

**Belding Area Schools**

**Financial Statements  
With Supplemental Information**  
June 30, 2016

# Belding Area Schools

June 30, 2016  
Contents

	<u>Page</u>
<b>Independent Auditor's Report</b>	1-2
<b>Management's Discussion and Analysis</b>	3-9
<b>Basic Financial Statements</b>	
Government - Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of Fund Balances of Governmental Funds to Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Fiduciary Fund:	
Statement of Fiduciary Net Position	16
Notes to Financial Statements	17-33
<b>Required Supplemental Information</b>	
Budgetary Comparison Schedule – General Fund	34
Schedule of Proportionate Share of the Net Pension Liability	35
Schedule of Pension Contributions	36
<b>Other Supplemental Information</b>	
Combining Balance Sheet – Nonmajor Governmental Funds	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	38
General Fund:	
Schedule of Revenues, Expenditures and changes in Fund balances– Budget and Actual	39
Special Revenue Funds:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	40
Agency Funds:	
Statement of Changes in Assets and Liabilities	41
Schedules of Indebtedness	42-46

# Belding Area Schools

June 30, 2016  
Contents

	<u>Page</u>
<b>Federal Programs</b>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and on other Matters Based on an Audit of Financial Statements Performed in accordance with Government Auditing Standards	47-48
Independent Auditor's Report on Compliance with Requirements That Could have a Direct or Material Effect on Each Major Program And Internal Control Over Compliance in Accordance with the Uniform Guidance	49-50
Schedule of Findings and Questioned Costs	51
Schedule of Expenditures of Federal Awards	52-54
Notes to Schedule of Expenditures of Federal Awards	55
Summary Schedule of Prior Audit Findings	56

## **Independent Auditor's Report**

Independent Auditor's Report

To the Board of Education  
Belding Area Schools  
Belding, 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 Belding Area Schools, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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 the Belding Area Schools, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Belding Area Schools' basic financial statements. The additional supplementary information, as identified in the table of contents, and schedule of expenditures of federal awards as required by the U.S. Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The other supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 28, 2016 on our consideration of the Belding Area 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 Belding Area Schools' internal control over financial reporting and compliance.

*Biggs, Hausserman, Thompson & Dickinson, P.C.*

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.  
Saranac, MI

October 28, 2016

## **Management's Discussion and Analysis**

**Belding Area Schools**  
Management's Discussion and Analysis  
June 30, 2016

This section of the Belding Area Schools' annual financial report represents our discussion and analysis of the School District's financial performance and is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, and identify changes in the District's financial position and its ability to address the next and subsequent year challenges. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2016.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Belding Area School District financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant fund - the General Fund - with all other funds presented in one column as nonmajor funds. The remaining statement, the Statement of Fiduciary Net Position presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The annual report is organized as follows:

*Management's Discussion & Analysis (MD&A)*  
*(Required Supplemental Information)*

**Basic Financial Statements**

*Government-wide Financial Statements*

*Fund Financial Statements*

*Notes to the Basic Financial Statements*

*(Required Supplemental Information)*  
*Budgetary Information for Major Funds*

***Reporting the School District as a Whole - Government-wide Financial Statements***

One of the most important questions asked about the School District is, "Is the School District as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include *all* assets and liabilities, using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position - the difference between assets and liabilities, as reported in the Statement of Net Position - as one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net position - as reported in the Statement of Activities - are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the School District.



# **Belding Area Schools**

## Management's Discussion and Analysis

June 30, 2016

The Statement of Net Position and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

### ***Reporting the School District's Most Significant Funds – Fund Financial Statements***

The School District's fund financial statements provide detailed information about the most *significant funds* - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (like the Food Service Fund) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds in a* reconciliation.

### ***The School District as Trustee - Reporting the School District's Fiduciary Responsibilities***

The School District is the trustee, or *fiduciary* for its student activity funds. All of the School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Belding Area Schools**  
Management's Discussion and Analysis  
June 30, 2016

**The School District As A Whole**

The Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2016 and 2015:

Table 1:

	Governmental Activities	
	2016	2015
Current and other assets	\$ 11,932,328	\$ 11,655,572
Capital assets	47,418,543	48,990,274
Total assets	59,350,871	60,645,846
Deferred outflows of resources	3,878,403	1,956,598
Current and other liabilities	7,283,284	6,082,087
Long-term liabilities	82,476,088	81,179,920
Total liabilities	89,759,372	87,262,007
Deferred inflows of resources	1,152,686	1,657,824
Net position		
Net investment in capital assets	(13,452,465)	(10,334,935)
Restricted for debt service	6,019,023	4,847,978
Restricted for food service	144,546	150,206
Unrestricted	(20,393,888)	(20,980,636)
Total net position	\$ (27,682,784)	\$ (26,317,387)

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was \$(27,682,784) at June 30, 2016. Invested in capital assets, net of related debt totaling \$(13,452,465) compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approval property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those assets for day-to-day operations. Net position restricted for debt service totaled \$6,019,023 and food service totaled \$144,546. The remaining amount of net position, \$(20,393,888), was unrestricted.

The \$(20,393,888) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

**Belding Area Schools**  
Management's Discussion and Analysis  
June 30, 2016

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net position for fiscal year 2016 and 2015.

Table 2:

<b>Statement of Activities Summary</b>		
Governmental Activities		
	2016	2015
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 319,671	\$ 357,726
Grants and Categoricals	4,142,727	4,423,844
General Revenues		
Property taxes	3,789,796	3,792,913
State foundation allowance	12,237,818	12,566,536
Other general revenues	1,668,375	1,336,629
Total revenues	22,158,387	22,477,648
<b>Functions/Program Expenses</b>		
Instruction	10,773,799	11,557,788
Support services	7,103,828	7,261,448
Food services	862,992	866,837
Community service	44,097	36,924
Interest on long-term debt	3,288,127	3,276,312
Depreciation (unallocated)	1,450,941	1,532,684
Total expenses	23,523,784	24,531,993
<b>Increase (decrease) in net position</b>	<b>\$ (1,365,397)</b>	<b>\$ (2,054,345)</b>

As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was \$23,523,784. Certain activities were partially funded from those who benefited from the program (\$319,671) or by governments and organizations that subsidized certain programs with grants and categorical (\$4,142,727). We paid for the remaining "public benefit" portion of our governmental activities with \$3,789,796 in taxes, \$12,237,818 in state Foundation Allowance, and with our other revenues, like interest and general entitlements. During the year the School District experienced a decrease in net position of \$1,365,397.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

**Belding Area Schools**  
 Management's Discussion and Analysis  
 June 30, 2016

**The School District's Funds**

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the School District is being accountable for the resources taxpayers and others provide to it but may also give you more insight into the School District's overall financial health.

As the School District completed this year; our governmental funds reported a combined fund balance of \$8,941,457 which is an increase of \$1,114,230 from last year. The primary reasons for these are:

The debt service funds showed an increase of \$1,323,851. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

Our general fund is our principal operating fund. The fund balance in the general fund decreased \$203,961 to \$2,349,542. The decrease is due to a larger increase in expenditures than revenues.

Our special revenue fund showed a net decrease of \$5,660.

**General Fund Budgetary Highlights**

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

Over the course of the year, the district's practice is to revise the budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure expenditures do not exceed appropriations.

Budget revenues were increased \$58,226 from the original budget. These were various amendments to properly reflect revenues based on more current information.

Budget expenditures were increased \$203,500 to more closely reflect program expenditures.

**Capital Asset and Debt Administration**

***Capital Assets***

At June 30, 2016, the School District had \$47,418,543 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions, deductions and depreciation) of \$1,571,731, or 3.21%, from last year.

**Capital Assets at Year-End**

	June 30, 2016	June 30, 2015
Land	\$ 243,585	\$ 243,585
Buildings	45,551,945	46,993,503
Buses and other vehicles	641,036	589,954
Furniture and equipment	981,977	1,163,232
Total capital assets	\$ 47,418,543	\$ 48,990,274

**Belding Area Schools**  
Management's Discussion and Analysis  
June 30, 2016

**Capital Asset and Debt Administration (Continued)**

The change is mostly attributable to this year's depreciation (\$1,706,990) of existing capital assets, the purchase of new busing equipment (\$126,659) and the disposal of outdated technology items (\$142,153).

***Debt***

At the end of this year, the School District had \$57,470,000 in bonds outstanding versus \$47,580,000 last year - a increase of \$9,780,000. Those bonds consisted of:

**Outstanding Debt at Year-End**

	June 30, 2016	June 30, 2015
General obligation bonds	<u>\$ 57,470,000</u>	<u>\$ 47,580,000</u>

The state limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e. debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding general obligation debt of \$57,470,000 is below the statutory imposed limit. Other obligations include termination benefits.

The borrowings and accrued interest owed to the School Bond Loan fund were decreased during the year by \$11,468,195. The balance at the end of the year is \$1,155,031, including accrued interest. The payment to the School Bond Loan Fund was accomplished through the sale of the 2015 Series B bonds

We present more detailed information about our long-term liabilities in the Notes to the Financial Statements.

**Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration consider many factors when setting the School District's 2016-2016 fiscal year budget and tax rates. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. Approximately 90% of total general fund revenue is from the Foundation Allowance.

Under State law, the School District cannot access additional property tax revenue for general operations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State of Michigan's economy continues to struggle.

Various State legislation has been enacted in the attempt to lessen the local burden for retirement and employee insurance costs.

**Belding Area Schools**  
Management's Discussion and Analysis  
June 30, 2016

**Contacting the School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Ross Hinkle  
Business Manager  
Belding Area Schools  
850 Hall Street  
Belding, MI 48809  
(616) 794-4707

## **Government-Wide Financial Statements**

**Belding Area Schools**  
Statement of Net Position  
June 30, 2016

	Governmental Activities
<b>Assets</b>	
Current Assets	
Cash and investments	\$ 8,125,498
Accounts receivable	93,728
Due from other governments	3,456,452
Inventory	255,959
Prepaid expense	691
Total current assets	11,932,328
Noncurrent Assets	
Capital assets	66,534,552
Less: accumulated depreciation	(19,116,009)
Total noncurrent assets	47,418,543
Total Assets	59,350,871
<b>Deferred Outflows of Resources</b>	
Deferred charges, net of amortization	983,207
Deferred outflows related to pensions	801,974
Deferred pension payments	2,093,222
Total Deferred Outflow of Resources	3,878,403
<b>Liabilities</b>	
Current Liabilities	
Accounts payable	506,170
Salaries and withholdings payable	620,949
Due to other governments	174,495
Accrued interest payable	428,346
Unearned revenue	143,324
Notes payable	1,400,000
Long-term liabilities due within one year	
Bonds payable- due within one year	4,010,000
Total Current Liabilities	7,283,284
Noncurrent Liabilities	
Bonds and other loans payable	57,851,608
Compensated absences, not due within one year	193,418
Net pension liability	24,431,062
Total Noncurrent Liabilities	82,476,088
Total Liabilities	89,759,372
<b>Deferred Inflows of Resources</b>	
Deferred inflows, related to pension	486,456
Deferred inflows, State aid funding for pension	666,230
Total Deferred Inflows	1,152,686
<b>Net Position</b>	
Net investment in capital assets	(13,452,465)
Restricted for:	
Debt service	6,019,023
Food service	144,546
Unrestricted	(20,393,888)
Total Net Position	\$ (27,682,784)

See accompanying notes to financial statements



**Belding Area Schools**

Statement of Activities

June 30, 2016

	Program Revenues			Governmental Activities
Expenses	Charges for Service	Operating Grants	Net (Expenses) Revenues and Changes in Net Assets	
Governmental activities:				
Instruction	\$ 10,773,799	\$ 13,168	\$ 3,031,811	\$ (7,728,820)
Support services	7,103,828	141,016	379,957	(6,582,855)
Food service	862,992	158,020	730,959	25,987
Community services	44,097	7,467	0	(36,630)
Interest on long- term debt	3,288,127	0	0	(3,288,127)
Depreciation (unallocated)	1,450,941	0	0	(1,450,941)
Total governmental activities	\$ 23,523,784	\$ 319,671	\$ 4,142,727	(19,061,386)
General revenues:				
Taxes				
Property taxes, levied for general purpose				1,483,498
Property taxes, levied for debt service				2,306,298
State aid not restricted to specific purposes				12,237,818
Interest and investment earnings				1,608,758
Other				59,617
				17,695,989
Total general revenues				17,695,989
Changes in Net Position				(1,365,397)
Net Position-Beginning of year				(26,317,387)
Net Position-End of year				\$ (27,682,784)

See accompanying notes to financial statements

## **Fund Financial Statements**

**Belding Area Schools**  
Governmental Funds  
Balance Sheet  
June 30, 2016

	General	2010-A Building & Site Debt Fund	Other Non-Major Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 1,544,601	\$ 6,276,173	\$ 304,724	\$ 8,125,498
Accounts receivable	43,728	0	50,000	93,728
Due from other funds	41,142	0	0	41,142
Due from other governments	3,293,267	0	17,252	3,310,519
Inventory	238,776	0	17,183	255,959
Prepaid expenses	691	0	0	691
<b>Total assets</b>	<b>\$ 5,162,205</b>	<b>\$ 6,276,173</b>	<b>\$ 389,159</b>	<b>\$ 11,827,537</b>
<b>Liabilities and Fund Equity</b>				
<b>Liabilities</b>				
Accounts payable	\$ 484,198	\$ 0	\$ 21,972	\$ 506,170
Salaries and withholdings payable	618,865	0	2,084	620,949
Due to other funds	0	0	41,142	41,142
Due to other governments	174,495	0	0	174,495
Unearned revenue	135,105	0	8,219	143,324
Notes payable	1,400,000	0	0	1,400,000
<b>Total Liabilities</b>	<b>2,812,663</b>	<b>0</b>	<b>73,417</b>	<b>2,886,080</b>
<b>Fund Equity</b>				
<b>Fund balances</b>				
Non-spendable for:				
Inventory	238,776	0	17,183	255,959
Prepaid expenditures	691	0	0	691
Restricted	0	6,276,173	298,559	6,574,732
<b>Assigned</b>				
Compensated absences	193,418	0	0	193,418
Subsequent year budget usage	338,194	0	0	338,194
Unassigned	1,578,463	0	0	1,578,463
<b>Total fund equity</b>	<b>2,349,542</b>	<b>6,276,173</b>	<b>315,742</b>	<b>8,941,457</b>
<b>Total liabilities and fund equity</b>	<b>\$ 5,162,205</b>	<b>\$ 6,276,173</b>	<b>\$ 389,159</b>	<b>\$ 11,827,537</b>

**Belding Area Schools**  
 Governmental Funds  
 Reconciliation of Balance Sheet of Governmental Funds to Net Position  
 June 30, 2016

**Total fund Balances- Governmental Funds** **\$ 8,941,457**

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

Deferred charges, net of amortization	983,207
Deferred outflows of resources - related to pensions	2,895,196
Deferred inflows of resources - related to pensions	(486,456)
Deferred inflows of resources - related to state pension funding	(666,230)

Capital assets used in government activities  
 are not financial resources, and are not reported in the funds

Capital assets cost:	66,534,552	
Accumulated depreciation:	<u>(19,116,009)</u>	
Net Capital Assets		47,418,543

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

Bonds and other loans payable	(60,706,577)
Accrued Interest-net	(282,413)
Compensated absences	(193,418)
School Bond Loan payable	(1,155,031)
Net pension liability	<u>(24,431,062)</u>
Total liabilities	<u>(86,768,501)</u>

**Net Position of Governmental Activities** **\$ (27,682,784)**

**Belding Area Schools**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2016

	General	2010-A Building and Site Debt Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local sources	\$ 1,705,358	\$ 2,226,996	\$ 1,915,045	\$ 5,847,399
State sources	14,678,433	0	35,079	14,713,512
Federal sources	917,748	0	695,880	1,613,628
Other	719,636	0	0	719,636
<b>Total revenues</b>	<b>18,021,175</b>	<b>2,226,996</b>	<b>2,646,004</b>	<b>22,894,175</b>
<b>Expenditures</b>				
<b>Instruction</b>				
Basic programs	8,435,275	0	0	8,435,275
Added needs	2,773,840	0	0	2,773,840
Adult and continuing education	53,036	0	0	53,036
<b>Support services</b>				
Pupil	820,679	0	0	820,679
Instructional staff	514,373	0	0	514,373
General administration	378,939	0	0	378,939
School administration	1,247,470	0	0	1,247,470
Business and central services	3,513,363	0	0	3,513,363
Athletics	396,363	0	0	396,363
Food service	0	0	858,886	858,886
Community services	44,097	0	0	44,097
Other transactions	83,871	0	0	83,871
<b>Debt services</b>				
Redemption of bonds/notes	0	0	13,599,624	13,599,624
Interest and fiscal charges	0	1,003,900	2,900,704	3,904,604
<b>Total expenditures</b>	<b>18,261,306</b>	<b>1,003,900</b>	<b>17,359,214</b>	<b>36,624,420</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(240,131)</b>	<b>1,223,096</b>	<b>(14,713,210)</b>	<b>(13,730,245)</b>
<b>Other financing sources (uses)</b>				
Proceeds from SLRF/bonds	0	0	38,186,611	38,186,611
Premium from debt issuance	0	0	3,023,725	3,023,725
Payment to refunded bond escrow agent	0	0	(26,365,861)	(26,365,861)
Operating transfers in	36,170	0	0	36,170
Operating transfers out	0	0	(36,170)	(36,170)
<b>Total other financing sources (uses)</b>	<b>36,170</b>	<b>0</b>	<b>14,808,305</b>	<b>14,844,475</b>
<b>Excess (deficiency) of revenues over expenditures and other sources (uses)</b>	<b>(203,961)</b>	<b>1,223,096</b>	<b>95,095</b>	<b>1,114,230</b>
<b>Fund balances at beginning of year</b>	<b>2,553,503</b>	<b>5,053,077</b>	<b>220,647</b>	<b>7,827,227</b>
<b>Fund balances at end of year</b>	<b>\$ 2,349,542</b>	<b>\$ 6,276,173</b>	<b>\$ 315,742</b>	<b>\$ 8,941,457</b>

**Belding Area Schools**  
 Reconciliation of the Statement of Revenues, Expenditures, and  
 Changes in Fund Balances of Governmental Funds to Statement of Activities  
 Year Ended June 30, 2016

Net Change in fund Balances- Total Governmental funds	<b>\$</b>	<b>1,114,230</b>
Amount reported for governmental activities in the statement of activities are different because:		
Governmental funds reported capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.		
Depreciation expense		(1,706,990)
Capital outlay		135,259
Proceeds and repayments of principal on long-term debt are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities)		
Principle repayment		13,599,624
New bond proceeds used to pay principle and interest		27,123,376
Proceeds from debt issuances		(41,210,336)
Some items are not recorded in the funds, but are accrued and recorded in the statement of activities		
Change in accrued interest		(141,951)
Amortization of bond premiums/deferred charges		913
Pension expense related items		442,449
Change in accrued compensated absences		13,817
Change in interest subsidy		(69,558)
Restricted revenue that is deferred to offset deferred outflows related to Sec 147c pension contributions subsequent to the measurement period		
State aid funding for pensions		(666,230)
Net Change in Net Position- Governmental Activities	<b>\$</b>	<b><u>(1,365,397)</u></b>

**Belding Area Schools**  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016

	<u>Agency Funds- Student Activities</u>
Assets	
Cash and Cash Equivalents	<u>\$          219,317</u>
Liabilities	
Due to Student groups	<u>\$          219,317</u>

See accompanying notes to financial statements

# Belding Area Schools

## Notes to Financial Statements

June 30, 2016

### Note 1 – Summary of Significant Accounting Policies

The accounting policies of Belding Area Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

#### Reporting Entity

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

#### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

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

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

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

The district does not allocate indirect costs.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The District first utilizes restricted resources to finance qualifying activities.



# Belding Area Schools

## Notes to Financial Statements

June 30, 2016

### Note 1 – Summary of Significant Accounting Policies (Continued)

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

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

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

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

Capital Projects fund is used to account for the construction of fixed assets.

The Government reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Fund maintained by the School District is the Food Services Fund.

Debt Retirement Funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

Capital Projects funds are used to account for the construction of fixed assets.

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

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

# Belding Area Schools

Notes to Financial Statements

June 30, 2016

## Note 1 – Summary of Significant Accounting Policies (Continued)

### Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments. Investments are stated at fair value.

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

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Property taxes assessed as of December 31 and the related property taxes are levied and become a lien on December 1. These taxes are billed on December 1<sup>st</sup> and are due February 15<sup>th</sup>. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

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

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

**Inventories and Prepaid Items** – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as revenue and expensed when received. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

The General Fund inventory also includes the construction cost of any unsold trade skills homes and street improvement costs allocated to unused building sites, which are held for sale by the district. The amount at June 30, 2016 is \$143,000.

**Capital Assets** – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Cost of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The school district does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

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

# Belding Area Schools

## Notes to Financial Statements

June 30, 2016

### Note 1 – Summary of Significant Accounting Policies (Continued)

**Deferred outflows/inflows of resources** – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its requisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is deferred outflows for pension related items. These items are amortized and expensed in the year in which it applies.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first is a deferred inflow relating to the pension plan. This is amortized according to the pension plan. The second is restricted Section 147(c) State aid deferred to offset deferred outflows related to pension contributions made subsequent to the measurement period.

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

**Long-Term Obligations** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

**Compensated Absences** – The liability for compensated absences reported in the government-wide statements consist of unpaid, accumulated annual vacation and sick pay balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

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

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

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

**Committed** – amounts constrained on use imposed by the District's highest level of decision-making, its board of education. A fund balance commitment may be established, modified, or rescinded by a resolution of the board of education.

**Assigned** – amounts intended to be used for specific purposes, as determined by the board of education. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature. \$338,194 has been assigned to balance next year's budget in the general fund.

# Belding Area Schools

## Notes to Financial Statements

June 30, 2016

### Note 1 – Summary of Significant Accounting Policies (Continued)

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District's policy is to consider restricted funds spent first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the District's policy is to consider the funds to be spent in the following order: 1) committed, 2) assigned, 3) unassigned.

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

**Use of Estimates-** The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### Note 2 – Stewardship, Compliance and Accountability

**Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. There were no significant amendments during the year.

**Excess of Expenditures Over Appropriations in Budgeted Funds** – The school district did not have significant expenditure budget variances.

### Note 3 – Deposits and Investments

As of June 30, 2016, the District had the following investments:

<b>Investment type</b>	<b>Fair Value</b>	<b>Average Maturity (years)</b>	<b>Standard &amp; Poor's Rating</b>	<b>Portfolio %</b>
Government Money Market funds	\$ 288	0.0027	AAAm	0.00%
United States Treasury Strips	6,187,385	9.6336	AAAm	100.00%
Total Fair Value	\$ 6,187,673			100.00%
Portfolio weighted average maturity		9.6263		

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

**Belding Area Schools**  
Notes to Financial Statements  
June 30, 2016

**Note 3 – Deposits and Investments (Continued)**

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2016, \$2,700,122 of the School District's bank balance of \$3,197,141 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

**Custodial credit risk - investments.** For an investment, this 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 will minimize custodial control credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk.** The School District is not authorized to invest in investments which have this type of risk.

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

The three levels of the fair value hierarchy are described as follows:

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

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

**Belding Area Schools**  
Notes to Financial Statements  
June 30, 2016

**Note 3 – Deposits and Investments (Continued)**

Reconciliation of cash and investments:

Carrying value of deposits and investments:

Deposits-including Fiduciary Funds of	\$ 219,317	\$ 2,157,142
Investments		6,187,673
Total		<u>\$ 8,344,815</u>

The above amounts are reported in the financial statements as follows:

Cash-Fiduciary Fund	\$ 219,317
Cash and investments-District Wide	8,125,498
Total	<u>\$ 8,344,815</u>

**Note 4 – Receivables**

Receivables as of year-end for the school district's individual major funds and the non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	2010-A Building & Site Debt Fund	Non-major and Other Funds	Total
Receivables:				
Various	\$ 43,728	0	50,000	\$ 93,728
Intergovernmental	3,293,267	0	17,252	3,310,519
Net Receivables	<u>\$ 3,336,995</u>	<u>0</u>	<u>67,252</u>	<u>\$ 3,404,247</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

Payments received prior to meeting all eligibility requirements:	<u>Unearned</u>
	<u>\$ 143,324</u>

**Belding Area Schools**  
Notes to Financial Statements  
June 30, 2016

**Note 5 – Capital Assets**

Capital Asset activity of the School District's Governmental activities was as follows:

	Balance June 30, 2015	Additions	Disposals and Adjustments	Balance June 30, 2016
Assets not being depreciated:				
Land	\$ 243,585	\$ 0	\$ 0	\$ 243,585
Subtotal	243,585	0	0	243,585
Capital assets being depreciated:				
Building and building improvements	61,923,874	8,600	0	61,932,474
Buses and other vehicles	1,718,217	126,659	79,243	1,765,633
Furniture and equipment	2,755,316	0	162,456	2,592,860
Subtotal	66,397,407	135,259	241,699	66,290,967
Accumulated depreciaton:				
Building and building improvements	14,930,371	1,450,158	0	16,380,529
Buses and other vehicles	1,128,263	75,577	79,243	1,124,597
Furniture and equipment	1,592,084	181,255	162,456	1,610,883
Subtotal	17,650,718	1,706,990	241,699	19,116,009
Net capital assets being depreciated	48,746,689	(1,571,731)	0	47,174,958
Net capital assets	\$ 48,990,274	\$ (1,571,731)	\$ 0	\$ 47,418,543

Depreciation expense was charged to activities of the school as follows:

Governmental Activities

Instruction	\$ 6,828
Support Services	244,100
Food Services	5,121
Unallocated	1,450,941
	<u>\$ 1,706,990</u>

# Belding Area Schools

## Notes to Financial Statements

June 30, 2016

### Note 6 – Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due From	Fund Due To			Total
	General Fund	2010-A Building & Site Debt Fund	Other Nonmajor Funds	
2010-A Debt Fund	0	0	0	0
Other Nonmajor Funds	41,142	0	0	41,142
<b>Total</b>	<b>\$ 41,142</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 41,142</b>

### Interfund Transfers:

	Transfer Out		Total
	General Fund	Food Service	
Transfer in:			
General Fund-Administration	\$ 0	36,170	\$ 36,170
	<b>\$ 0</b>	<b>\$ 36,170</b>	<b>\$ 36,170</b>

### Note 7 – Notes Payable

At June 30, 2016, the District had one outstanding state aid anticipation note. The note, dated August 22, 2015, matures on August 21, 2016. The note is secured by future state school aid payments.

Balance July 01, 2015	Additions	Payments	Balance June 30, 2016
\$ 1,900,000	\$ 1,400,000	\$ 1,900,000	\$ 1,400,000

### Note 8 – Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include severance pay, school bond loan fund payable and two leases.



**Belding Area Schools**  
Notes to Financial Statements  
June 30, 2016

**Note 8 – Long-Term Debt (Continued)**

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds	\$ 47,580,000	\$ 36,760,000	\$ 26,870,000	\$ 57,470,000	\$ 4,010,000
Total bonds payable	47,580,000	36,760,000	26,870,000	57,470,000	4,010,000
School Bond Loan Fund	12,623,226	1,670,805	13,139,000	1,155,031	0
Compensated Absences	207,235		13,817	193,418	0
Total other obligation	12,830,461	1,670,805	13,152,817	1,348,449	0
Total	<u>\$ 60,410,461</u>	<u>\$ 38,430,805</u>	<u>\$ 40,022,817</u>	<u>\$ 58,818,449</u>	<u>\$ 4,010,000</u>

Annual debt service requirements, to maturity for the above bond obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2017	\$ 4,010,000	\$ 2,564,828	\$ 6,574,828
2018	4,105,000	2,473,032	\$ 6,578,032
2019	4,205,000	2,374,830	6,579,830
2020	4,310,000	2,270,732	6,580,732
2021	4,430,000	2,149,756	6,579,756
2022-2026	18,000,000	9,060,710	27,060,710
2027-2031	9,680,000	3,221,500	12,901,500
2032-2036	4,800,000	1,705,000	6,505,000
2037-2041	3,930,000	492,500	4,422,500
Total	<u>\$ 57,470,000</u>	<u>\$ 26,312,888</u>	<u>\$ 83,782,888</u>

**Belding Area Schools**  
Notes to Financial Statements  
June 30, 2016

**Note 8 – Long-Term Debt (Continued)**

General obligation bonds consist of:

\$9,370,000 bonded debt of February 19, 2008, due in annual installments of \$550,000 to \$1,090,000 through May 1, 2026, interest at 3.25% to 5.0%	\$ 5,935,000
\$15,000,000 bonded debt of May 13, 2010, due in annual installments of \$5,000,000 beginning May 1, 2025 through May 1, 2027; interest at 6.5% to 6.7%.	15,000,000
\$21,890,000 bonded debt as of December 1, 2015, due in annual installments of \$225,000 to \$990,000 beginning May 1, 2015 through May 1, 2040; interest at 3.00% to 5.00%	21,665,000
\$13,260,000 bonded debt as of December 1, 2015, due in annual installments of \$2,445,000 to \$2,870,000 beginning May 1, 2017 through May 1, 2021; interest at 1.18% to 2.62%	13,260,000
\$21,890,000 bonded debt as of December 1, 2015, due in annual installments of \$225,000 to \$990,000 beginning May 1, 2015 through May 1, 2040; interest at 3.00% to 5.00%	1,610,000
Subtotal - Bonds Payable	<u>57,470,000</u>
Plus: Premiums on bond issuances (net)	<u>3,236,577</u>
Subtotal - Bonds Payable	<u><u>\$ 60,706,577</u></u>

On December 1, 2015, the School District issued two new bonds to refund the 2010 School Building and Site Bonds – Series B (2015 Series A) and refinance a portion of the School Bond Loan Fund and School Loan Revolving Fund (2015 Series B). On March 3, 2016, the School District refunded the 2006 Refunding bonds. The proceeds were put in an irrevocable trust to provide for the future debt service payments of the old bonds which were due on payable May 2016 through May 2040, and to pay the principle and accrued interest on the School Bond Loan Fund and School Loan Revolving Fund. The trust account assets were used to refund the bonds on May 2016, and therefore, these bonds are not included in the District's financial statements. The net present value savings from cash flow from the two refunding bond offerings is \$765,307 and \$82,419, respectively.

# Belding Area Schools

## Notes to Financial Statements

June 30, 2016

### Note 8 – Long-Term Debt (Continued)

**Michigan School Bond Loans** – The School District has borrowed on various occasions from the Michigan School Bond Loan Revolving Fund. Repayment is due when the School District has funds available as determined by the State of Michigan. Interest accrues on the unpaid balance. At June 30, 2016 the interest rate was 3.34041%. As noted above, on December 1, 2015, School District issued bonds to refinance the School Bond Revolving Fund. The School District borrowed an additional \$1,482,967 in principal during the fiscal year. The balances at June 30, 2016 are as follows:

Principal balance	\$ 1,147,638
Interest balance	<u>7,393</u>
Total	<u>\$ 1,155,031</u>

### Note 9 – Risk Management

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

### Note 10 – Defined Benefit Pension Plan and Post Retirement Benefits

#### Plan Description

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

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

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

#### Benefits Provided

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

# Belding Area Schools

Notes to Financial Statements

June 30, 2016

## Note 10 – Defined Benefit Pension Plan and Post Retirement Benefits (Continued)

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

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

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

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

### Contributions and Funded Status

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

The District's contributions are determined based on employee elections. There are seven different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS

The schedule below summarizes the District's pension contribution rates in effect for fiscal year 2015.

October 1, 2014 – September 30, 2015	18.76% – 23.07%
October 1, 2015 – June 30, 2016	14.56% – 18.95%

Depending on the plan selected, plan member contributions range from 0.00% up to 7.00% of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The District's actual and required contributions to the pension plan were \$1,929,607 for the plan year ended September 30, 2015.

# Belding Area Schools

## Notes to Financial Statements

June 30, 2016

### Note 10 – Defined Benefit Pension Plan and Post Retirement Benefits (Continued)

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

At June 30, 2016, the School District reported a liability of \$24,431,062 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 2014, which used update procedures to roll forward the estimated liability to September 30, 2015. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2015, the District's proportion was 0.10002471 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$1,976,203. This amount excludes contributions funded from state revenue Section 147(c) restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate. These amounts have been recorded as a deferred outflow as of June 30, 2016.

At June 30, 2016, School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Difference between actual and expected experience	\$ 0	\$ 80,923
Changes of assumptions	601,544	0
Net difference between projected and actual earning on pension plan investments	124,701	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	75,729	405,533
Employer contributions subsequent to the measurement date	2,093,222	0
Totals	\$ 2,895,196	\$ 486,456

The \$2,093,222 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### Deferred (Inflow) and Deferred Outflow of Resources by Year (To be recognized in future pension expenses)

Year Ending September 30	Amount
2016	\$ (20,189)
2017	\$ (20,189)
2018	\$ (52,814)
2019	\$ 408,710

**Belding Area Schools**  
Notes to Financial Statements  
June 30, 2016

**Note 10 – Defined Benefit Pension Plan and Post Retirement Benefits (Continued)**

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

**Actuarial Assumptions** - The total pension liability as of September 30, 2015 is based on the results of an actuarial valuation date of September 30, 2014 and rolled forward:

Actuarial cost method	Entry age normal cost actuarial cost method
Investment rate of return	7.00 to 8.00 percent, net of investment expenses based on the groups
Salary increases	3.50 - 12.3 percent, including wage inflation of 3.5 percent
Mortality basis	RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost of living pension adjustments	3 percent annual noncompounded for MIP members

The actuarial assumptions used for the September 30, 2014 valuation were based on the results of an actuarial experience study for the period from October 1, 2007 to September 30, 2012. As a result of this study, the actuarial assumptions were adjusted to more closely reflect actual experience.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00 to 8.00 percent depending on the plan option. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for 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.

# Belding Area Schools

Notes to Financial Statements

June 30, 2016

## Note 10 – Defined Benefit Pension Plan and Post Retirement Benefits (Continued)

**Long-Term Expected Return on Plan Assets** - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

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

\*Long Term rate of return does not include 2.1% inflation.

### Sensitivity of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%
Reporting unit's proportionate share of the net pension liability	\$ 31,497,902	\$ 24,431,062	\$ 18,473,427

**Payable to the Pension Plan** – At year end the School District is current on all required pension plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147(c) restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

**Belding Area Schools**  
Notes to Financial Statements  
June 30, 2016

**Note 10 – Defined Benefit Pension Plan and Post Retirement Benefits (Continued)**

**Postemployment Benefits Other Than Pensions (OPEB)**

Under the MPERS act, all retirees participating in the MPERS pension plan have the option of continuing health, dental, and vision coverage through MPERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 2.2 percent to 2.71 percent of covered payroll for the period from July 1, 2015 to September 30, 2015 and from 6.4 percent to 6.83 percent of covered payroll for the period from October 1, 2015 through June 30, 2016 dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit or they can elect not to pay contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 employee contribution into their 457 accounts as of their transition date and create a 2 percent employer match into the employees' 403B accounts.

The District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2016, 2015, and 2014 were approximately \$539,267, \$273,828, and \$579,881, respectively. In addition, a portion ranging from 35 to 100 percent of the MPERS Unfunded Actuarial Accrued Liability (UAAL) stabilization rate is considered a contribution to the retiree healthcare plan.

**Note 11 – Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District believes such amounts, if any to be minimal.

**Note 12 – Subsequent Event**

Subsequent to year end, the District entered into an agreement to borrow \$1,500,000 as a state aid note maturing August, 2017. The note is secured by the full faith and credit of the District as well as pledged state aid.

**Note 13 – Upcoming Accounting Pronouncement**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was issued by the GASB in June 2015 and will be effective for the District's fiscal year beginning July 2017. The Statement requires governments that participate in defined benefit Other Post Employment Benefit (OPEB) plans to report in their statement of net position their proportionate share of the net OPEB liability. The net OPEB liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net position liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.



## **Required Supplemental Information**

**Belding Area Schools**  
Required Supplemental Information  
Budgetary Comparison Schedule- General Fund  
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 1,726,974	\$ 1,717,146	\$ 1,705,358	\$ (11,788)
State sources	14,703,436	14,707,158	14,678,433	(28,725)
Federal sources	986,534	995,248	917,748	(77,500)
Other	638,023	693,641	719,636	25,995
<b>Total revenues</b>	<b>18,054,967</b>	<b>18,113,193</b>	<b>18,021,175</b>	<b>(92,018)</b>
<b>Expenditures</b>				
<b>Instruction</b>				
Basic programs	8,158,919	8,426,338	8,435,275	(8,937)
Added needs	2,916,496	2,881,317	2,773,840	107,477
Adult and continuing education	55,023	60,647	53,036	7,611
<b>Support services</b>				
Pupil	774,355	823,326	820,679	2,647
Instructional staff	593,287	567,226	514,373	52,853
General administration	395,294	386,861	378,939	7,922
School administration	1,248,879	1,298,476	1,247,470	51,006
Business and central services	3,692,798	3,590,576	3,513,363	77,213
Athletics	384,880	393,427	396,363	(2,936)
Community services	57,649	52,386	44,097	8,289
Other transactions	30,000	30,500	83,871	(53,371)
<b>Total expenditures</b>	<b>18,307,580</b>	<b>18,511,080</b>	<b>18,261,306</b>	<b>249,774</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(252,613)</b>	<b>(397,887)</b>	<b>(240,131)</b>	<b>157,756</b>
<b>Other financing sources (uses)</b>				
Operating transfers in	30,000	30,000	36,170	6,170
<b>Total other financing sources (uses)</b>	<b>30,000</b>	<b>30,000</b>	<b>36,170</b>	<b>6,170</b>
<b>Excess (deficiency) of revenues over expenditures and other sources (uses)</b>	<b>\$ (222,613)</b>	<b>\$ (367,887)</b>	<b>(203,961)</b>	<b>\$ 163,926</b>
Fund balances at beginning of year			2,553,503	
Fund balances at end of year			\$ 2,349,542	

See accompanying note to financial statements

### **Belding Area Schools**

Required Supplemental Information

Schedule of Proportionate Share of the Net Pension Liability

Michigan Public School Employee Retirement Plan

As Determined on September 30 of Each Fiscal Year

	<u>2015</u>	<u>2014</u>
Belding Area Schools' Proportion of net pension liability (%)	0.10002%	0.10220%
Belding Area Schools' proportionate share of net pension liability	\$ 24,431,062	\$ 22,511,311
Belding Area Schools' covered-employee payroll	\$ 8,342,850	\$ 8,724,591
Belding Area Schools' proportionate share of net pension liability as a percentage of its covered-employee payroll	292.84%	258.02%
Plan fiduciary net position as a percentage of total pension liability	63.17%	66.20%

**Belding Area Schools**  
 Required Supplemental Information  
 Schedule of Pension Contributions  
 Michigan Public School Employee Retirement Plan  
 As Determined on June 30 of Each Fiscal Year

	2016	2015
Statutorily required contributions	\$ 2,175,778	\$ 1,923,651
Contributions in relation to statutorily required contributions	2,175,778	1,923,651
Contribution deficiency (excess)	\$ 0	\$ 0
Belding Area Schools' covered-employee payroll	\$ 8,507,468	\$ 8,712,407
Contributions as a percentage of covered-employee payroll	25.57%	22.08%

**Changes of benefit terms:** There were no changes of benefit terms during the year

**Changes of assumptions:** There were no changes of benefit assumptions during the year

## **Other Supplemental Information**

**Belding Area Schools**  
Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2016

	Special Revenue	Other Nonmajor Funds				Nonmajor Governmental Funds
	Food Service	2008 Refunding Debt	2015-A Refunding Debt	2015-B Refunding Debt	2016 Refunding Debt	Total
<b>Assets</b>						
Cash and investments	\$ 133,528	\$ 0	\$ 64,792	\$ 93,860	\$ 12,544	\$ 304,724
Accounts Receivable	50,000	0	0	0	0	50,000
Due from other governments	17,252	0	0	0	0	17,252
Inventory of supplies - at cost	17,183	0	0	0	0	17,183
<b>Total Assets</b>	<b>\$ 217,963</b>	<b>\$ 0</b>	<b>\$ 64,792</b>	<b>\$ 93,860</b>	<b>\$ 12,544</b>	<b>\$ 389,159</b>
<b>Liabilities</b>						
Accounts payable	\$ 21,972	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,972
Due to other funds	41,142	0	0	0	0	41,142
Salaries payable	2,084	0	0	0	0	2,084
<b>Total Liabilities</b>	<b>73,417</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>73,417</b>
<b>Fund Balance</b>						
Non-spendable-Inventory	17,183	0	0	0	0	17,183
Restricted	127,363	0	64,792	93,860	12,544	298,559
<b>Total Fund Balance</b>	<b>144,546</b>	<b>0</b>	<b>64,792</b>	<b>93,860</b>	<b>12,544</b>	<b>315,742</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 217,963</b>	<b>\$ 0</b>	<b>\$ 64,792</b>	<b>\$ 93,860</b>	<b>\$ 12,544</b>	<b>\$ 389,159</b>

See accompanying notes to financial statements

**Belding Area Schools**  
 Other Supplemental Information  
 Combining Statement of Revenue, Expenditures  
 and changes in fund balances  
 Non Major Governmental Funds  
 Year Ended June 30, 2016

	Special Revenue	Other Nonmajor Funds							Total Nonmajor Governmental Funds
	Food Service	2006 Refunding Debt	2008 Refunding Debt	2009-A Refunding Debt	2010-B School and Site	2015-A Refunding Debt	2015-B Refunding Debt	2016 Refunding Debt	
<b>Revenues</b>									
Local sources									
Property taxes	\$ 0	\$ 112,020	\$ 0	\$ 757,784	\$ 156,227	\$ 439,274	\$ 50,260	\$ 0	\$ 1,515,565
Lunch sales	158,020	0	0	0	0	0	0	0	158,020
Investment earnings	417	0	0	0	241,043	0	0	0	241,460
<b>Total Local Sources</b>	<b>158,437</b>	<b>112,020</b>	<b>0</b>	<b>757,784</b>	<b>397,270</b>	<b>439,274</b>	<b>50,260</b>	<b>0</b>	<b>1,915,045</b>
Federal and state sources									
State aid-matching funds	35,079	0	0	0	0	0	0	0	35,079
Federal aid	648,680	0	0	0	0	0	0	0	648,680
Federal commodities	47,200	0	0	0	0	0	0	0	47,200
<b>Total Federal and State Sources</b>	<b>730,959</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>730,959</b>
<b>Total Revenues</b>	<b>889,396</b>	<b>112,020</b>	<b>0</b>	<b>757,784</b>	<b>397,270</b>	<b>439,274</b>	<b>50,260</b>	<b>0</b>	<b>2,646,004</b>
<b>Expenditures</b>									
Food & supplies	393,431	0	0	0	0	0	0	0	393,431
Salaries & wages	131,202	0	0	0	0	0	0	0	131,202
Fringe benefits	49,195	0	0	0	0	0	0	0	49,195
Repairs & capital outlay	12,258	0	0	0	0	0	0	0	12,258
Other	272,800	0	0	0	0	0	0	0	272,800
Debt Service									
Redemption of Serial Bonds/SLRF	0	170,000	640,000	485,000	0	225,000	12,079,624	0	13,599,624
Interest	0	38,250	282,000	20,807	738,944	428,813	1,167,549	0	2,676,363
Other	0	500	0	500	575	102,738	64,850	55,178	224,341
<b>Total Expenditures</b>	<b>858,886</b>	<b>208,750</b>	<b>922,000</b>	<b>506,307</b>	<b>739,519</b>	<b>756,551</b>	<b>13,312,023</b>	<b>55,178</b>	<b>17,359,214</b>
Excess (deficiency) of revenues over expenditures	30,510	(96,730)	(922,000)	251,477	(342,249)	(317,277)	(13,261,763)	(55,178)	(14,713,210)
Other financing sources (uses)									
Proceeds from SLRF/Bonds	0	100,958	0	464,018	333,290	22,167,865	13,510,480	1,610,000	38,186,611
Bond premium	0	0	0	0	0	2,997,633	0	26,092	3,023,725
Transfer to escrow agent	0	0	0	0	0	(24,784,947)	0	(1,580,914)	(26,365,861)
Operating transfers in (out)	(36,170)	(12,544)	922,000	(767,143)	(1,518)	1,518	(154,857)	12,544	(36,170)
<b>Total Other Financing Sources</b>	<b>(36,170)</b>	<b>88,414</b>	<b>922,000</b>	<b>(303,125)</b>	<b>331,772</b>	<b>382,069</b>	<b>13,355,623</b>	<b>67,722</b>	<b>14,808,305</b>
Excess (deficiency) of revenues over expenditures & other sources (uses)	(5,660)	(8,316)	0	(51,648)	(10,477)	64,792	93,860	12,544	95,095
Fund balances at beginning of year	150,206	8,316	0	51,648	10,477	0	0	0	220,647
Fund balances at end of year	\$ 144,546	\$ 0	\$ 0	\$ 0	\$ 0	\$ 64,792	\$ 93,860	\$ 12,544	\$ 315,742

**Belding Area Schools**  
 Other Supplemental Information  
 General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 Year Ended June 30, 2016

	2016		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Local sources	\$ 1,717,146	\$ 1,705,358	\$ (11,788)
State sources	14,707,158	14,678,433	(28,725)
Federal sources	995,248	917,748	(77,500)
Other	693,641	719,636	25,995
Total revenues	<u>18,113,193</u>	<u>18,021,175</u>	<u>(92,018)</u>
Expenditures			
Instruction			
Basic programs	8,426,338	8,435,275	(8,937)
Added needs	2,881,317	2,773,840	107,477
Adult and continuing education	60,647	53,036	7,611
Support services			
Pupil	823,326	820,679	2,647
Instructional staff	567,226	514,373	52,853
General administration	386,861	378,939	7,922
School administration	1,298,476	1,247,470	51,006
Business and central services	3,590,576	3,513,363	77,213
Athletics	393,427	396,363	(2,936)
Community services	52,386	44,097	8,289
Other transactions	30,500	83,871	(53,371)
Total expenditures	<u>18,511,080</u>	<u>18,261,306</u>	<u>249,774</u>
Excess (deficiency) of revenues over expenditures	<u>(397,887)</u>	<u>(240,131)</u>	<u>157,756</u>
Other financing sources (uses)			
Operating transfers in	<u>30,000</u>	<u>36,170</u>	<u>6,170</u>
Total other financing sources (uses)	<u>30,000</u>	<u>36,170</u>	<u>6,170</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (367,887)</u>	<u>(203,961)</u>	<u>\$ 163,926</u>
Fund balances at beginning of year		<u>2,553,503</u>	
Fund balances at end of year		<u>\$ 2,349,542</u>	

See accompanying notes to financial statements



**Belding Area Schools**  
Other Supplemental Information  
Special Revenue Funds  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance- Budget and Actual  
Year Ended June 30, 2016

	<u>Budget</u>	<u>Food Service Actual</u>	<u>Difference</u>
Revenues			
Local sources			
Lunch sales	\$ 156,566	\$ 158,020	\$ 1,454
Total Local Sources	156,983	158,437	1,454
Federal and state sources			
State aid-matching funds	35,080	35,079	(1)
Federal aid	654,920	648,680	(6,240)
Federal commodities	48,000	47,200	(800)
Total Federal and State Sources	<u>738,000</u>	<u>730,959</u>	<u>(7,041)</u>
Total Revenues	894,983	889,396	(5,587)
Expenditures			
Food & supplies	398,800	393,431	5,369
Salaries & wages	132,550	131,202	1,348
Fringe benefits	49,425	49,195	230
Repairs & capital outlay	12,450	12,258	192
Other	274,249	272,800	1,449
Total Expenditures	<u>867,474</u>	<u>858,886</u>	<u>8,588</u>
Excess (deficiency) of revenues over expenditures	27,509	30,510	3,001
Other financing sources (uses)			
Operating transfers in(out)	<u>(30,000)</u>	<u>(36,170)</u>	<u>6,170</u>
Excess (deficiency) of revenues over expenditures & other sources (uses)	<u>\$ (2,491)</u>	<u>(5,660)</u>	<u>\$ (3,169)</u>
Fund balances at beginning of year		<u>150,206</u>	
Fund balances at end of year		<u>\$ 144,546</u>	

See accompanying notes to financial statements

**Belding Area Schools**  
 Other Supplemental Information  
 Agency Funds  
 Combining Statement of Changes in Assets and Liabilities  
 Year Ended June 30, 2016

**Student Activity Funds**

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Assets</b>				
Cash And Cash Equivalents	\$ 203,356	\$ 398,542	\$ 382,581	\$ 219,317
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Liabilities</b>				
Due To Student Groups	\$ 203,356	\$ 398,542	\$ 382,581	\$ 219,317
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

See accompanying notes to financial statements

**Belding Area Schools**  
Other Supplemental Information  
Schedule of Bonded Debt  
2008 Refunding Bonds  
June 30, 2016

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2017	5.00%	\$ 630,000	\$ 125,000	\$ 125,000	\$ 880,000
2018	5.00%	630,000	109,250	109,250	848,500
2019	5.00%	620,000	93,500	93,500	807,000
2020	5.00%	615,000	81,100	81,100	777,200
2021	5.00%	600,000	68,800	68,800	737,600
2022	5.00%	595,000	56,800	56,800	708,600
2023	5.00%	575,000	44,900	44,900	664,800
2024	5.00%	570,000	33,400	33,400	636,800
2025	5.00%	550,000	22,000	22,000	594,000
2026	5.00%	550,000	11,000	11,000	572,000
Total		<u>\$ 5,935,000</u>	<u>\$ 645,750</u>	<u>\$ 645,750</u>	<u>\$ 7,226,500</u>

Purpose - Refunding the Schools District's 1998 Refunding Bonds dated February 28, 1998, which are callable on or after May 1, 2008, and are due and payable May 1, 2009 through May 1, 2014, inclusive, May 1, 2018 and May 1, 2026, and paying the costs of issuing the Bonds.

**Belding Area Schools**  
 Other Supplemental Information  
 Schedule of Bonded Debt  
 2010 School Building and Site Bonds - Series A  
 June 30, 2016

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2017			\$ 497,500	\$ 497,500	\$ 995,000
2018			497,500	497,500	995,000
2019			497,500	497,500	995,000
2020			497,500	497,500	995,000
2021			497,500	497,500	995,000
2022			497,500	497,500	995,000
2023			497,500	497,500	995,000
2024			497,500	497,500	995,000
2025	6.50%	\$ 5,000,000	497,500	497,500	5,995,000
2026	6.70%	5,000,000	335,000	335,000	5,670,000
2027	6.70%	5,000,000	167,500	167,500	5,335,000
	Total	<u>\$ 15,000,000</u>	<u>\$ 4,980,000</u>	<u>\$ 4,980,000</u>	<u>\$ 19,985,000</u>

Purpose - Refunding the Schools District's 1998 Refunding Bonds dated February 28, 1998, which are callable on or after May 1, 2008, and are due and payable May 1, 2009 through May 1, 2014, inclusive, May 1, 2018 and May 1, 2026, and paying the costs of issuing the Bonds.

**Belding Area Schools**  
Other Supplemental Information  
Schedule of Bonded Debt  
2015 Refunding Bonds - Series A  
June 30, 2016

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2017	3.00%	\$ 750,000	\$ 511,200	\$ 511,200	\$ 1,772,400
2018	3.00%	740,000	499,950	499,950	1,739,900
2019	3.00%	760,000	488,850	488,850	1,737,700
2020	4.00%	780,000	477,450	477,450	1,734,900
2021	4.00%	805,000	461,850	461,850	1,728,700
2022	5.00%	825,000	445,750	445,750	1,716,500
2023	5.00%	860,000	425,125	425,125	1,710,250
2024	5.00%	890,000	403,625	403,625	1,697,250
2025	5.00%	920,000	381,375	381,375	1,682,750
2026	5.00%	925,000	358,375	358,375	1,641,750
2027	5.00%	930,000	335,250	335,250	1,600,500
2028	5.00%	930,000	312,000	312,000	1,554,000
2029	5.00%	935,000	288,750	288,750	1,512,500
2030	5.00%	940,000	265,375	265,375	1,470,750
2031	5.00%	945,000	241,875	241,875	1,428,750
2032	5.00%	950,000	218,250	218,250	1,386,500
2033	5.00%	955,000	194,500	194,500	1,344,000
2034	5.00%	960,000	170,625	170,625	1,301,250
2035	5.00%	965,000	146,625	146,625	1,258,250
2036	5.00%	970,000	122,500	122,500	1,215,000
2037	5.00%	975,000	98,250	98,250	1,171,500
2038	5.00%	980,000	73,875	73,875	1,127,750
2039	5.00%	985,000	49,375	49,375	1,083,750
2040	5.00%	990,000	24,750	24,750	1,039,500
Total		<u>\$ 21,665,000</u>	<u>\$ 6,995,550</u>	<u>\$ 6,995,550</u>	<u>\$ 35,656,100</u>

Purpose - Refunding the 2010 Series B refunding bonds

**Belding Area Schools**  
 Other Supplemental Information  
 Schedule of Bonded Debt  
 2015 Refunding Bonds - Series B  
 June 30, 2016

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2017	1.18%	\$ 2,445,000	\$ 129,810	\$ 129,810	\$ 2,704,620
2018	1.60%	2,550,000	115,385	115,385	2,780,770
2019	2.00%	2,645,000	94,984	94,984	2,834,968
2020	2.25%	2,750,000	68,535	68,535	2,887,070
2021	2.62%	2,870,000	37,597	37,597	2,945,194
	Total	<u>\$ 13,260,000</u>	<u>\$ 446,311</u>	<u>\$ 446,311</u>	<u>\$ 14,152,622</u>

Purpose - Refinancing School Loan Revolving Fund Debt

**Belding Area Schools**  
Other Supplemental Information  
Schedule of Bonded Debt  
2016 Refunding Bonds - Series A  
June 30, 2016

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2017	3.00%	\$ 185,000	\$ 21,527	\$ 16,281	\$ 222,808
2018	4.00%	185,000	14,431	14,431	213,862
2019	4.00%	180,000	12,581	12,581	205,162
2020	4.00%	165,000	10,781	10,781	186,562
2021	4.00%	155,000	9,131	9,131	173,262
2022	4.00%	145,000	7,581	7,581	160,162
2023	4.00%	155,000	6,131	6,131	167,262
2024	4.00%	150,000	4,581	4,581	159,162
2025	4.00%	145,000	3,081	3,081	151,162
2026	4.00%	145,000	1,631	1,631	148,262
Total		<u>\$ 1,610,000</u>	<u>\$ 91,456</u>	<u>\$ 86,210</u>	<u>\$ 1,787,666</u>

Purpose- Refunding the 2006 Refunding Bonds which originated as the 1996 Bonds. The 1996 bonds were to erect, furnish, and equip a new elementary school and playgrounds; to erect, furnish and equip and addition or additions to and/or partially remodel, refurbish and re-equip the Ellis Elementary School and the High School; partially remodel for and install educational technology in school facilities; partially remodel, refurbish and re-equip the Hallpark School for an athletic facility; acquire additional land for site purposes; construct, develop and improve sites, playgrounds, outdoor physical education fields and athletic facilities and refunding all of the 1992 construction bonds.

## **Federal Programs**





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

Board of Education  
Belding Area Schools  
Belding, 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 Belding Area Schools as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Belding Area Schools' basic financial statements, and have issued our report thereon dated October 28, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Belding Area Schools' 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 Belding Area Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Belding Area Schools' internal control Belding Area Schools

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 District'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 Belding Area Schools' 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Biggs, Hausserman, Thompson & Dickinson, P.C.*

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.  
Saranac, MI

October 28, 2016



REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT OR MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Board of Education  
Belding Area Schools  
Belding, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited Belding Area Schools compliance with the types of compliance requirements described in the U.S CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) that could have a direct and material effect on each of Belding Area Schools major federal programs for the year ended June 30, 2016. Belding Area Schools major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Belding Area Schools major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Belding Area Schools compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Belding Area Schools compliance.

***Opinion on Each Major Federal Program***

In our opinion, Belding Area Schools, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## Report on Internal Control Over Compliance

Management of Belding Area Schools, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Belding Area Schools internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Belding Area Schools internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Biggs, Hausserman, Thompson & Dickinson, P.C.*

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.  
Saranac, MI

October 28, 2016

**Belding Area Schools**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2016**

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the general purpose financial statements of Belding Area Schools.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Belding Area Schools, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of the major federal award programs is reported in the Independent Auditor's Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
5. The auditor's report on compliance for the major federal award programs for Belding Area Schools expresses an unqualified opinion on all major programs.
6. Audit findings that are required to be reported in accordance with the Uniform Guidance are reported in Part C of this Schedule. There are no findings for the year ended June 30, 2016.
7. The programs tested as a major programs include: CFDA #84.010 and #84.367. Total expenditures were \$434,733.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Belding Area Schools was determined to be a low-risk auditee.

B. Findings--Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

**Belding Area Schools**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue at July 1, 2015	(Memo Only) Prior Year Expenditures	Current-Year Expenditures	Current-Year Federal Revenue Received	Accrued or (Deferred) Revenue at June 30, 2016	Adjustments
<b>U.S. Department of Agriculture</b>								
<b>Child Nutrition Cluster</b>								
Passed through the Michigan Department of Education National School Lunch/Breakfast/Summer Program								
Summer	10.559							
Project number 151900		\$ 1,169	\$ 41	\$ 41	\$ 1,128	\$ 1,169	\$ 0	\$ 0
Project number 150900		13,269	441	441	12,828	13,269	0	0
Total Summer		14,438	482	482	13,956	14,438	0	0
Lunch-Cash	10.555							
Project number 151960		441,927	0	394,720	47,207	47,207	0	0
Project number 161960		393,388	0	0	393,388	384,815	8,573	0
Total Lunch-Cash		835,315	0	394,720	440,595	432,022	8,573	0
Lunch-commodities								
Entitlement		47,200	0	0	47,200	47,200	0	0
Bonus		0	0	0	0	0	0	0
Total Commodities		47,200	0	0	47,200	47,200	0	0
Total lunch		882,515	0	394,720	487,795	479,222	8,573	0
Breakfast	10.553							
Project number 151970		197,648	0	176,952	20,696	20,696	0	0
Project number 161970		171,731	0	0	171,731	168,185	3,546	0
Total Breakfast		369,379	0	176,952	192,427	188,881	3,546	0
<b>Total Child Nutrition Cluster</b>		1,266,332	482	572,154	694,178	682,541	12,119	0
Child Care Food Program	10.558							
Project number 161920		1,598	0	0	1,598	1,174	424	0
Project number 151920		1,413	0	1,309	104	104	0	0
Total Child Care Food		3,011	0	1,309	1,702	1,278	424	0
<b>Total U.S. Department of Agriculture</b>		<b>1,269,343</b>	<b>482</b>	<b>573,463</b>	<b>695,880</b>	<b>683,819</b>	<b>12,543</b>	<b>0</b>
<b>U.S. Department of Education</b>								
Passed through Michigan Department of Education								
<b>Title I, Part A Cluster</b>								
Title I	84.010 *							
Project number 151530-1415		459,538	153,598	450,909	0	153,598	0	0
Project number 161530-1516		399,335	0	0	318,305	235,682	82,623	0
<b>Total Title 1, Part A Cluster</b>		858,873	153,598	450,909	318,305	389,280	82,623	0

**Belding Area Schools**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue at July 1, 2015	(Memo Only) Prior Year Expenditures	Current-Year Expenditures	Current-Year Federal Revenue Received	Accrued or (Deferred) Revenue at June 30, 2016	Adjustments
Title 1 - Migrant	84.011							
Project number 161830-1516		146,339	0	0	34,318	0	34,318	0
Project number 151830-1415		145,207	36,367	36,367	106,823	141,334	1,856	0
Project number 151890-1415		178,619	72,269	174,729	0	72,269	0	0
Project number 161890-1516		<u>236,024</u>	<u>0</u>	<u>0</u>	<u>225,805</u>	<u>151,256</u>	<u>74,549</u>	<u>0</u>
Total Title 1 - Migrant		706,189	108,636	211,096	366,946	364,859	110,723	0
Title III LEP	84.365							
Project number 160580-1516		78,954	0	0	59,269	50,297	8,972	0
Project number 150580-1415		<u>63,555</u>	<u>6,879</u>	<u>53,321</u>	<u>0</u>	<u>6,879</u>	<u>0</u>	<u>0</u>
Total Title III LEP		142,509	6,879	53,321	59,269	57,176	8,972	0
Title IIA - Improving Teacher Quality	<b>84.367 *</b>							
Project number 150520-1415		121,945	6,745	63,495	0	6,745	0	0
Project number 160520-1516		<u>137,226</u>	<u>0</u>	<u>0</u>	<u>116,428</u>	<u>110,516</u>	<u>5,912</u>	<u>0</u>
Total Title IIA		259,171	6,745	63,495	116,428	117,261	5,912	0
Adult Education-State Administerer	84.002							
Project number 151130-151913		45,881	13,961	43,091	0	13,961	0	0
Project number 161130-161913		<u>56,800</u>	<u>0</u>	<u>0</u>	<u>56,800</u>	<u>56,800</u>	<u>0</u>	<u>0</u>
Total Adult Education		102,681	13,961	43,091	56,800	70,761	0	0
<b>Total U.S. Department of Education</b>		<b><u>2,069,423</u></b>	<b><u>289,819</u></b>	<b><u>821,912</u></b>	<b><u>917,748</u></b>	<b><u>999,337</u></b>	<b><u>208,230</u></b>	<b><u>0</u></b>
<b>Total federal financial assistance</b>		<b><u>\$ 3,338,766</u></b>	<b><u>\$ 290,301</u></b>	<b><u>\$ 1,395,375</u></b>	<b><u>\$ 1,613,628</u></b>	<b><u>\$ 1,683,156</u></b>	<b><u>\$ 220,773</u></b>	<b><u>\$ 0</u></b>

\* = Major program

**Belding Area Schools**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2016**

NOTE A: \*Designates a major program.

NOTE B: Basis of Presentation – The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the grant activity of Belding Area Schools under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Belding Area Schools, it is not intended to and does not present financial position or changes in net position of Belding Area Schools.

NOTE C: Summary of Significant Accounting Policies – Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE D: The Title 1 (CFDA #84.010) and Title 2 (CFDA #84.367) was audited as the major program, representing 27% of expenditures. The District did qualify for low risk auditee status.

NOTE E: The threshold for distinguishing Type A and Type B programs was \$750,000.

NOTE F: Management has utilized the Grant Auditors’ Report in preparing the Schedule of Expenditures of Federal Awards.

NOTE G: Federal expenditures are reported as revenue in the following funds in the financial.

General fund	\$ 917,748
Other nonmajor governmental fund	<u>695,880</u>
Total per financial statements	<u><u>\$ 1,613,628</u></u>



**Belding Area Schools**  
Schedule of Prior Audit Findings  
June 30, 2016

Prior Audit Findings

None

To the Board of Education  
Belding Area Schools  
Belding, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Belding Area Schools for the year ended June 30, 2016, and have issued our report thereon dated October 28, 2016. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated May 19, 2016, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Belding Area Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Belding Area Schools' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our discussions about planning matters.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Belding Area Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

The most sensitive estimates affecting the financial statements were: management's estimated lives of capital assets, the estimate of net pension liability, and their estimate of the liability of the payout of employee compensated absences. We evaluated the key factors and assumptions used to develop the estimated life span of capital assets, estimates for net pension liability, and the estimated value of compensated absences in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 28, 2016.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

This information is intended solely for the use of the Board of Education and management of Belding Area Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Biggs, Hausserman, Thompson & Dickinson, P.C.*

Biggs, Hausserman, Thompson & Dickinson, P.C.  
Saranac, MI

October 28, 2016