

Saugatuck Public
Schools



Year Ended
June 30, 2016

Financial
Statements

SAUGATUCK PUBLIC SCHOOLS

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INDEPENDENT AUDITORS' REPORT

September 19, 2016

Board of Education
Saugatuck Public Schools
Douglas, Michigan**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Saugatuck Public Schools* (the "District"), as of and for the year ended June 30, 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.

Independent Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Saugatuck Public Schools as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2016, on our consideration of Saugatuck Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rehmann Lobson LLC

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MANAGEMENT'S DISCUSSION AND ANALYSIS

SAUGATUCK PUBLIC SCHOOLS

Management's Discussion and Analysis

As management of Saugatuck Public Schools (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016.

Financial Highlights

- The District's total net position increased by \$750,123.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,499,888, an increase of \$60,440 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,379,172 or 16% of total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements display functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The activities of the District include instruction, supporting services, athletics, food services and community services. The District has no business-type activities as of and for the year ended June 30, 2016.

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

SAUGATUCK PUBLIC SCHOOLS

Management's Discussion and Analysis

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At June 30, 2016, the District reported a deficit net position of \$(4,545,211). The timing of debt service payments and depreciation of capital assets has a significant impact on this balance as well as the requirement to report the District's proportionate share of the MPSERS net pension liability on its statement of net position.

SAUGATUCK PUBLIC SCHOOLS

Management's Discussion and Analysis

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

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

	Net Position	
	2016	2015
Assets		
Current and other assets	\$ 3,393,801	\$ 3,285,670
Capital assets, net	20,441,561	20,937,016
Total assets	<u>23,835,362</u>	<u>24,222,686</u>
Deferred outflows of resources	<u>3,201,228</u>	<u>2,153,028</u>
Liabilities		
Other liabilities	14,380,397	12,401,031
Long-term liabilities	17,156,746	18,003,209
Total liabilities	<u>31,537,143</u>	<u>30,404,240</u>
Deferred inflows of resources	<u>44,658</u>	<u>1,266,808</u>
Net position		
Net investment in capital assets	4,815,976	3,739,447
Restricted	811,157	795,407
Unrestricted (deficit)	(10,172,344)	(9,830,188)
Total net position	<u>\$ (4,545,211)</u>	<u>\$ (5,295,334)</u>

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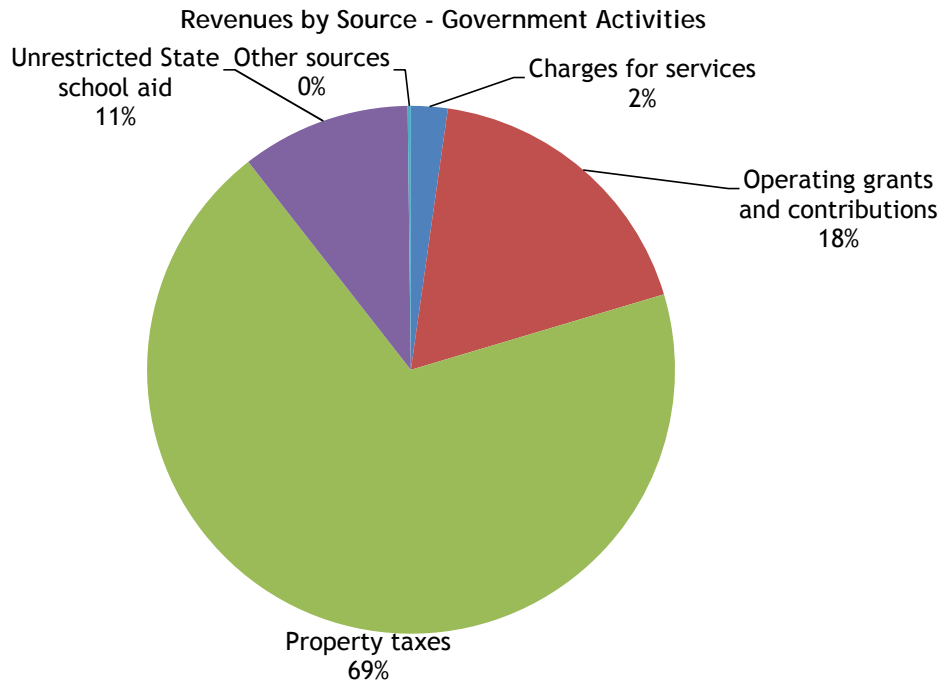
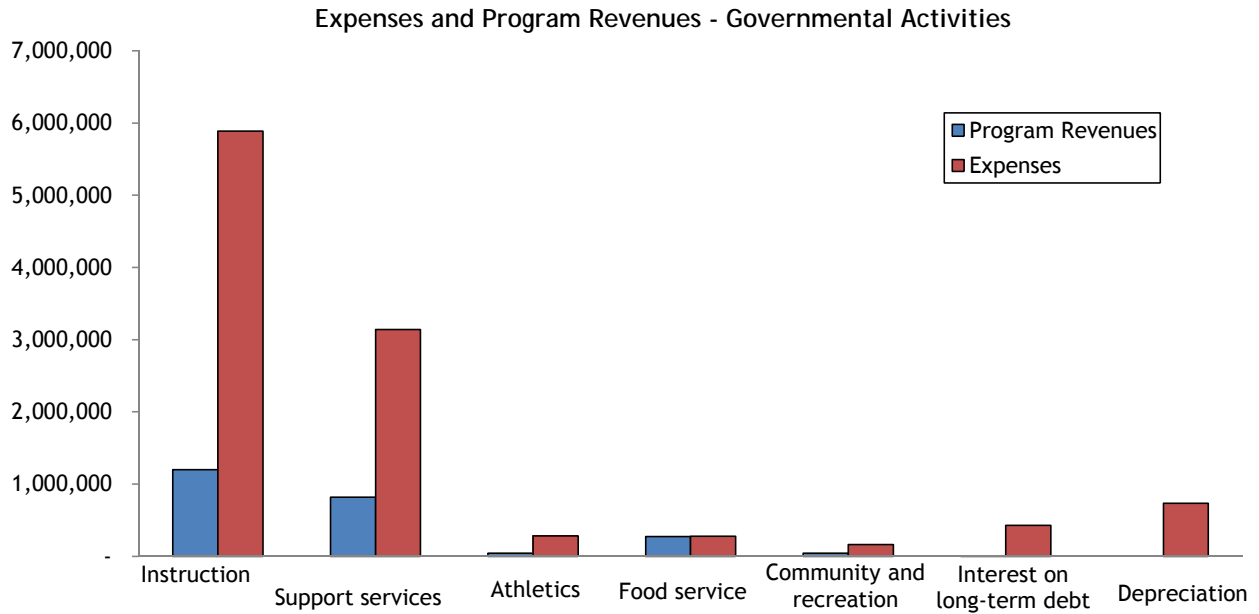
Management's Discussion and Analysis

	Change in Net Position	
	2016	2015
Revenues		
Program revenues:		
Charges for services	\$ 261,157	\$ 267,735
Operating grants and contributions	2,115,149	1,804,276
General revenues:		
Property taxes	8,046,717	7,840,680
Unrestricted State school aid	1,207,672	1,192,272
Unrestricted investment earnings	7,468	3,670
Other revenues	16,233	3,873
Total revenues	<u>11,654,396</u>	<u>11,112,506</u>
Expenses		
Instruction	5,885,462	5,470,369
Supporting services	3,138,273	3,025,834
Athletics	279,318	258,634
Community services	163,454	155,252
Food service	275,970	280,127
Interest on long-term debt	426,185	682,067
Unallocated depreciation	735,611	721,792
Total expenses	<u>10,904,273</u>	<u>10,594,075</u>
Change in net position	750,123	518,431
Net position, beginning of year	<u>(5,295,334)</u>	<u>(5,813,765)</u>
Net position, end of year	<u>\$ (4,545,211)</u>	<u>\$ (5,295,334)</u>

Governmental Activities. Net position increased by \$750,123. Revenues increased by \$541,890 primarily due to an increase in restricted State Aid due to a new funding source specifically for At Risk students and increases to the districts tax base of 4.84% over the previous fiscal year. Expenditures increased by 2.93% over the prior fiscal year, primarily due to the change in the net pension liability and related deferred amounts.

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Management's Discussion and Analysis



The District's general fund balance increased by \$71,542 during the fiscal year. The primary factor impacting the change in fund balance was stable enrollment and obtaining additional funding for specific state categoricals. This combined with cost containment strategies for health insurance and facilities maintenance management held expenses below anticipated budgeted amounts.

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Management's Discussion and Analysis

The fund balance of the bond debt service fund increased by \$43,496. The District's bonds are being repaid with voter-approved property tax millages. These rates are adjusted annually to approximate the actual needs of the District for repayment of principal and interest. The property tax revenues recognized in excess of current year debt service needs will be used to offset taxes levied in the following year.

General Fund Budgetary Highlights

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

- The final budget for local revenue sources decreased from the original budget because of local property tax collection adjustments due to Tax Tribunal changes.
- The final budget for state aid revenue increased from the original as the State must meet its funding obligations under Proposal A, which is reciprocal formula when there is a decrease to local property taxes the state will fund the difference to keep the per pupil foundation whole. Additionally, there was an increase to the pass through revenues for the State Retirement contribution of \$150,302.
- The budget for basic programs (a component of instruction expense) was increased \$34,799 from \$4,867,983 to \$4,902,782. This was primarily due to the reclassification of new CEIS (student behavior interventions) program out of added needs and into basic instruction.
- The budget for added needs (a component of instruction expense) was increased \$91,196 from \$593,176 to \$684,372. This was primarily due to the additional center program services for special needs students provided by the OAISD. In addition to increased programming in Title I, and early childhood interventions.
- The budget for pupil services (a component of supporting services) was increased \$51,815 from \$546,686 to \$598,501. The addition of Michigan College Access counselor and grant funding for secondary career prep services, along with the addition of a Behavior Specialist through the new At Risk funding.
- The budget for the office of Principal (a component of school administration) was decreased by \$28,360 from \$605,089 to \$576,729. This was primarily due to reclassification of support staff providing services for at risk pupils being reclassified to pupil services.

The District is not permitted to amend the budget after June 30, 2016 in accordance with State law. Therefore, the budget is estimated as close to actual as possible, with the understanding that small variances are expected. Variances between the final amended budget and the actual expenditures were insignificant. Total revenues and total expenditures were within 0.23% and 1.07% of the final amended budget, respectively.

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Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2016 amounted to \$20,441,561 (net of accumulated depreciation). This investment in capital assets included land, buildings, vehicles and equipment. Significant purchases during the year included operations and maintenance equipment and mechanical upgrades, parking lot improvements, and new flooring at the secondary campus. Capital assets at fiscal year-end included the following:

	Capital Assets (Net of Depreciation)	
	2016	2015
Land	\$ 555,563	\$ 555,563
Buildings and improvements	18,190,528	18,533,130
Buses and vehicles	151,383	195,419
Furniture and equipment	1,544,087	1,652,904
Total capital assets, net	<u>\$ 20,441,561</u>	<u>\$ 20,937,016</u>

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

Long-term Debt. At the end of the current fiscal year, the District had total long-term debt outstanding of \$17,156,746. Long-term debt at fiscal year-end included the following:

	Long-term Debt	
	2016	2015
Bonds payable	\$15,775,000	\$17,730,000
Installment purchase agreements	54,000	72,000
Unamortized discounts/premiums	1,169,394	51,804
Compensated absences	158,352	149,405
Total long-term debt	<u>\$ 17,156,746</u>	<u>\$ 18,003,209</u>

The District's total debt decreased by \$846,463 during the current fiscal year due to the District making scheduled debt payments. The District refunded its outstanding 2008 general obligation bonds by issuing 2016 refunding bonds. The refunding resulted in substantial interest savings to the District over the remaining life of the bonds. Additional information on the District's long-term debt can be found in Note 7.

Factors Bearing on the District's Future

- Public schools in Michigan rely on either increased student enrollment or increases to the State funding to grow their operating budgets. Saugatuck is budgeting a flat enrollment of 845 students for next fiscal year. Enrollments are verified in October.
- The current teachers bargaining agreement expired on June 30, 2016 and at this time has not yet been ratified. Impact to the current budget will be dependent upon a ratified contract for wages. Insurance was settled prior to June 30 and was included in the adopted budget.

SAUGATUCK PUBLIC SCHOOLS

Management's Discussion and Analysis

- State Aid Health Insurance caps continue to grow at the rate of 2.3% per year. This combined with new ACA requirements to expand coverage for individuals not previously awarded benefits increased the budget by \$40,000.
- Federal Grant sources continue to decrease incrementally each year, pushing the costs over to general operating funds, in lieu of eliminating or reducing programs.
- State Resources continue to be inadequate to keep up with inflation, state insurance cap increases, and mandated retirement expense. The foundation allowance will increase by \$60 per pupil which is \$50,700 for the fiscal year.
- The District continues to leverage partnerships with area public schools for reducing non-instructional expenditures. The District currently participates in multi-school consortiums for technology support, and partners with three other public schools to share a food service director, bus mechanic, auxiliary staff services and custodial cleaning.

Requests for Information

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

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

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BASIC FINANCIAL STATEMENTS

SAUGATUCK PUBLIC SCHOOLS

Statement of Net Position June 30, 2016

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,164,802
Investments	1,632,586
Receivables	593,934
Inventories	2,479
Capital assets not being depreciated	555,563
Capital assets being depreciated, net	<u>19,885,998</u>
Total assets	<u>23,835,362</u>
Deferred outflows of resources	
Deferred charge on advance bond refundings, net	1,176,641
Deferred pension amounts	<u>2,024,587</u>
Total deferred outflows of resources	<u>3,201,228</u>
Liabilities	
Accounts payable and accrued liabilities	998,224
Unearned revenue	9,080
Long-term debt:	
Due within one year	1,325,144
Due in more than one year	15,831,602
Net pension liability	<u>13,373,093</u>
Total liabilities	<u>31,537,143</u>
Deferred inflows of resources	
Deferred pension amounts	44,658
Net position	
Net investment in capital assets	4,815,976
Restricted for:	
Food service operations	66,800
Community recreation programs	162,697
Capital improvements	260,610
Debt service	321,050
Unrestricted (deficit)	<u>(10,172,344)</u>
Total net position	<u>\$ (4,545,211)</u>

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

SAUGATUCK PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2016

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 5,885,462	\$ 20,546	\$ 1,178,971	\$ (4,685,945)
Supporting services	3,138,273	48,557	770,416	(2,319,300)
Athletics	279,318	41,816	-	(237,502)
Community services	163,454	40,533	655	(122,266)
Food service	275,970	109,705	162,025	(4,240)
Interest on long-term debt	426,185	-	3,082	(423,103)
Unallocated depreciation	735,611	-	-	(735,611)
Total governmental activities	\$ 10,904,273	\$ 261,157	\$ 2,115,149	(8,527,967)
General revenues				
Property taxes				8,046,717
Unrestricted State school aid				1,207,672
Unrestricted investment earnings				7,468
Other revenues				16,233
Total general revenues				9,278,090
Change in net position				750,123
Net position, beginning of year				(5,295,334)
Net position, end of year				\$ (4,545,211)

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

SAUGATUCK PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2016

	General Fund	Bond Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 42,648	\$ 430,872	\$ 691,282	\$ 1,164,802
Investments	1,632,586	-	-	1,632,586
Accounts receivable	6,601	3,569	-	10,170
Due from other governments	583,764	-	-	583,764
Inventories	-	-	2,479	2,479
Total assets	\$ 2,265,599	\$ 434,441	\$ 693,761	\$ 3,393,801
Liabilities				
Accounts payable	\$ 11,802	\$ -	\$ 4,432	\$ 16,234
Due to other governments	102,120	-	-	102,120
Accrued liabilities	766,479	-	-	766,479
Unearned revenue	6,026	-	3,054	9,080
Total liabilities	886,427	-	7,486	893,913
Fund balances				
Nonspendable	-	-	2,479	2,479
Restricted	-	434,441	683,796	1,118,237
Unassigned	1,379,172	-	-	1,379,172
Total fund balances	1,379,172	434,441	686,275	2,499,888
Total liabilities and fund balances	\$ 2,265,599	\$ 434,441	\$ 693,761	\$ 3,393,801

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

SAUGATUCK PUBLIC SCHOOLS

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2016

Fund balances - total governmental funds	\$ 2,499,888
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statements.	
Capital assets not being depreciated	555,563
Capital assets being depreciated, net	19,885,998
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and installment purchase agreements	(15,829,000)
Unamortized discounts/premiums on bonds	(1,169,394)
Unamortized deferred charge on bond refunding	1,176,641
Accrued interest on bonds and installment purchase agreements	(113,391)
Compensated absences	(158,352)
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(13,373,093)
Deferred outflows related to the net pension liability	2,024,587
Deferred inflows related to the net pension liability	(44,658)
Net position of governmental activities	<u><u>\$ (4,545,211)</u></u>

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

SAUGATUCK PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2016

	General Fund	Bond Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 6,424,135	\$ 2,048,696	\$ 577,611	\$ 9,050,442
State sources	2,225,887	-	9,567	2,235,454
Federal sources	216,042	-	152,458	368,500
Total revenues	8,866,064	2,048,696	739,636	11,654,396
Expenditures				
Current:				
Instruction	5,546,213	-	-	5,546,213
Supporting services	2,983,060	-	-	2,983,060
Athletics	268,986	-	-	268,986
Community services	1,456	-	156,017	157,473
Food service	-	-	269,511	269,511
Debt service:				
Principal	18,000	1,075,000	-	1,093,000
Interest and fiscal charges	1,821	465,949	-	467,770
Capital outlay	20,008	-	323,684	343,692
Total expenditures	8,839,544	1,540,949	749,212	11,129,705
Revenues over (under) expenditures	26,520	507,747	(9,576)	524,691
Other financing sources (uses)				
Transfers in	45,022	-	-	45,022
Transfers out	-	-	(45,022)	(45,022)
Issuance of refunding bonds payable	-	8,640,000	-	8,640,000
Payment to refunding bond escrow	-	(10,379,954)	-	(10,379,954)
Premium on issuance of refunding bonds	-	1,275,703	-	1,275,703
Total other financing sources (uses)	45,022	(464,251)	(45,022)	(464,251)
Net changes in fund balances	71,542	43,496	(54,598)	60,440
Fund balances, beginning of year	1,307,630	390,945	740,873	2,439,448
Fund balances, end of year	\$ 1,379,172	\$ 434,441	\$ 686,275	\$ 2,499,888

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

SAUGATUCK PUBLIC SCHOOLS

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds	\$ 60,440
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital assets purchased/constructed	240,156
Depreciation expense	(735,611)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but a reduction in long-term debt on the statement of net position.	
Issuance of refunding bonds payable	(8,640,000)
Payment to refunding bond escrow agent	10,379,954
Premium on current bond refunding	(1,275,703)
Principal payments on long-term debt	1,093,000
Amortization of bond premiums and discounts, net	106,309
Amortization of deferred charge on bond refunding	(47,041)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Change in the net pension liability and related deferred amounts	(404,751)
Change in accrued interest payable on long-term debt	(17,683)
Change in the accrual for compensated absences	(8,947)
	<hr/>
Change in net position of governmental activities	<u>\$ 750,123</u>

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

SAUGATUCK PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 6,556,480	\$ 6,385,358	\$ 6,424,135	\$ 38,777
State sources	1,731,373	2,233,153	2,225,887	(7,266)
Federal sources	214,278	227,062	216,042	(11,020)
Total revenues	8,502,131	8,845,573	8,866,064	20,491
Expenditures				
Current:				
Instruction	5,461,159	5,587,154	5,546,213	(40,941)
Supporting services	2,940,777	3,039,921	2,983,060	(56,861)
Athletics	260,262	267,224	268,986	1,762
Community services	-	1,456	1,456	-
Debt service:				
Principal	18,000	18,000	18,000	-
Interest and fiscal charges	2,300	1,800	1,821	21
Capital outlay	-	20,009	20,008	(1)
Total expenditures	8,682,498	8,935,564	8,839,544	(96,020)
Revenues over (under) expenditures	(180,367)	(89,991)	26,520	116,511
Other financing sources				
Transfers in	40,000	46,056	45,022	(1,034)
Net changes in fund balance	(140,367)	(43,935)	71,542	115,477
Fund balance, beginning of year	1,307,630	1,307,630	1,307,630	-
Fund balance, end of year	\$ 1,167,263	\$ 1,263,695	\$ 1,379,172	\$ 115,477

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

SAUGATUCK PUBLIC SCHOOLS

Statement of Fiduciary Assets and Liabilities

Agency Fund
June 30, 2016

	Student Activities Fund
Assets	
Cash and cash equivalents	<u>\$ 218,198</u>
Liabilities	
Due to student groups	<u>\$ 218,198</u>

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

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NOTES TO FINANCIAL STATEMENTS

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Reporting Entity

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2016.

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

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

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

The District reports the following major governmental funds:

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

Budgets and Budgetary Accounting

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

1. The Superintendent submits to the Board a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all governmental funds.
5. Adoption and amendments of all budgets used by the District are governed by Public Act 621, which was followed for the year ended June 30, 2016. Expenditures may not exceed appropriations at the function level. The appropriations resolutions are based on the projected expenditures budget of the department heads of the District. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Encumbrances

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

Property Taxes

Property taxes are recognized as revenue in the general and debt service funds on a levy year basis. The 2015 levy amounts are recognized as current property tax revenue to the extent that they are collected during the year or within sixty days after year-end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues in the year collected. Property taxes are levied December 1 on the assessed valuation of property located in the District as of the preceding December 31, the lien date. Assessed values are established annually by the various governmental units within the District and are equalized by the State of Michigan.

Cash and Cash Equivalents

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

Investments

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

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

Receivables

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

Inventories

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

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 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 value at the date of donation.

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

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

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

Deferred Outflows of Resources

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

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

Salaries Payable and Accrued Employee Benefits

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

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

Compensated Absences

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

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

Deferred Inflows of Resources

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

Long-term Obligations

Bond premiums and discounts are deferred and amortized over the life of the related bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

Bonded Construction Costs and Sinking Funds

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

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

Fund Equity

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

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

Interfund Transactions

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

Pensions

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

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

Use of Estimates

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

2. STATE OF MICHIGAN SCHOOL AID

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan school aid appropriation acts. State funding represented 25% of the District’s general fund revenue during the 2016 fiscal year.

3. ACCOUNTABILITY AND BUDGETARY COMPLIANCE

Excess of Expenditures over Appropriations in Budgetary Funds

For the year ended June 30, 2016, the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund			
Supporting services:			
Instructional staff	\$ 131,159	\$ 132,206	\$ 1,047
General administration	295,059	295,833	774
Athletics	267,224	268,986	1,762
Debt service:			
Interest expense	19,800	19,821	21

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

4. DEPOSITS AND INVESTMENTS

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

	Governmental Activities	Fiduciary Fund	Total
Cash and cash equivalents	\$ 1,164,802	\$ 218,198	\$ 1,383,000
Investments	1,632,586	-	1,632,586
Total	\$ 2,797,388	\$ 218,198	\$ 3,015,586

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

Checking and savings accounts	\$ 1,382,600
Investments - mutual funds	1,632,586
Cash on hand	400
Total	\$ 3,015,586

State statutes authorize the District to invest in:

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

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

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

Investment and Deposit Risk

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

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the District's investment policy. As of year-end, \$1,189,639 of the District's bank balance of \$1,439,639 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

5. CAPITAL ASSETS

A summary of changes in capital assets activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 555,563	\$ -	\$ -	\$ -	\$ 555,563
Capital assets, being depreciated:					
Buildings and improvements	25,618,525	221,254	-	-	25,839,779
Buses and vehicles	697,333	-	-	-	697,333
Furniture and equipment	3,031,612	18,902	-	-	3,050,514
	<u>29,347,470</u>	<u>240,156</u>	<u>-</u>	<u>-</u>	<u>29,587,626</u>
Less accumulated depreciation for:					
Buildings and improvements	(7,085,395)	(563,856)	-	-	(7,649,251)
Buses and vehicles	(501,914)	(44,036)	-	-	(545,950)
Furniture and equipment	(1,378,708)	(127,719)	-	-	(1,506,427)
	<u>(8,966,017)</u>	<u>(735,611)</u>	<u>-</u>	<u>-</u>	<u>(9,701,628)</u>
Total capital assets being depreciated, net	<u>20,381,453</u>	<u>(495,455)</u>	<u>-</u>	<u>-</u>	<u>19,885,998</u>
Governmental activities capital assets, net	<u>\$ 20,937,016</u>	<u>\$ (495,455)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,441,561</u>

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

The District has outstanding construction commitments for a paving and flooring projects in the amount of approximately \$57,000. These projects were not started prior to year-end.

6. TRANSFERS

For the year ended June 30, 2016, interfund transfers consisted of the following:

Transfers in	Transfers Out
	Nonmajor Governmental Funds
General fund	<u>\$ 45,022</u>

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

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

7. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2016:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 17,730,000	\$ 8,640,000	\$ (10,595,000)	\$ 15,775,000	\$ 1,185,000
Installment purchase agreement	72,000	-	(18,000)	54,000	18,000
Total installment debt	17,802,000	8,640,000	(10,613,000)	15,829,000	1,203,000
Unamortized discounts / premiums on bonds	51,804	1,275,703	(158,113)	1,169,394	106,309
Compensated absences	149,405	31,952	(23,005)	158,352	15,835
Total long-term debt	\$ 18,003,209	\$ 9,947,655	\$ (10,794,118)	\$ 17,156,746	\$ 1,325,144

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

	Ending Balance	Due Within One Year
\$11,905,000 2008 building site general obligation unlimited tax bonds for the purpose of defraying all or part of the cost of constructing remodeling and equipping, or reequipping, school facilities, due in annual installments of \$200,000 to \$425,000 plus interest ranging from 3.500 to 3,750%, payable semi-annually through May 1, 2018.	\$ 785,000	\$ 360,000
\$1,185,000 2013 school improvement and bus general obligation unlimited tax bonds for the purpose of acquiring, installing and equipping educational technology for school facilities, and purchasing equipment, furnishings, and school buses, due in annual installments of \$235,000 to \$240,000 plus interest ranging from 0.750 to 1.300%, payable semi-annually through May 1, 2018.	480,000	240,000
\$6,410,000 2015 refunding bonds for the purpose of refunding the 2005 general obligation unlimited tax bonds, due in annual installments of \$540,000 to \$820,000 plus interest at 1.840%, payable semi-annually through May 1, 2024.	5,870,000	585,000
\$8,640,00 2016 refunding bonds for the purpose of partially refunding the 2008 general obligation unlimited tax bonds, due in annual installments of to \$325,000 to \$1,590,000 plus interest at 4.00%, payable semi-annually through May 1, 2028.	8,640,000	-

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

	Ending Balance	Due Within One Year
\$128,000 installment purchase agreement for new boiler in Saugatuck High School, due in annual installments of \$18,000 to \$20,000 plus interest at 2.490%, payable annually through May 1, 2019.	\$ 54,000	\$ 18,000
Total installment debt	\$ 15,829,000	\$ 1,203,000

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

Year Ended June 30,	Principal	Interest	Total
2017	\$ 1,203,000	\$ 525,791	\$ 1,728,791
2018	1,228,000	462,798	1,690,798
2019	1,093,000	433,264	1,526,264
2020	1,120,000	406,016	1,526,016
2021	1,185,000	377,848	1,562,848
2022-2026	6,860,000	1,369,576	8,229,576
2027-2028	3,140,000	189,200	3,329,200
	<u>\$ 15,829,000</u>	<u>\$ 3,764,493</u>	<u>\$ 19,593,493</u>

Compensated absences are generally liquidated by the general fund.

Advance Refunding. During fiscal year 2016, the District issued \$8,640,000 of 2016 refunding bonds to provide resources to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments on \$9,520,000 of partially refunded 2008 general obligation limited tax bonds. At June 30, 2016, \$9,520,000 of defeased bonds were outstanding with a scheduled call date of May 1, 2018. The refunding resulted in a savings of \$942,443 and an economic gain of \$791,232.

8. RETIREMENT PLAN

Plan Description

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

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.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

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 for are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Contributions and Funded Status

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21-year period for the 2015 fiscal year.

The table below summarizes pension contribution rates in effect for fiscal year 2015.

Benefit Structure	Member Rates	Employer Rates
Basic	0.0% - 4.0%	22.52% - 23.07%
Member Investment Plan (MIP)	3.0% - 7.0%	22.52% - 23.07%
Pension Plus	3.0% - 6.4%	21.99%
Defined Contribution	0.0%	17.72% - 18.76%

The District's contribution to MPSERS under all pension plans for the year ended June 30, 2016 was \$1,219,126.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

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

At June 30, 2016, the District reported a liability of \$13,373,093 for its proportionate share of the MPERS 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 rolled forward from September 2014. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, the District's proportion was 0.05475%, which was an increase of 0.00273% from its proportion measured as of September 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$1,267,039. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 44,296	\$ (44,296)
Changes in assumptions	329,274	-	329,274
Net difference between projected and actual earnings on pension plan investments	68,259	-	68,259
Changes in proportion and differences between employer contributions and proportionate share of contributions	508,365	362	508,003
	<u>905,898</u>	<u>44,658</u>	<u>861,240</u>
District contributions subsequent to the measurement date	1,118,689	-	1,118,689
	<u>1,118,689</u>	<u>-</u>	<u>1,118,689</u>
Total	<u>\$ 2,024,587</u>	<u>\$ 44,658</u>	<u>\$ 1,979,929</u>

\$1,118,689 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 as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2017	\$ 174,253
2018	174,253
2019	156,390
2020	<u>356,344</u>
Total	<u>\$ 861,240</u>

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	3.5%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	8.0%
Pension Plus plan (hybrid)	7.5%
Projected salary increases	3.5% - 12.3%, including wage inflation at 3.5%
Cost of living adjustments	3% annual non-compounded for MIP members
Mortality	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2014, and rolled forward using generally accepted actuarial procedures, including the experience study.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

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 Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.90%	1.64%
Alternative investment pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.90%	0.09%
Real estate and infrastructure pools	10.00%	4.30%	0.43%
Absolute return pools	15.50%	6.00%	0.93%
Short-term investment pools	2.00%	0.00%	0.00%
	<u>100.00%</u>		<u>5.90%</u>
Inflation			<u>2.10%</u>
Investment rate of return			<u>8.00%</u>

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 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 (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
District's proportionate share of the net pension liability	\$ 17,241,345	\$ 13,373,093	\$ 10,111,998

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2016, the District reported a payable of \$159,022 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2016.

Other Postemployment Benefits

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the *Premium Subsidy* plan, a defined benefit postemployment healthcare plan, which is funded by employers on a cash disbursement basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 2.71% to 6.83% of covered payroll. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that covers up to 80% of cost.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

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

The District's contributions to MPSERS for other postemployment benefits amounted to \$460,977 for the year ended June 30, 2016.

9. FUND BALANCE

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

	General Fund	Bond Debt Service	Nonmajor Governmental Funds	Total
Nonspendable				
Inventories	\$ -	\$ -	\$ 2,479	\$ 2,479
Restricted				
Debt service	-	434,441	-	434,441
Food service operations	-	-	64,321	64,321
Community recreation programs	-	-	162,697	162,697
Capital improvements	-	-	456,778	456,778
Total restricted	-	434,441	683,796	1,118,237
Unassigned	1,379,172	-	-	1,379,172
Total fund balances - governmental funds	\$ 1,379,172	\$ 434,441	\$ 686,275	\$ 2,499,888

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

10. NET INVESTMENT IN CAPITAL ASSETS

The composition of the District's net investment in capital assets as of June 30, 2016, was as follows:

	Governmental Activities
Capital assets:	
Capital assets not being depreciated	\$ 555,563
Capital assets being depreciated, net	19,885,998
	<u>20,441,561</u>
Related debt:	
Total bonds and installment purchase agreements	15,829,000
Unexpended bond proceeds	(196,168)
Unamortized bond premiums/discounts, net	1,169,394
Deferred charge on bond refunding	(1,176,641)
	<u>15,625,585</u>
Net investment in capital assets	<u>\$ 4,815,976</u>

11. CONTINGENCIES

Federal Grant Programs

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

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2016, the District carried commercial insurance and participated in a public entity risk pool. The District has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.



REQUIRED SUPPLEMENTARY INFORMATION

SAUGATUCK PUBLIC SCHOOLS

Required Supplementary Information MPERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30,	
	2015	2016
District's proportionate share of the net pension liability	\$ 11,459,101	\$ 13,373,093
District's proportion of the net pension liability	0.05202%	0.05475%
District's covered-employee payroll	4,465,700	4,602,646
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	256.60%	290.55%
Plan fiduciary net position as a percentage of the total pension liability	66.20%	63.17%

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

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

SAUGATUCK PUBLIC SCHOOLS

Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of District Contributions

	Year Ended June 30,	
	2015	2016
Contractually required contribution	\$ 1,019,036	\$ 1,219,126
Contributions in relation to the contractually required contribution	<u>(1,019,036)</u>	<u>(1,219,126)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	4,680,682	4,869,239
Contributions as a percentage of covered employee payroll	29.83%	25.04%

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

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

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GENERAL FUND

SAUGATUCK PUBLIC SCHOOLS

Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Property taxes	\$ 5,730,032	\$ 5,571,961	\$ 5,575,518	\$ 3,557
Act 18	674,777	655,381	672,851	17,470
Tuition	63,940	58,443	62,114	3,671
Rentals	3,000	3,855	4,455	600
Earnings on investments	1,500	5,000	6,335	1,335
Other local sources	83,231	90,718	102,862	12,144
Total local sources	6,556,480	6,385,358	6,424,135	38,777
State sources:				
State School Aid	1,731,373	2,233,153	2,225,887	(7,266)
Federal sources:				
Title I	65,901	77,544	67,355	(10,189)
Title II-A	17,718	18,867	18,321	(546)
Special education (IDEA)	129,584	129,584	129,584	-
Other federal sources	1,075	1,067	782	(285)
Total federal sources	214,278	227,062	216,042	(11,020)
Total revenues	8,502,131	8,845,573	8,866,064	20,491
Expenditures				
Instruction:				
Basic programs:				
Elementary	2,008,779	1,953,598	1,929,700	(23,898)
Middle school	856,589	836,341	833,406	(2,935)
High school	1,938,195	2,053,829	2,077,289	23,460
Pre-kindergarten	56,195	54,057	53,132	(925)
Summer school	8,225	4,957	4,955	(2)
Total basic programs	4,867,983	4,902,782	4,898,482	(4,300)

continued...

SAUGATUCK PUBLIC SCHOOLS

Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (continued)				
Instruction (concluded):				
Added needs:				
Special education	\$ 527,275	\$ 501,451	\$ 474,986	\$ (26,465)
Compensatory education	65,901	182,921	172,745	(10,176)
Total added needs	<u>593,176</u>	<u>684,372</u>	<u>647,731</u>	<u>(36,641)</u>
Total instruction	<u>5,461,159</u>	<u>5,587,154</u>	<u>5,546,213</u>	<u>(40,941)</u>
Supporting services:				
Pupil services:				
Guidance services	155,581	163,587	159,950	(3,637)
Health services	18,100	18,200	18,537	337
Psychology services	89,662	91,232	89,645	(1,587)
Speech services	125,709	128,715	125,849	(2,866)
Social work services	83,362	74,721	74,643	(78)
Other pupil services	74,272	122,046	120,924	(1,122)
Total pupil services	<u>546,686</u>	<u>598,501</u>	<u>589,548</u>	<u>(8,953)</u>
Instructional staff:				
Improvement of instruction	49,157	67,608	67,746	138
Media center	33,300	33,283	34,472	1,189
Student assessment	8,343	8,168	8,017	(151)
Other staff services	22,100	22,100	21,971	(129)
Total instructional staff	<u>112,900</u>	<u>131,159</u>	<u>132,206</u>	<u>1,047</u>
General administration:				
Board of Education	25,600	40,230	41,100	870
Executive administration	246,478	254,829	254,733	(96)
Total general administration	<u>272,078</u>	<u>295,059</u>	<u>295,833</u>	<u>774</u>
School administration:				
Office of the Principal	<u>605,089</u>	<u>576,729</u>	<u>572,486</u>	<u>(4,243)</u>
Business services:				
Fiscal services	212,720	220,131	215,639	(4,492)
Other business services	66,538	66,538	65,808	(730)
Total business services	<u>279,258</u>	<u>286,669</u>	<u>281,447</u>	<u>(5,222)</u>

continued...

SAUGATUCK PUBLIC SCHOOLS

Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Supporting services (concluded):				
Operation and maintenance	\$ 666,411	\$ 681,782	\$ 669,771	\$ (12,011)
Pupil transportation	281,446	287,815	271,338	(16,477)
Other support services:				
Communications	29,009	29,345	25,695	(3,650)
Staff services	6,500	11,242	9,787	(1,455)
Technology	141,400	140,400	133,737	(6,663)
Pupil accounting	-	1,220	1,212	(8)
Total other support services	176,909	182,207	170,431	(11,776)
Total supporting services	2,940,777	3,039,921	2,983,060	(56,861)
Athletics	260,262	267,224	268,986	1,762
Community services:				
Non-public school pupils	-	1,456	1,456	-
Debt service:				
Principal	18,000	18,000	18,000	-
Interest and fiscal charges	2,300	1,800	1,821	21
Total debt service	20,300	19,800	19,821	21
Capital outlay	-	20,009	20,008	(1)
Total expenditures	8,682,498	8,935,564	8,839,544	(96,020)
Revenues over (under) expenditures	(180,367)	(89,991)	26,520	116,511
Other financing sources				
Transfers in	40,000	46,056	45,022	(1,034)
Net changes in fund balance	(140,367)	(43,935)	71,542	115,477
Fund balance, beginning of year	1,307,630	1,307,630	1,307,630	-
Fund balance, end of year	\$ 1,167,263	\$ 1,263,695	\$ 1,379,172	\$ 115,477

concluded

NONMAJOR GOVERNMENTAL FUNDS

SAUGATUCK PUBLIC SCHOOLS

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2016

	Special Revenue		Capital Projects
	Food Service	Community Recreation	Building and Site Sinking Fund
Assets			
Cash and cash equivalents	\$ 71,807	\$ 162,697	\$ 260,610
Inventories	2,479	-	-
Total assets	<u>\$ 74,286</u>	<u>\$ 162,697</u>	<u>\$ 260,610</u>
Liabilities			
Accounts payable	\$ 4,432	\$ -	\$ -
Unearned revenue	3,054	-	-
Total liabilities	<u>7,486</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	2,479	-	-
Restricted	64,321	162,697	260,610
Total fund balances	<u>66,800</u>	<u>162,697</u>	<u>260,610</u>
Total liabilities and fund balances	<u>\$ 74,286</u>	<u>\$ 162,697</u>	<u>\$ 260,610</u>



Capital Projects

2013 Bond Capital Projects	Total
\$ 196,168	\$ 691,282
-	2,479
<u>\$ 196,168</u>	<u>\$ 693,761</u>
\$ -	\$ 4,432
-	3,054
<u>-</u>	<u>7,486</u>
-	2,479
196,168	683,796
<u>196,168</u>	<u>686,275</u>
<u>\$ 196,168</u>	<u>\$ 693,761</u>

SAUGATUCK PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue		Capital Projects
	Food Service	Community Recreation	Building and Site Sinking Fund
Revenues			
Local sources:			
Property taxes	\$ -	\$ 141,956	\$ 283,629
Food sales	108,374	-	-
Charges	-	40,533	-
Earnings on investments	214	652	141
Other revenue	1,331	655	-
Total local sources	<u>109,919</u>	<u>183,796</u>	<u>283,770</u>
State sources	9,567	-	-
Federal sources	152,458	-	-
Total revenues	<u>271,944</u>	<u>183,796</u>	<u>283,770</u>
Expenditures			
Current:			
Food service	269,511	-	-
Community services	-	156,017	-
Capital outlay	-	-	279,023
Total expenditures	<u>269,511</u>	<u>156,017</u>	<u>279,023</u>
Revenues over (under) expenditures	2,433	27,779	4,747
Other financing uses			
Transfers out	(21,366)	(23,656)	-
Net change in fund balances	(18,933)	4,123	4,747
Fund balances, beginning of year	<u>85,733</u>	<u>158,574</u>	<u>255,863</u>
Fund balances, end of year	<u>\$ 66,800</u>	<u>\$ 162,697</u>	<u>\$ 260,610</u>



Capital Projects

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

\$ -	\$ 425,585
-	108,374
-	40,533
126	1,133
-	1,986
<hr/>	<hr/>
126	577,611
-	9,567
-	152,458
<hr/>	<hr/>
126	739,636

-	269,511
-	156,017
44,661	323,684
<hr/>	<hr/>
44,661	749,212

(44,535) (9,576)

-	(45,022)
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(44,535) (54,598)

240,703	740,873
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<u>\$ 196,168</u>	<u>\$ 686,275</u>
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SAUGATUCK PUBLIC SCHOOLS

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Food Service Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Food sales	\$ 118,700	\$ 115,200	\$ 108,374	\$ (6,826)
Earnings on investments	275	200	214	14
Other	1,000	600	1,331	731
Total local sources	<u>119,975</u>	<u>116,000</u>	<u>109,919</u>	<u>(6,081)</u>
State sources - State School Aid	<u>13,500</u>	<u>9,566</u>	<u>9,567</u>	<u>1</u>
Federal sources:				
Federal aid received through the State	120,525	130,150	134,160	4,010
USDA donated commodities	19,000	19,000	18,298	(702)
Total federal sources	<u>139,525</u>	<u>149,150</u>	<u>152,458</u>	<u>3,308</u>
Total revenues	273,000	274,716	271,944	(2,772)
Expenditures				
Current - food service	<u>270,394</u>	<u>270,400</u>	<u>269,511</u>	<u>(889)</u>
Revenues over (under) expenditures	2,606	4,316	2,433	(1,883)
Other financing uses				
Transfers out	<u>(22,400)</u>	<u>(22,400)</u>	<u>(21,366)</u>	<u>1,034</u>
Net changes in fund balance	(19,794)	(18,084)	(18,933)	(849)
Fund balance, beginning of year	<u>85,733</u>	<u>85,733</u>	<u>85,733</u>	<u>-</u>
Fund balance, end of year	<u>\$ 65,939</u>	<u>\$ 67,649</u>	<u>\$ 66,800</u>	<u>\$ (849)</u>

SAUGATUCK PUBLIC SCHOOLS

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Community Recreation Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Property taxes	\$ 140,313	\$ 141,954	\$ 141,956	\$ 2
Charges	33,930	35,225	40,533	5,308
Earnings on investments	500	540	652	112
Other	257	655	655	-
Total revenues	175,000	178,374	183,796	5,422
Expenditures				
Current - community services	157,029	161,808	156,017	(5,791)
Revenues over (under) expenditures	17,971	16,566	27,779	11,213
Other financing uses				
Transfers out	(17,971)	(23,656)	(23,656)	-
Net changes in fund balance	-	(7,090)	4,123	11,213
Fund balance, beginning of year	158,574	158,574	158,574	-
Fund balance, end of year	\$ 158,574	\$ 151,484	\$ 162,697	\$ 11,213

SAUGATUCK PUBLIC SCHOOLS

Schedule of Changes in Fiduciary Assets and Liabilities

Student Activities Fund by Club/Organization

For the Year Ended June 30, 2016

	July 1, 2015	Additions	Deductions	June 30, 2016
Assets				
Cash and cash equivalents	\$ 176,640	\$ 449,775	\$ (408,217)	\$ 218,198
Liabilities				
Douglas Elementary School:				
3rd grade	\$ 5	\$ 2,156	\$ (1,983)	\$ 178
5th grade	752	5,772	(6,256)	268
Art	1,413	9,307	(3,967)	6,753
Cow Hill Yacht Club	14	-	(14)	-
Dancing for the Arts - student needs	1,000	350	(135)	1,215
Dancing for the Arts - scholarships	1,100	400	(523)	977
Dancing for the Arts V	-	26,218	(26,218)	-
Garden project	407	540	(383)	564
General fund	432	18,652	(15,078)	4,006
Library	2,750	18	(1,885)	883
Lift	2,204	417	(937)	1,684
Music	4,427	8,790	(9,184)	4,033
Preschool	23	2,214	(1,981)	256
Preschool scholarship	2,178	-	(2,178)	-
School store	12	4,424	(3,464)	972
STA scholarships	2,240	4,237	(4,488)	1,989
Student council	-	363	(363)	-
Summer school	150	390	(240)	300
Sunshine fund	-	468	(434)	34
Symphony	1,264	1,826	(1,756)	1,334
Writing fund	30	-	(30)	-
Middle School and High School:				
6th grade camp	1,019	8,722	(9,431)	310
8th grade trip	3,289	13,496	(15,456)	1,329
Accounts payable	-	6,601	-	6,601
American cancer society fundraiser	319	-	-	319
AP testing	1,618	4,409	(4,301)	1,726
Art a loan	7,516	6,036	(5,736)	7,816
Art department	263	380	-	643
Art field trips	8,916	12,897	(13,673)	8,140
Athletic boosters	2,492	38,528	(39,031)	1,989
Athletic fund	1,655	9,201	(2,317)	8,539
Athletic pavers	2,314	800	(84)	3,030
Baseball	3,357	4,792	(4,582)	3,567

continued...

SAUGATUCK PUBLIC SCHOOLS

Schedule of Changes in Fiduciary Assets and Liabilities

Student Activities Fund by Club/Organization

For the Year Ended June 30, 2016

	July 1, 2015	Additions	Deductions	June 30, 2016
Liabilities (continued)				
Middle School and High School (continued):				
Board of Justice	\$ -	\$ 1,710	\$ (1,710)	\$ -
Boys basketball	210	5,892	(5,393)	709
Chromebook deposits	8,352	7,570	(15,922)	-
Class of 2014	1,930	-	-	1,930
Class of 2015	1,555	-	-	1,555
Class of 2016	936	-	(358)	578
Class of 2017	2,610	3,265	(2,500)	3,375
Class of 2018	700	990	-	1,690
Class of 2019	-	1,155	-	1,155
Cross country	1,549	3,509	(3,733)	1,325
Drama club	247	1,791	(2,037)	1
Field maintenance - baseball	1,146	300	(300)	1,146
FIRST Robotics	-	7,530	(5,829)	1,701
Fitness center	15,805	32,655	(24,291)	24,169
Football	3,699	14,042	(13,530)	4,211
Girls basketball	830	4,636	(5,317)	149
Golf	543	1,026	(704)	865
Great expectations	535	-	-	535
Gym rental	1,771	300	(2,013)	58
Interact	4,674	6,386	(2,744)	8,316
Interest account	405	96	-	501
Logowear	1,784	7,123	(7,203)	1,704
Materials deposit	15,770	440	-	16,210
Memorials	1,014	-	-	1,014
Middle school art	1,493	120	-	1,613
Middle school store	915	-	(146)	769
Middle school student council	806	-	(493)	313
Miscellaneous	1,457	3,021	(3,777)	701
Music boosters	12,340	43,696	(45,500)	10,536
National Honor Society	776	707	(418)	1,065
Need to know	948	136	(319)	765
Outdoor learning center	2,570	-	(194)	2,376
Parking lot	(13)	13	(190)	(190)
Salmon account	101	600	(87)	614
Saugatuck Educators Association	150	-	-	150
Senior parents Class of 2015	77	372	(372)	77
Senior parents Class of 2016	3,680	1,013	(3,878)	815
Senior parents Class of 2017	2,410	1,541	(428)	3,523

continued...

SAUGATUCK PUBLIC SCHOOLS

Schedule of Changes in Fiduciary Assets and Liabilities

Student Activities Fund by Club/Organization

For the Year Ended June 30, 2016

	July 1, 2015	Additions	Deductions	June 30, 2016
Liabilities (concluded)				
Middle School and High School (concluded):				
Senior parents Class of 2018	\$ 1,225	\$ 1,155	\$ -	\$ 2,380
Senior parents Class of 2019	-	1,485	-	1,485
Shop	160	10,635	(10,480)	315
Soccer	792	2,759	(2,987)	564
Social worker at risk	4,600	770	(308)	5,062
Softball	1,683	3,401	(3,598)	1,486
Spanish club	2	187	(131)	58
State/Regional meets	504	14,303	(6,902)	7,905
Student teacher account	501	-	-	501
Student council	2,941	2,179	(1,286)	3,834
Student council scholarships	785	-	-	785
Track	2,314	4,792	(4,089)	3,017
Track and field pole vault camp	-	1,794	(1,500)	294
Vending	3,036	3,930	(4,221)	2,745
Volleyball	584	4,122	(2,476)	2,230
Women who care	697	-	-	697
Yearbook and newspaper	2,639	1,875	(1,729)	2,785
Yoga	-	8,501	-	8,501
Youth in government	1,397	13,071	(12,685)	1,783
Parking lot	5,846	30,777	(30,331)	6,292
Total liabilities	\$ 176,640	\$ 449,775	\$ (408,217)	\$ 218,198

concluded

INTERNAL CONTROL AND COMPLIANCE

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

September 19, 2016

Board of Education
Saugatuck Public Schools
Douglas, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Saugatuck Public Schools* (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 19, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rehmann Loborn LLC