8,958,055	8,859,190	(98,865)
Revenues over (under) expenditures	(209,498)	(520,590)	(404,658)	115,932
Other financing sources				
Transfers in	30,000	49,540	38,397	(11,143)
Net changes in fund balance	(179,498)	(471,050)	(366,261)	104,789
Fund balance, beginning of year	1,673,891	1,673,891	1,673,891	-
Fund balance, end of year	\$ 1,494,393	\$ 1,202,841	\$ 1,307,630	\$ 104,789

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NONMAJOR GOVERNMENTAL FUNDS

SAUGATUCK PUBLIC SCHOOLS

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2015

	Special Revenue		Capital Projects
	Food Service	Community Recreation	Building and Site Sinking Fund
Assets			
Cash and cash equivalents	\$ 89,031	\$ 163,098	\$ 255,863
Accounts receivable	91	-	-
Due from other funds	2,280	-	-
Inventories	3,207	-	-
Total assets	<u>\$ 94,609</u>	<u>\$ 163,098</u>	<u>\$ 255,863</u>
Liabilities			
Accounts payable	\$ 6,679	\$ -	\$ -
Due to other funds	-	4,524	-
Unearned revenue	2,197	-	-
Total liabilities	<u>8,876</u>	<u>4,524</u>	<u>-</u>
Fund balances			
Nonspendable	3,207	-	-
Restricted	82,526	158,574	255,863
Total fund balances	<u>85,733</u>	<u>158,574</u>	<u>255,863</u>
Total liabilities and fund balances	<u>\$ 94,609</u>	<u>\$ 163,098</u>	<u>\$ 255,863</u>



Capital Projects

2013 Bond Capital Projects	Total
---	--------------

\$ 240,703	\$ 748,695
-	91
-	2,280
-	3,207

<u>\$ 240,703</u>	<u>\$ 754,273</u>
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\$ -	\$ 6,679
-	4,524
-	2,197

<u>-</u>	<u>13,400</u>
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-	3,207
<u>240,703</u>	<u>737,666</u>

<u>240,703</u>	<u>740,873</u>
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<u>\$ 240,703</u>	<u>\$ 754,273</u>
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SAUGATUCK PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue		Capital Projects
	Food Service	Community Recreation	Building and Site Sinking Fund
Revenues			
Local sources:			
Property taxes	\$ -	\$ 135,690	\$ 270,906
Food sales	107,739	-	-
Charges	-	34,400	-
Earnings on investments	272	734	170
Other revenue	1,308	394	-
Total local sources	<u>109,319</u>	<u>171,218</u>	<u>271,076</u>
State sources	13,578	-	-
Federal sources	142,798	-	-
Total revenues	<u>265,695</u>	<u>171,218</u>	<u>271,076</u>
Expenditures			
Current:			
Food service	264,511	-	-
Community and recreation	-	157,819	-
Capital outlay	-	-	206,728
Total expenditures	<u>264,511</u>	<u>157,819</u>	<u>206,728</u>
Revenues over (under) expenditures	1,184	13,399	64,348
Other financing uses			
Transfers out	(18,467)	(19,930)	-
Net change in fund balances	(17,283)	(6,531)	64,348
Fund balances, beginning of year	<u>103,016</u>	<u>165,105</u>	<u>191,515</u>
Fund balances, end of year	<u>\$ 85,733</u>	<u>\$ 158,574</u>	<u>\$ 255,863</u>



Capital Projects

2013 Bond Capital Projects	Total
----------------------------------	-------

\$ -	\$ 406,596
-	107,739
-	34,400
279	1,455
-	1,702
<hr/>	<hr/>
279	551,892
-	13,578
-	142,798
<hr/>	<hr/>
279	708,268

-	264,511
-	157,819
251,929	458,657
<hr/>	<hr/>

251,929	880,987
<hr/>	<hr/>

(251,650) (172,719)

-	(38,397)
<hr/>	<hr/>

(251,650) (211,116)

492,353	951,989
<hr/>	<hr/>

<u>\$ 240,703</u>	<u>\$ 740,873</u>
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SAUGATUCK PUBLIC SCHOOLS

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Food Service Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Food sales	\$ 130,500	\$ 112,600	\$ 107,739	\$ (4,861)
Earnings on investments	500	275	272	(3)
Other	-	1,300	1,308	8
Total local sources	131,000	114,175	109,319	(4,856)
State sources - State School Aid	17,000	13,578	13,578	-
Federal sources:				
Federal aid received through the State	130,000	122,000	127,087	5,087
USDA donated commodities	19,000	19,000	15,711	(3,289)
Total federal sources	149,000	141,000	142,798	1,798
Total revenues	297,000	268,753	265,695	(3,058)
Expenditures				
Current - food service	282,056	268,817	264,511	(4,306)
Revenues over (under) expenditures	14,944	(64)	1,184	1,248
Other financing uses				
Transfers out	(15,000)	(23,028)	(18,467)	4,561
Net changes in fund balance	(56)	(23,092)	(17,283)	5,809
Fund balance, beginning of year	103,016	103,016	103,016	-
Fund balance, end of year	\$ 102,960	\$ 79,924	\$ 85,733	\$ 5,809

SAUGATUCK PUBLIC SCHOOLS

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Community Recreation Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Property taxes	\$ 132,750	\$ 140,224	\$ 135,690	\$ (4,534)
Charges	35,788	32,840	34,400	1,560
Earnings on investments	800	626	734	108
Other	150	394	394	-
Total revenues	169,488	174,084	171,218	(2,866)
Expenditures				
Current - community and recreation	154,938	179,148	157,819	(21,329)
Revenues over (under) expenditures	14,550	(5,064)	13,399	18,463
Other financing uses				
Transfers out	(15,000)	(26,512)	(19,930)	6,582
Net changes in fund balance	(450)	(31,576)	(6,531)	25,045
Fund balance, beginning of year	165,105	165,105	165,105	-
Fund balance, end of year	\$ 164,655	\$ 133,529	\$ 158,574	\$ 25,045

SAUGATUCK PUBLIC SCHOOLS

Schedule of Changes in Fiduciary Assets and Liabilities

Student Activities Fund by Club/Organization

For the Year Ended June 30, 2015

	July 1, 2014	Additions	Deductions	June 30, 2015
Assets				
Cash and cash equivalents	\$ 171,117	\$ 372,495	\$ (366,972)	\$ 176,640
Liabilities				
Douglas Elementary School:				
3rd grade	\$ 100	\$ 1,797	\$ (1,892)	\$ 5
4th grade	-	869	(869)	-
5th grade	520	9,326	(9,094)	752
Art	2,730	-	(1,317)	1,413
Cow Hill Yacht Club	-	500	(486)	14
Dancing for the Arts - student needs	1,000	-	-	1,000
Dancing for the Arts - scholarships	1,100	-	-	1,100
Garden project	-	550	(143)	407
General fund	1,583	14,629	(15,780)	432
Library	2,828	22	(100)	2,750
Lift	1,675	992	(463)	2,204
Memorial scholarship fund	-	1,713	(1,713)	-
Music	8,819	546	(4,938)	4,427
Preschool	375	-	(352)	23
Preschool scholarship	2,778	-	(600)	2,178
School store	73	2,494	(2,555)	12
STA scholarships	2,741	215	(716)	2,240
Summer school	285	150	(285)	150
Sunshine fund	31	552	(583)	-
Symphony	2,073	814	(1,623)	1,264
Todd Warren II Memorial	1,713	-	(1,713)	-
Writing fund	630	-	(600)	30
Middle School and High School:				
6th grade camp	2,924	4,434	(6,339)	1,019
8th grade trip	5,906	15,174	(17,791)	3,289
American cancer society fundraiser	318	-	-	318
AP testing	5,031	4,222	(7,633)	1,620
Art a loan	7,327	5,856	(5,667)	7,516
Art department	596	456	(789)	263
Art field trips	6,702	11,891	(9,677)	8,916
Athletic boosters	8,783	33,770	(40,061)	2,492
Athletic fund	1,605	2,075	(2,025)	1,655
Athletic pavers	2,314	-	-	2,314
Baseball	2,981	676	(300)	3,357

continued...

SAUGATUCK PUBLIC SCHOOLS

Schedule of Changes in Fiduciary Assets and Liabilities

Student Activities Fund by Club/Organization

For the Year Ended June 30, 2015

	July 1, 2014	Additions	Deductions	June 30, 2015
Liabilities (continued)				
Middle School and High School (concluded):				
Boys basketball	\$ 903	\$ 7,620	\$ (8,313)	\$ 210
Chromebook deposits	6,660	7,910	(6,218)	8,352
Class of 2014	1,929	-	-	1,929
Class of 2015	2,203	300	(948)	1,555
Class of 2016	1,010	2,404	(2,478)	936
Class of 2017	1,210	1,400	-	2,610
Class of 2018	-	700	-	700
Cross country	913	4,356	(3,720)	1,549
Drama club	2,173	5,078	(7,004)	247
Field maintenance - baseball	323	823	-	1,146
Fitness center	-	16,994	(1,189)	15,805
Football	1,251	12,278	(9,830)	3,699
Girls basketball	689	5,067	(4,926)	830
Golf	574	1,112	(1,143)	543
Great expectations	535	554	(554)	535
Gym rental	1,896	-	(125)	1,771
Interact	3,393	16,525	(15,244)	4,674
Interest account	273	132	-	405
Logowear	1,705	6,341	(6,262)	1,784
Materials deposit	15,906	1,294	(1,430)	15,770
Memorials	1,014	-	-	1,014
Middle school art	1,333	160	-	1,493
Middle school store	542	1,089	(716)	915
Miscellaneous	3,398	2,352	(4,293)	1,457
Music boosters	11,223	47,664	(46,547)	12,340
Middle school student council	1,166	112	(472)	806
National Honor Society	-	856	(80)	776
Need to know	94	3,000	(2,146)	948
Outdoor learning center	871	2,186	(487)	2,570
Parking lot	-	37,135	(37,148)	(13)
Salmon account	101	-	-	101
Saugatuck Educators Association	150	-	-	150
Senior parents Class of 2015	2,895	4,616	(7,434)	77
Senior parents Class of 2016	2,210	1,582	(112)	3,680
Senior parents Class of 2017	1,360	1,050	-	2,410
Senior parents Class of 2018	-	1,225	-	1,225
Shop	820	3,644	(4,304)	160
Soccer	464	3,125	(2,797)	792

continued...

SAUGATUCK PUBLIC SCHOOLS

Schedule of Changes in Fiduciary Assets and Liabilities

Student Activities Fund by Club/Organization

For the Year Ended June 30, 2015

	July 1, 2014	Additions	Deductions	June 30, 2015
Liabilities (concluded)				
Middle School and High School (concluded):				
Social worker at risk	\$ -	\$ 4,600	\$ -	\$ 4,600
Softball	2,187	3,824	(4,328)	1,683
Spanish club	51	-	(49)	2
State/Regional meets	2,077	907	(2,480)	504
Student teacher account	1,100	200	(799)	501
Student council	1,885	1,845	(789)	2,941
Student council scholarships	785	-	-	785
Track	1,219	2,334	(1,239)	2,314
Vending	3,672	2,554	(3,190)	3,036
Vernon Christopher Memorial	1,426	-	(1,426)	-
Volleyball	(363)	4,620	(3,673)	584
Women who care	697	-	-	697
Yearbook and newspaper	2,121	2,353	(1,835)	2,639
Youth in government	868	12,935	(12,406)	1,397
Parking lot	6,664	21,916	(22,734)	5,846
Total liabilities	\$ 171,117	\$ 372,495	\$ (366,972)	\$ 176,640

concluded

INTERNAL CONTROL AND COMPLIANCE

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

October 21, 2015

Board of Education
Saugatuck Public Schools
Douglas, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Saugatuck Public Schools* (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 21, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rehmann Lobson LLC