

Saugatuck Public
Schools



Year Ended
June 30, 2017

Financial
Statements

SAUGATUCK PUBLIC SCHOOLS

Table of Contents

| | <u>Page</u> |
|--|-------------|
| Independent Auditors' Report | 1 |
| Management's Discussion and Analysis | 3 |
| Basic Financial Statements | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 14 |
| Statement of Activities | 15 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Funds | 16 |
| Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities | 17 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 18 |
| Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities | 19 |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund | 20 |
| Statement of Fiduciary Assets and Liabilities - Agency Fund | 21 |
| Notes to Financial Statements | 23 |
| Required Supplementary Information | |
| MPERS Cost-Sharing Multiple-Employer Plan: | |
| Schedule of the District's Proportionate Share of the Net Pension Liability | 46 |
| Schedule of District Contributions | 47 |
| Combining and Individual Fund Financial Statements and Schedules | |
| General Fund: | |
| Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual | 52 |
| Nonmajor Governmental Funds: | |
| Combining Balance Sheet | 56 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 58 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual: | |
| Food Service Fund | 60 |
| Community Recreation Fund | 61 |
| Student Activities Fund: | |
| Schedule of Changes in Fiduciary Assets and Liabilities by Club/Organization | 62 |

SAUGATUCK PUBLIC SCHOOLS

Table of Contents

| | <u>Page</u> |
|---|-------------|
| Internal Control and Compliance | |
| 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 <i>Government Auditing Standards</i> | 67 |

INDEPENDENT AUDITORS' REPORT

August 25, 2017

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, 2017, 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, 2017, 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.

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 August 25, 2017, 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

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, 2017.

Financial Highlights

- The District's total net position increased by \$797,444.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,695,023, an increase of \$195,135 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,296,317 or 14% 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, community services and food service. The District has no business-type activities as of and for the year ended June 30, 2017.

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, 2017, the District reported a deficit net position of \$(3,747,767). 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 | |
|----------------------------------|-----------------------|-----------------------|
| | 2017 | 2016 |
| Assets | | |
| Current and other assets | \$ 3,677,238 | \$ 3,393,801 |
| Capital assets, net | 19,969,209 | 20,441,561 |
| Total assets | <u>23,646,447</u> | <u>23,835,362</u> |
| | | |
| Deferred outflows of resources | <u>3,248,963</u> | <u>3,201,228</u> |
| | | |
| Liabilities | | |
| Other liabilities | 14,754,492 | 14,380,397 |
| Long-term liabilities | 15,847,942 | 17,156,746 |
| Total liabilities | <u>30,602,434</u> | <u>31,537,143</u> |
| | | |
| Deferred inflows of resources | <u>40,743</u> | <u>44,658</u> |
| | | |
| Net position | | |
| Net investment in capital assets | 5,471,089 | 4,815,976 |
| Restricted | 1,184,004 | 811,157 |
| Unrestricted (deficit) | (10,402,860) | (10,172,344) |
| Total net position | <u>\$ (3,747,767)</u> | <u>\$ (4,545,211)</u> |

SAUGATUCK PUBLIC SCHOOLS

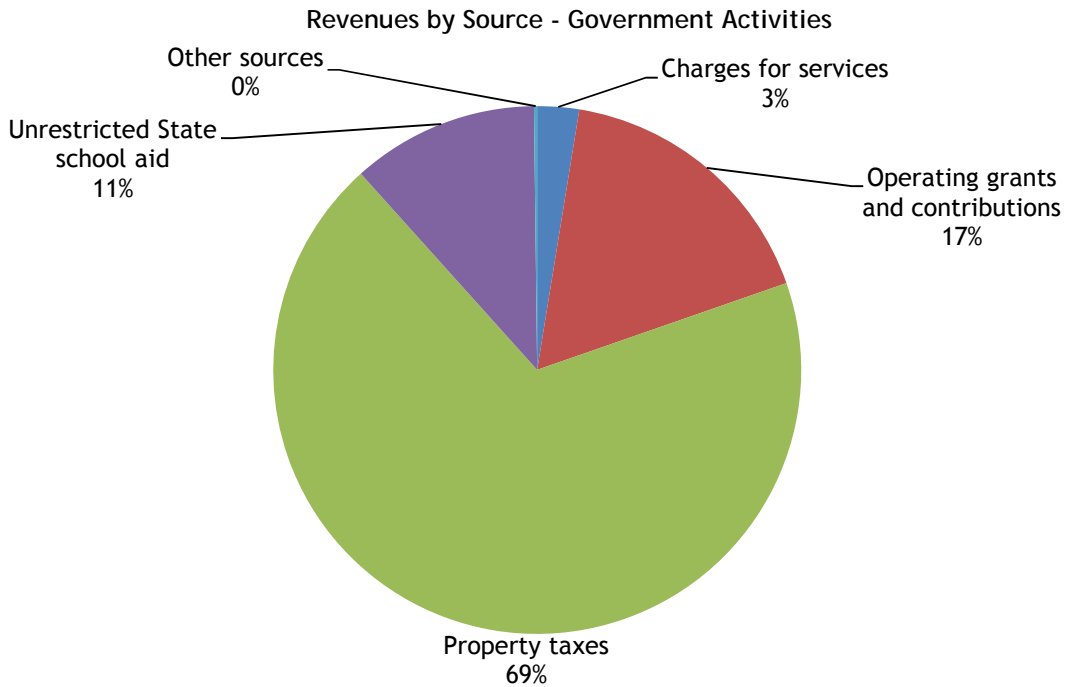
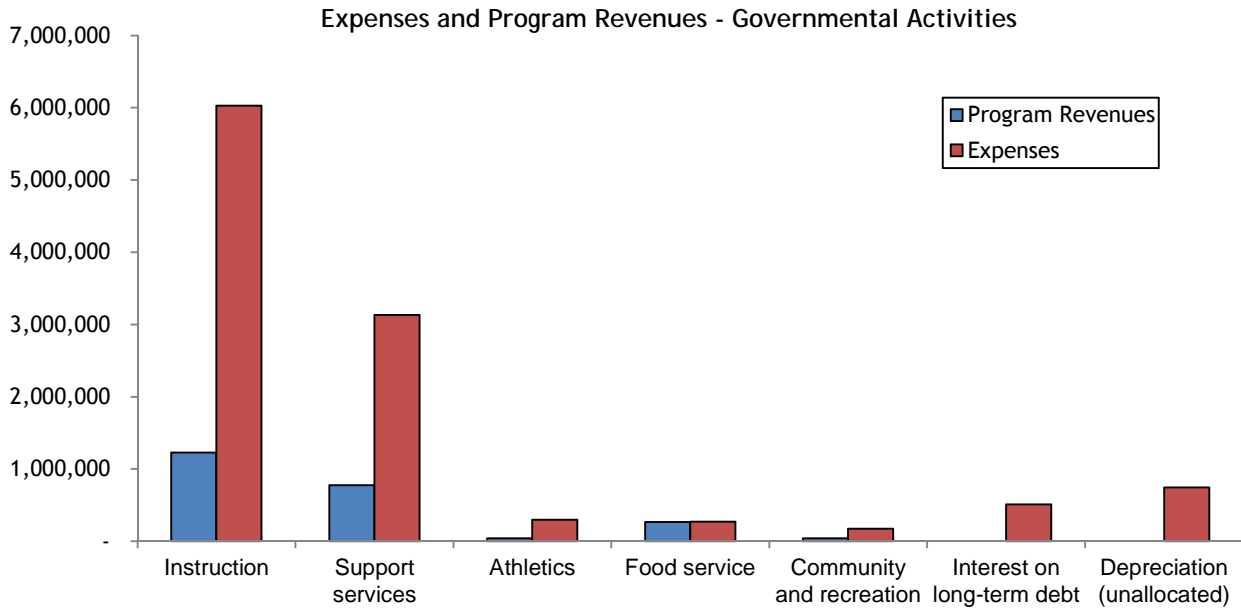
Management's Discussion and Analysis

| | Change in Net Position | |
|--|------------------------------|------------------------------|
| | 2017 | 2016 |
| Revenues | | |
| Program revenues: | | |
| Charges for services | \$ 306,056 | \$ 261,157 |
| Operating grants and contributions | 2,043,838 | 2,115,149 |
| General revenues: | | |
| Property taxes | 8,211,306 | 8,046,717 |
| Unrestricted State school aid | 1,368,515 | 1,207,672 |
| Unrestricted investment earnings | 19,794 | 7,468 |
| Other revenues | 2,926 | 16,233 |
| Total revenues | <u>11,952,435</u> | <u>11,654,396</u> |
| Expenses | | |
| Instruction | 6,027,524 | 5,885,462 |
| Supporting services | 3,132,554 | 3,138,273 |
| Athletics | 296,732 | 279,318 |
| Community services | 173,759 | 163,454 |
| Food service | 271,773 | 275,970 |
| Interest on long-term debt | 509,383 | 426,185 |
| Unallocated depreciation | 743,266 | 735,611 |
| Total expenses | <u>11,154,991</u> | <u>10,904,273</u> |
| Change in net position | 797,444 | 750,123 |
| Net position, beginning of year | <u>(4,545,211)</u> | <u>(5,295,334)</u> |
| Net position, end of year | <u><u>\$ (3,747,767)</u></u> | <u><u>\$ (4,545,211)</u></u> |

Governmental Activities. Net position increased by \$797,444. Revenues increased by \$298,039 primarily due to an increase in unrestricted State Aid. Revenue from the Proposal A Obligation was up \$84,133 caused by the State increasing the per pupil payment from \$213.69 to \$305.94. The District's tax base also increased by 0.85% over the previous fiscal year. The district also received \$55,532 in insurance proceeds related to the impairment and eventual demolition of the old bus garage. Expenditures remained stable, increasing by 2.3% over the prior fiscal year.

SAUGATUCK PUBLIC SCHOOLS

Management's Discussion and Analysis



The District's general fund balance decreased by \$82,855 during the fiscal year. The primary factor impacting the change in fund balance was attributable to the settlement of a three year labor agreement with the teachers union impacting wages and benefits.

SAUGATUCK PUBLIC SCHOOLS

Management's Discussion and Analysis

The fund balance of the bond debt service fund increased by \$408,272. 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 state revenue sources increased from the original budget due to the State's requirement to meet its funding obligations under Proposal A, which is a reciprocal formula when there is a decrease to local property taxes the state will fund the difference to keep the per pupil foundation whole.
- The budget for employee compensation increased \$109,834 from \$4,465,330 to \$4,575,164. This was due to the three year labor contract with the teachers union along with market rate adjustments district-wide.

The District is not permitted to amend the budget after June 30, 2017 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 0.27% and 0.50% of the final amended budget, respectively.

SAUGATUCK PUBLIC SCHOOLS

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, 2017 amounted to \$19,969,209 (net of accumulated depreciation). This investment in capital assets included land, buildings, vehicles and equipment. Significant purchases during the year included site improvements at the high school and middle school buildings and improvements to various sports facilities. Capital assets at fiscal year-end included the following:

| | Capital Assets (Net of Depreciation) | |
|----------------------------------|---|-----------------------------|
| | 2017 | 2016 |
| Land | \$ 555,563 | \$ 555,563 |
| Buildings and improvements | 17,854,896 | 18,190,528 |
| Buses and vehicles | 117,599 | 151,383 |
| Furniture and equipment | 1,441,151 | 1,544,087 |
| Total capital assets, net | <u>\$ 19,969,209</u> | <u>\$ 20,441,561</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 \$15,847,942. Long-term debt at fiscal year-end included the following:

| | Long-term Debt | |
|---------------------------------|-----------------------------|-----------------------------|
| | 2017 | 2016 |
| Bonds payable | \$14,590,000 | \$15,775,000 |
| Installment purchase agreements | 36,000 | 54,000 |
| Unamortized premiums | 1,071,944 | 1,169,394 |
| Compensated absences | 149,998 | 158,352 |
| Total long-term debt | <u>\$ 15,847,942</u> | <u>\$ 17,156,746</u> |

The District's total debt decreased by \$1,308,804 during the current fiscal year due to the District making scheduled debt payments. Additional information on the District's long-term debt can be found in Note 7.

Factors Bearing on the District's Future

- The uncertainty of student foundation funding levels, as well as funding for other K-12 education programs, reflects the economic difficulties faced by the State of Michigan and the District. One of the most important factors affecting the District's budget is student count. General Fund revenue is generated from the State's per pupil allowance, a combination of State aid and property taxes. Under State law, the District cannot assess additional property tax revenue for general operations.

SAUGATUCK PUBLIC SCHOOLS

Management's Discussion and Analysis

- Demographic projections indicate that enrollment is likely to continue growing slowly over the next several years. While this is good news, especially compared to most districts within the State, the lack of stability in the funding stream from the State, and rising costs in many areas including employee health insurance, retirement contribution costs, and utilities, District administration continues to remain diligent in its decision-making as the Board desires to maintain its level of reserves (fund balance). Measures to accomplish this include, but are not limited to, cooperative agreements with the Ottawa Area Intermediate School District as well as neighboring public and parochial schools and strategic changes to how the District handles its non-instructional support services.
- As part of the District's long-term planning, the Board of Education will be considering a bond proposal to address identified and ongoing needs across the district. The Board of Education must decide how to address the facility needs to best prepare students for life. There are also future capital projects necessary to repair and replace certain facilities and equipment.

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 Finance
Saugatuck Public Schools
201 Randolph Street
P.O. Box 818
Douglas, MI 49406

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

SAUGATUCK PUBLIC SCHOOLS

Statement of Net Position

June 30, 2017

| | Governmental Activities |
|---|------------------------------|
| Assets | |
| Cash and cash equivalents | \$ 1,584,197 |
| Investments | 1,573,778 |
| Receivables | 517,255 |
| Inventories | 2,008 |
| Capital assets not being depreciated | 555,563 |
| Capital assets being depreciated, net | <u>19,413,646</u> |
| Total assets | <u>23,646,447</u> |
| Deferred outflows of resources | |
| Deferred charge on advance bond refundings, net | 1,062,254 |
| Deferred pension amounts | <u>2,186,709</u> |
| Total deferred outflows of resources | <u>3,248,963</u> |
| Liabilities | |
| Accounts payable and accrued liabilities | 1,051,501 |
| Unearned revenue | 7,846 |
| Long-term debt: | |
| Due within one year | 1,340,450 |
| Due in more than one year | 14,507,492 |
| Net pension liability | <u>13,695,145</u> |
| Total liabilities | <u>30,602,434</u> |
| Deferred inflows of resources | |
| Deferred pension amounts | <u>40,743</u> |
| Net position | |
| Net investment in capital assets | 5,471,089 |
| Restricted for: | |
| Food service operations | 41,064 |
| Community recreation programs | 158,640 |
| Capital improvements | 218,719 |
| Debt service | 765,581 |
| Unrestricted (deficit) | <u>(10,402,860)</u> |
| Total net position | <u><u>\$ (3,747,767)</u></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, 2017

| Functions / Programs | Expenses | Program Revenues | | Net (Expense) Revenue |
|--------------------------------------|----------------------|----------------------|------------------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | |
| Governmental activities | | | | |
| Instruction | \$ 6,027,524 | \$ 16,879 | \$ 1,210,351 | \$ (4,800,294) |
| Supporting services | 3,132,554 | 111,200 | 663,909 | (2,357,445) |
| Athletics | 296,732 | 41,057 | - | (255,675) |
| Community services | 173,759 | 38,174 | 1,300 | (134,285) |
| Food service | 271,773 | 98,746 | 168,278 | (4,749) |
| Interest on long-term debt | 509,383 | - | - | (509,383) |
| Unallocated depreciation | 743,266 | - | - | (743,266) |
| Total governmental activities | \$ 11,154,991 | \$ 306,056 | \$ 2,043,838 | (8,805,097) |
| General revenues | | | | |
| Property taxes | | | | 8,211,306 |
| Unrestricted State school aid | | | | 1,368,515 |
| Unrestricted investment earnings | | | | 19,794 |
| Other revenues | | | | 2,926 |
| Total general revenues | | | | 9,602,541 |
| Change in net position | | | | 797,444 |
| Net position, beginning of year | | | | (4,545,211) |
| Net position, end of year | | | | \$ (3,747,767) |

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

SAUGATUCK PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2017

| | General Fund | Bond Debt Service | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------|-----------------------------|--------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 181,048 | \$ 842,713 | \$ 560,436 | \$ 1,584,197 |
| Investments | 1,573,778 | - | - | 1,573,778 |
| Accounts receivable | 10,446 | - | - | 10,446 |
| Due from other funds | 750 | - | 1,967 | 2,717 |
| Due from other governments | 506,809 | - | - | 506,809 |
| Inventories | - | - | 2,008 | 2,008 |
| Total assets | \$ 2,272,831 | \$ 842,713 | \$ 564,411 | \$ 3,679,955 |
| Liabilities | | | | |
| Accounts payable | \$ 52,775 | \$ - | \$ 4,872 | \$ 57,647 |
| Due to other governments | 108,774 | - | - | 108,774 |
| Accrued liabilities | 807,948 | - | - | 807,948 |
| Due to other funds | 1,967 | - | 750 | 2,717 |
| Unearned revenue | 5,050 | - | 2,796 | 7,846 |
| Total liabilities | 976,514 | - | 8,418 | 984,932 |
| Fund balances | | | | |
| Nonspendable | - | - | 2,008 | 2,008 |
| Restricted | - | 842,713 | 553,985 | 1,396,698 |
| Unassigned | 1,296,317 | - | - | 1,296,317 |
| Total fund balances | 1,296,317 | 842,713 | 555,993 | 2,695,023 |
| Total liabilities and fund balances | \$ 2,272,831 | \$ 842,713 | \$ 564,411 | \$ 3,679,955 |

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, 2017

| | |
|--|------------------------------|
| Fund balances - total governmental funds | \$ 2,695,023 |
| 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 | 19,413,646 |
| 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 | (14,626,000) |
| Unamortized premiums on bonds | (1,071,944) |
| Unamortized deferred charge on bond refunding | 1,062,254 |
| Accrued interest on bonds and installment purchase agreements | (77,132) |
| Compensated absences | (149,998) |
| 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 | (13,695,145) |
| Deferred outflows related to the net pension liability | 2,186,709 |
| Deferred inflows related to the net pension liability | (40,743) |
| Net position of governmental activities | <u><u>\$ (3,747,767)</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, 2017

| | General Fund | Bond Debt Service | Nonmajor Governmental Funds | Total Governmental Funds |
|---|------------------|-------------------|-----------------------------|--------------------------|
| Revenues | | | | |
| Local sources | \$ 6,419,774 | \$ 2,107,593 | \$ 581,886 | \$ 9,109,253 |
| State sources | 2,394,736 | 13,026 | 13,211 | 2,420,973 |
| Federal sources | 210,704 | - | 155,973 | 366,677 |
| Total revenues | 9,025,214 | 2,120,619 | 751,070 | 11,896,903 |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 5,864,138 | - | - | 5,864,138 |
| Supporting services | 3,018,744 | - | - | 3,018,744 |
| Athletics | 292,519 | - | - | 292,519 |
| Community services | 1,775 | - | 170,344 | 172,119 |
| Food service | - | - | 269,991 | 269,991 |
| Debt service: | | | | |
| Principal | 18,000 | 1,185,000 | - | 1,203,000 |
| Interest and fiscal charges | 1,358 | 527,347 | - | 528,705 |
| Capital outlay | 14,991 | - | 394,593 | 409,584 |
| Total expenditures | 9,211,525 | 1,712,347 | 834,928 | 11,758,800 |
| Revenues over (under) expenditures | (186,311) | 408,272 | (83,858) | 138,103 |
| Other financing sources (uses) | | | | |
| Transfers in | 46,424 | - | - | 46,424 |
| Transfers out | - | - | (46,424) | (46,424) |
| Proceeds from sale of capital assets | 1,500 | - | - | 1,500 |
| Insurance recoveries | 55,532 | - | - | 55,532 |
| Total other financing sources (uses) | 103,456 | - | (46,424) | 57,032 |
| Net changes in fund balances | (82,855) | 408,272 | (130,282) | 195,135 |
| Fund balances, beginning of year | 1,379,172 | 434,441 | 686,275 | 2,499,888 |
| Fund balances, end of year | \$ 1,296,317 | \$ 842,713 | \$ 555,993 | \$ 2,695,023 |

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, 2017

| | |
|--|-------------------|
| Net change in fund balances - total governmental funds | \$ 195,135 |
| 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 | 286,993 |
| Depreciation expense | (743,266) |
| Proceeds from sale of capital assets | (1,500) |
| Loss on sale of capital assets | (14,579) |
| 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. | |
| Principal payments on long-term debt | 1,203,000 |
| Amortization of bond premiums, net | 97,450 |
| Amortization of deferred charge on bond refunding | (114,387) |
| 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 | (156,015) |
| Change in accrued interest payable on long-term debt | 36,259 |
| Change in the accrual for compensated absences | 8,354 |
| | <hr/> |
| Change in net position of governmental activities | <u>\$ 797,444</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, 2017

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|---|---------------------|---------------------|---------------------|--|
| Revenues | | | | |
| Local sources | \$ 6,662,323 | \$ 6,421,653 | \$ 6,419,774 | \$ (1,879) |
| State sources | 2,014,203 | 2,404,694 | 2,394,736 | (9,958) |
| Federal sources | 230,562 | 223,368 | 210,704 | (12,664) |
| Total revenues | 8,907,088 | 9,049,715 | 9,025,214 | (24,501) |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 5,784,681 | 5,891,739 | 5,864,138 | (27,601) |
| Supporting services | 2,976,642 | 3,027,530 | 3,018,744 | (8,786) |
| Athletics | 280,304 | 302,551 | 292,519 | (10,032) |
| Community services | - | 1,775 | 1,775 | - |
| Debt service: | | | | |
| Principal | 18,000 | 18,000 | 18,000 | - |
| Interest and fiscal charges | 1,800 | 1,360 | 1,358 | (2) |
| Capital outlay | 20,009 | 14,991 | 14,991 | - |
| Total expenditures | 9,081,436 | 9,257,946 | 9,211,525 | (46,421) |
| Revenues over (under) expenditures | (174,348) | (208,231) | (186,311) | 21,920 |
| Other financing sources | | | | |
| Transfers in | 40,000 | 43,550 | 46,424 | 2,874 |
| Proceeds from sale of capital assets | - | 1,500 | 1,500 | - |
| Insurance recoveries | - | 55,000 | 55,532 | 532 |
| Total other financing sources | 40,000 | 100,050 | 103,456 | 3,406 |
| Net changes in fund balance | (134,348) | (108,181) | (82,855) | 25,326 |
| Fund balance, beginning of year | 1,379,172 | 1,379,172 | 1,379,172 | - |
| Fund balance, end of year | \$ 1,244,824 | \$ 1,270,991 | \$ 1,296,317 | \$ 25,326 |

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, 2017

| | Student Activities Fund |
|---------------------------|----------------------------|
| Assets | |
| Cash and cash equivalents | \$ 255,483 |
| Accounts receivable | <u>2,096</u> |
| Total assets | <u><u>\$ 257,579</u></u> |
| | |
| Liabilities | |
| Due to student groups | <u><u>\$ 257,579</u></u> |

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

This page intentionally left blank.

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 GAAP, 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, 2017.

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, 2017. 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 2016 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.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

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.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

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.

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 acquisition cost 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 |

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

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 deferred charge on advance bond 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.

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 District reports deferred inflows of resources related to the net pension liability.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

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.

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 District'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 City 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 City. Balances outstanding at year-end are reported as due to/from other funds.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

Pensions

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

Use of Estimates

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

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 27% of the District’s general fund revenue during the 2017 fiscal year.

3. ACCOUNTABILITY AND BUDGETARY COMPLIANCE

Excess of Expenditures over Appropriations in Budgetary Funds

For the year ended June 30, 2017, 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: | | | |
| Operation and maintenance | \$ 664,701 | \$ 684,447 | \$ 19,746 |
| Pupil transportation | 266,248 | 271,810 | 5,562 |
| Food Service Fund | | | |
| Current - food service | 267,041 | 269,991 | 2,950 |
| Transfers out | 20,050 | 22,924 | 2,874 |

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 | \$ 1,584,197 | \$ 255,483 | \$ 1,839,680 |
| Investments | 1,573,778 | - | 1,573,778 |
| Total | \$ 3,157,975 | \$ 255,483 | \$ 3,413,458 |

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

| | |
|-------------------------------|---------------------|
| Checking and savings accounts | \$ 1,839,268 |
| Investments - mutual funds | 1,573,778 |
| Cash on hand | 412 |
| Total | \$ 3,413,458 |

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 money market mutual fund was rated AAAm by Standard & Poor's.

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, \$1,810,033 of the District's bank balance of \$2,060,033 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, 2017 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 | 25,839,779 | 261,620 | (47,348) | - | 26,054,051 |
| Buses and vehicles | 697,333 | - | (63,950) | - | 633,383 |
| Furniture and equipment | 3,050,514 | 25,373 | - | - | 3,075,887 |
| | <u>29,587,626</u> | <u>286,993</u> | <u>(111,298)</u> | <u>-</u> | <u>29,763,321</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (7,649,251) | (581,173) | 31,269 | - | (8,199,155) |
| Buses and vehicles | (545,950) | (33,784) | 63,950 | - | (515,784) |
| Furniture and equipment | (1,506,427) | (128,309) | - | - | (1,634,736) |
| | <u>(9,701,628)</u> | <u>(743,266)</u> | <u>95,219</u> | <u>-</u> | <u>(10,349,675)</u> |
| Total capital assets being depreciated, net | <u>19,885,998</u> | <u>(456,273)</u> | <u>(16,079)</u> | <u>-</u> | <u>19,413,646</u> |
| Governmental activities capital assets, net | <u>\$ 20,441,561</u> | <u>\$ (456,273)</u> | <u>\$ (16,079)</u> | <u>\$ -</u> | <u>\$ 19,969,209</u> |

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

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2017, interfund receivables and payables consisted of the following:

| | Due from Other Funds | Due to Other Funds |
|-----------------------------|-------------------------|-----------------------|
| General fund | \$ 750 | \$ 1,967 |
| Nonmajor governmental funds | 1,967 | 750 |
| | <u>\$ 2,717</u> | <u>\$ 2,717</u> |

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

For the year ended June 30, 2017, interfund transfers consisted of the following:

| | Transfers Out Nonmajor Governmental Funds |
|--------------|--|
| Transfers in | |
| General fund | <u>\$ 46,424</u> |

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

7. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2017:

| | Beginning Balance | Additions | Deductions | Ending Balance | Due Within One Year |
|-----------------------------------|----------------------|------------------|-----------------------|----------------------|------------------------|
| General obligation bonds | \$ 15,775,000 | \$ - | \$ (1,185,000) | \$ 14,590,000 | \$ 1,210,000 |
| Installment purchase agreement | 54,000 | - | (18,000) | 36,000 | 18,000 |
| Total installment debt | <u>15,829,000</u> | <u>-</u> | <u>(1,203,000)</u> | <u>14,626,000</u> | <u>1,228,000</u> |
| Unamortized premiums on bonds | 1,169,394 | - | (97,450) | 1,071,944 | 97,450 |
| Compensated absences | 158,352 | 32,200 | (40,554) | 149,998 | 15,000 |
| Total long-term debt | <u>\$ 17,156,746</u> | <u>\$ 32,200</u> | <u>\$ (1,341,004)</u> | <u>\$ 15,847,942</u> | <u>\$ 1,340,450</u> |

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

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

| | Ending Balance | Due Within One Year |
|--|-----------------------------|----------------------------|
| \$11,905,000 2008 building site general obligation unlimited tax bonds for the purpose of defraying all or part of the cost of constructing, remodeling and equipping, or reequipping, school facilities, due in annual installments of \$200,000 to \$425,000 plus interest ranging from 3.500 to 3,750%, payable semi-annually through May 1, 2018. | \$ 425,000 | \$ 425,000 |
| \$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. | 240,000 | 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. | 5,285,000 | 545,000 |
| \$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 | - |
| \$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. | 36,000 | 18,000 |
| Total installment debt | <u>\$ 14,626,000</u> | <u>\$ 1,228,000</u> |

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

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

| Year Ended June 30, | Principal | Interest | Total |
|------------------------|----------------------|---------------------|----------------------|
| 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 | 1,250,000 | 347,404 | 1,597,404 |
| 2023-2027 | 7,160,000 | 1,147,772 | 8,307,772 |
| 2028 | 1,590,000 | 63,600 | 1,653,600 |
| | <u>\$ 14,626,000</u> | <u>\$ 3,238,702</u> | <u>\$ 17,864,702</u> |

Compensated absences are generally liquidated by the general fund.

At June 30, 2017, \$9,520,000 of defeased bonds were outstanding with a scheduled call date of May 1, 2018.

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.

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.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

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, 2016 valuation will be amortized over a 20-year period for the 2016 fiscal year.

The table below summarizes pension contribution rates in effect for fiscal year 2017.

| Benefit Structure | Member Rates | Employer Rates |
|------------------------------|--------------|-----------------|
| Basic | 0.0% - 4.0% | 18.95% - 19.03% |
| Member Investment Plan (MIP) | 3.0% - 7.0% | 18.95% - 19.03% |
| Pension Plus | 3.0% - 6.4% | 17.73% - 18.40% |
| Defined Contribution | 0.0% | 14.56% - 15.27% |

The District's contribution to MPSERS under all pension plans for the year ended June 30, 2017 was \$1,291,044.

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

At June 30, 2017, the District reported a liability of \$13,695,145 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2015. 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, 2016, the District's proportion was 0.05489%, which was an increase of 0.00014% from its proportion measured as of September 30, 2015.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

For the year ended June 30, 2017, the District recognized pension expense of \$1,447,071. At June 30, 2017, 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 | \$ 170,678 | \$ 32,458 | \$ 138,220 |
| Changes in assumptions | 214,113 | - | 214,113 |
| Net difference between projected and actual earnings on pension plan investments | 227,613 | - | 227,613 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 397,744 | 8,285 | 389,459 |
| | <u>1,010,148</u> | <u>40,743</u> | <u>969,405</u> |
| District contributions subsequent to the measurement date | 1,176,561 | - | 1,176,561 |
| | <u>1,176,561</u> | <u>-</u> | <u>1,176,561</u> |
| Total | <u>\$ 2,186,709</u> | <u>\$ 40,743</u> | <u>\$ 2,145,966</u> |

\$1,176,561 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, 2018. 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 |
|------------------------|-------------------|
| 2018 | \$ 249,601 |
| 2019 | 231,693 |
| 2020 | 432,261 |
| 2021 | <u>55,850</u> |
| Total | <u>\$ 969,405</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, 2015 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, 2016, is based on the results of an actuarial valuation date of September 30, 2015, 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, 2016, 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% |
| | 100.00% | | 5.90% |
| Inflation | | | 2.10% |
| Investment rate of return | | | 8.00% |

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 | \$ 17,635,899 | \$ 13,695,145 | \$ 10,372,710 |

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, 2017, the District reported a payable of \$175,692 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2017.

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 prefunded 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 5.69% 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.

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.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

The District's contributions to MPSERS for other postemployment benefits amounted to \$454,713 for the year ended June 30, 2017.

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 | \$ - | \$ - | \$ 2,008 | \$ 2,008 |
| Restricted | | | | |
| Debt service | - | 842,713 | - | 842,713 |
| Food service operations | - | - | 39,056 | 39,056 |
| Community recreation programs | - | - | 158,640 | 158,640 |
| Capital improvements | - | - | 356,289 | 356,289 |
| Total restricted | - | 842,713 | 553,985 | 1,396,698 |
| Unassigned | 1,296,317 | - | - | 1,296,317 |
| Total fund balances - governmental funds | \$ 1,296,317 | \$ 842,713 | \$ 555,993 | \$ 2,695,023 |

10. NET INVESTMENT IN CAPITAL ASSETS

The composition of the District's net investment in capital assets as of June 30, 2017, was as follows:

| | Governmental Activities |
|---|-------------------------|
| Capital assets: | |
| Capital assets not being depreciated | \$ 555,563 |
| Capital assets being depreciated, net | 19,413,646 |
| | <u>19,969,209</u> |
| Related debt: | |
| Total bonds and installment purchase agreements | 14,626,000 |
| Unexpended bond proceeds | (137,570) |
| Unamortized bond premiums | 1,071,944 |
| Deferred charge on bond refunding | (1,062,254) |
| | <u>14,498,120</u> |
| Net investment in capital assets | <u>\$ 5,471,089</u> |

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

11. CONTINGENCIES

Federal Grant Programs

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

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2017, 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.



This page intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION

SAUGATUCK PUBLIC SCHOOLS

Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

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

| | Year Ended June 30, | | |
|--|---------------------|---------------|---------------|
| | 2015 | 2016 | 2017 |
| District's proportionate share of the net pension liability | \$ 11,459,101 | \$ 13,373,093 | \$ 13,695,145 |
| District's proportion of the net pension liability | 0.05202% | 0.05475% | 0.05489% |
| District's covered payroll | 4,465,700 | 4,602,646 | 4,657,783 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 256.60% | 290.55% | 294.03% |
| Plan fiduciary net position as a percentage of the total pension liability | 66.20% | 63.17% | 63.27% |

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 | 2017 |
| Contractually required contribution | \$ 1,019,036 | \$ 1,219,126 | \$ 1,291,044 |
| Contributions in relation to the contractually required contribution | <u>(1,019,036)</u> | <u>(1,219,126)</u> | <u>(1,291,044)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | 4,680,682 | 4,869,239 | 4,632,771 |
| Contributions as a percentage of covered payroll | 29.83% | 25.04% | 27.87% |

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

This page intentionally left blank.

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

This page intentionally left blank.

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, 2017

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|------------------------------|--------------------|------------------|------------------|--|
| Revenues | | | | |
| Local sources: | | | | |
| Property taxes | \$ 5,833,265 | \$ 5,664,887 | \$ 5,665,664 | \$ 777 |
| Act 18 | 674,777 | 582,826 | 582,826 | - |
| Tuition | 61,285 | 55,270 | 52,090 | (3,180) |
| Rentals | 3,000 | 11,515 | 11,970 | 455 |
| Earnings on investments | 3,700 | 14,000 | 14,177 | 177 |
| Other local sources | 86,296 | 93,155 | 93,047 | (108) |
| Total local sources | 6,662,323 | 6,421,653 | 6,419,774 | (1,879) |
| State sources: | | | | |
| State School Aid | 2,014,203 | 2,404,694 | 2,394,736 | (9,958) |
| Federal sources: | | | | |
| Title I | 77,544 | 70,755 | 65,798 | (4,957) |
| Title II-A | 18,867 | 17,833 | 10,126 | (7,707) |
| Special education (IDEA) | 133,089 | 133,089 | 133,089 | - |
| Other federal sources | 1,062 | 1,691 | 1,691 | - |
| Total federal sources | 230,562 | 223,368 | 210,704 | (12,664) |
| Total revenues | 8,907,088 | 9,049,715 | 9,025,214 | (24,501) |
| Expenditures | | | | |
| Instruction: | | | | |
| Basic programs: | | | | |
| Elementary | 1,968,339 | 2,140,518 | 2,131,067 | (9,451) |
| Middle school | 899,902 | 924,109 | 927,121 | 3,012 |
| High school | 2,086,845 | 2,152,484 | 2,148,298 | (4,186) |
| Pre-kindergarten | 60,199 | 65,102 | 64,513 | (589) |
| Summer school | 4,957 | 5,024 | 5,024 | - |
| Total basic programs | 5,020,242 | 5,287,237 | 5,276,023 | (11,214) |
| Added needs: | | | | |
| Special education | 581,518 | 431,819 | 419,297 | (12,522) |
| Compensatory education | 182,921 | 172,683 | 168,818 | (3,865) |
| Total added needs | 764,439 | 604,502 | 588,115 | (16,387) |
| Total instruction | 5,784,681 | 5,891,739 | 5,864,138 | (27,601) |

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, 2017

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|-------------------------------------|--------------------|------------------|------------------|--|
| Expenditures (continued) | | | | |
| Supporting services: | | | | |
| Pupil services: | | | | |
| Guidance services | \$ 105,320 | \$ 169,128 | \$ 165,434 | \$ (3,694) |
| Health services | 18,200 | 17,200 | 16,295 | (905) |
| Psychology services | 91,557 | 92,551 | 92,058 | (493) |
| Speech services | 129,124 | 130,467 | 128,435 | (2,032) |
| Social work services | 89,255 | 87,170 | 87,826 | 656 |
| Other pupil services | 123,482 | 117,642 | 118,447 | 805 |
| Total pupil services | 556,938 | 614,158 | 608,495 | (5,663) |
| Instructional staff: | | | | |
| Improvement of instruction | 64,626 | 76,997 | 62,597 | (14,400) |
| Media center | 33,298 | 34,529 | 34,082 | (447) |
| Student assessment | 8,493 | 14,799 | 14,553 | (246) |
| Other staff services | 22,442 | 22,305 | 22,304 | (1) |
| Total instructional staff | 128,859 | 148,630 | 133,536 | (15,094) |
| General administration: | | | | |
| Board of Education | 38,845 | 45,187 | 42,252 | (2,935) |
| Executive administration | 255,178 | 258,372 | 256,190 | (2,182) |
| Total general administration | 294,023 | 303,559 | 298,442 | (5,117) |
| School administration: | | | | |
| Office of the Principal | 558,518 | 564,081 | 562,200 | (1,881) |
| Business services: | | | | |
| Fiscal services | 220,853 | 209,142 | 208,467 | (675) |
| Other business services | 66,538 | 67,502 | 67,495 | (7) |
| Total business services | 287,391 | 276,644 | 275,962 | (682) |
| Operation and maintenance | 685,396 | 664,701 | 684,447 | 19,746 |
| Pupil transportation | 283,988 | 266,248 | 271,810 | 5,562 |
| Other support services: | | | | |
| Communications | 29,009 | 23,294 | 20,284 | (3,010) |
| Staff services | 10,970 | 5,762 | 5,106 | (656) |
| Technology | 140,400 | 160,253 | 158,309 | (1,944) |
| Pupil accounting | 1,150 | 200 | 153 | (47) |
| Total other support services | 181,529 | 189,509 | 183,852 | (5,657) |
| Total supporting services | 2,976,642 | 3,027,530 | 3,018,744 | (8,786) |

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, 2017

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|--------------------------------------|--------------------|-----------------|--------------|--|
| Expenditures (concluded) | | | | |
| Athletics | \$ 280,304 | \$ 302,551 | \$ 292,519 | \$ (10,032) |
| Community services: | | | | |
| Non-public school pupils | - | 1,775 | 1,775 | - |
| Debt service: | | | | |
| Principal | 18,000 | 18,000 | 18,000 | - |
| Interest and fiscal charges | 1,800 | 1,360 | 1,358 | (2) |
| Total debt service | 19,800 | 19,360 | 19,358 | (2) |
| Capital outlay | 20,009 | 14,991 | 14,991 | - |
| Total expenditures | 9,081,436 | 9,257,946 | 9,211,525 | (46,421) |
| Revenues over (under) expenditures | (174,348) | (208,231) | (186,311) | 21,920 |
| Other financing sources | | | | |
| Transfers in | 40,000 | 43,550 | 46,424 | 2,874 |
| Proceeds from sale of capital assets | - | 1,500 | 1,500 | - |
| Insurance recoveries | - | 55,000 | 55,532 | 532 |
| Total other financing sources | 40,000 | 100,050 | 103,456 | 3,406 |
| Net changes in fund balance | (134,348) | (108,181) | (82,855) | 25,326 |
| Fund balance, beginning of year | 1,379,172 | 1,379,172 | 1,379,172 | - |
| Fund balance, end of year | \$ 1,244,824 | \$ 1,270,991 | \$ 1,296,317 | \$ 25,326 |

concluded

NONMAJOR GOVERNMENTAL FUNDS

SAUGATUCK PUBLIC SCHOOLS

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2017

| | Special Revenue | | Capital Projects |
|--|------------------|----------------------|--------------------------------|
| | Food Service | Community Recreation | Building and Site Sinking Fund |
| Assets | | | |
| Cash and cash equivalents | \$ 44,757 | \$ 158,640 | \$ 219,469 |
| Due from other funds | 1,967 | - | - |
| Inventories | 2,008 | - | - |
| Total assets | <u>\$ 48,732</u> | <u>\$ 158,640</u> | <u>\$ 219,469</u> |
| Liabilities | | | |
| Accounts payable | \$ 4,872 | \$ - | \$ - |
| Due to other funds | - | - | 750 |
| Unearned revenue | 2,796 | - | - |
| Total liabilities | <u>7,668</u> | <u>-</u> | <u>750</u> |
| Fund balances | | | |
| Nonspendable | 2,008 | - | - |
| Restricted | 39,056 | 158,640 | 218,719 |
| Total fund balances | <u>41,064</u> | <u>158,640</u> | <u>218,719</u> |
| Total liabilities and fund balances | <u>\$ 48,732</u> | <u>\$ 158,640</u> | <u>\$ 219,469</u> |



Capital Projects

| 2013 Bond Capital Projects | Total |
|---|--------------|
| \$ 137,570 | \$ 560,436 |
| - | 1,967 |
| - | 2,008 |
| <hr/> | <hr/> |
| \$ 137,570 | \$ 564,411 |
| <hr/> | <hr/> |
| \$ - | \$ 4,872 |
| - | 750 |
| - | 2,796 |
| <hr/> | <hr/> |
| - | 8,418 |
| <hr/> | <hr/> |
| - | 2,008 |
| 137,570 | 553,985 |
| <hr/> | <hr/> |
| 137,570 | 555,993 |
| <hr/> | <hr/> |
| \$ 137,570 | \$ 564,411 |
| <hr/> | <hr/> |

SAUGATUCK PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2017

| | Special Revenue | | Capital Projects |
|------------------------------------|------------------|----------------------|--------------------------------|
| | Food Service | Community Recreation | Building and Site Sinking Fund |
| Revenues | | | |
| Local sources: | | | |
| Property taxes | \$ - | \$ 148,653 | \$ 293,565 |
| Food sales | 98,746 | - | - |
| Charges | - | 38,174 | - |
| Earnings on investments | 155 | 754 | 375 |
| Other revenue | - | 1,300 | - |
| Total local sources | 98,901 | 188,881 | 293,940 |
| State sources | 12,305 | 906 | - |
| Federal sources | 155,973 | - | - |
| Total revenues | 267,179 | 189,787 | 293,940 |
| Expenditures | | | |
| Current: | | | |
| Food service | 269,991 | - | - |
| Community services | - | 170,344 | - |
| Capital outlay | - | - | 335,831 |
| Total expenditures | 269,991 | 170,344 | 335,831 |
| Revenues over (under) expenditures | (2,812) | 19,443 | (41,891) |
| Other financing uses | | | |
| Transfers out | (22,924) | (23,500) | - |
| Net change in fund balances | (25,736) | (4,057) | (41,891) |
| Fund balances, beginning of year | 66,800 | 162,697 | 260,610 |
| Fund balances, end of year | \$ 41,064 | \$ 158,640 | \$ 218,719 |



Capital Projects

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

| | |
|------------|----------------|
| \$ - | \$ 442,218 |
| - | 98,746 |
| - | 38,174 |
| 164 | 1,448 |
| - | 1,300 |
| <u>164</u> | <u>581,886</u> |
| - | 13,211 |
| <u>-</u> | <u>155,973</u> |
| <u>164</u> | <u>751,070</u> |

| | |
|---------------|----------------|
| - | 269,991 |
| - | 170,344 |
| <u>58,762</u> | <u>394,593</u> |

| | |
|---------------|----------------|
| <u>58,762</u> | <u>834,928</u> |
|---------------|----------------|

| | |
|----------|----------|
| (58,598) | (83,858) |
|----------|----------|

| | |
|----------|-----------------|
| <u>-</u> | <u>(46,424)</u> |
|----------|-----------------|

| | |
|----------|-----------|
| (58,598) | (130,282) |
|----------|-----------|

| | |
|----------------|----------------|
| <u>196,168</u> | <u>686,275</u> |
|----------------|----------------|

| | |
|-------------------|-------------------|
| <u>\$ 137,570</u> | <u>\$ 555,993</u> |
|-------------------|-------------------|

SAUGATUCK PUBLIC SCHOOLS

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Food Service Fund

For the Year Ended June 30, 2017

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|---|--------------------|------------------|------------------|--|
| Revenues | | | | |
| Local sources: | | | | |
| Food sales | \$ 119,808 | \$ 99,897 | \$ 98,746 | \$ (1,151) |
| Earnings on investments | 192 | 160 | 155 | (5) |
| Total local sources | <u>120,000</u> | <u>100,057</u> | <u>98,901</u> | <u>(1,156)</u> |
| State sources - State School Aid | <u>9,500</u> | <u>12,303</u> | <u>12,305</u> | <u>2</u> |
| Federal sources: | | | | |
| Federal aid received through the State | 133,674 | 138,997 | 138,997 | - |
| USDA donated commodities | <u>16,326</u> | <u>16,976</u> | <u>16,976</u> | <u>-</u> |
| Total federal sources | <u>150,000</u> | <u>155,973</u> | <u>155,973</u> | <u>-</u> |
| Total revenues | 279,500 | 268,333 | 267,179 | (1,154) |
| Expenditures | | | | |
| Current - food service | <u>268,534</u> | <u>267,041</u> | <u>269,991</u> | <u>2,950</u> |
| Revenues over (under) expenditures | 10,966 | 1,292 | (2,812) | (4,104) |
| Other financing uses | | | | |
| Transfers out | <u>(19,316)</u> | <u>(20,050)</u> | <u>(22,924)</u> | <u>(2,874)</u> |
| Net changes in fund balance | (8,350) | (18,758) | (25,736) | (6,978) |
| Fund balance, beginning of year | <u>66,800</u> | <u>66,800</u> | <u>66,800</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 58,450</u> | <u>\$ 48,042</u> | <u>\$ 41,064</u> | <u>\$ (6,978)</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, 2017

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|---------------------------------|--------------------|-------------------|-------------------|--|
| Revenues | | | | |
| Local sources: | | | | |
| Property taxes | \$ 145,266 | \$ 152,487 | \$ 148,653 | \$ (3,834) |
| Charges | 34,718 | 36,445 | 38,174 | 1,729 |
| Earnings on investments | 572 | 600 | 754 | 154 |
| Other | 1,362 | 1,430 | 1,300 | (130) |
| Total local sources | <u>181,918</u> | <u>190,962</u> | <u>188,881</u> | <u>(2,081)</u> |
| State sources | - | 906 | 906 | - |
| Total revenues | 181,918 | 191,868 | 189,787 | (2,081) |
| Expenditures | | | | |
| Current - community services | <u>164,777</u> | <u>174,549</u> | <u>170,344</u> | <u>(4,205)</u> |
| Revenues over expenditures | 17,141 | 17,319 | 19,443 | 2,124 |
| Other financing uses | | | | |
| Transfers out | <u>(20,723)</u> | <u>(23,500)</u> | <u>(23,500)</u> | - |
| Net changes in fund balance | (3,582) | (6,181) | (4,057) | 2,124 |
| Fund balance, beginning of year | <u>162,697</u> | <u>162,697</u> | <u>162,697</u> | - |
| Fund balance, end of year | <u>\$ 159,115</u> | <u>\$ 156,516</u> | <u>\$ 158,640</u> | <u>\$ 2,124</u> |

SAUGATUCK PUBLIC SCHOOLS

Schedule of Changes in Fiduciary Assets and Liabilities

Student Activities Fund by Club/Organization
For the Year Ended June 30, 2017

| | July 1, 2016 | Additions | Deductions | June 30, 2017 |
|--|-------------------|-------------------|---------------------|-------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 218,198 | \$ 679,332 | \$ (642,047) | \$ 255,483 |
| Accounts receivable | - | 2,096 | - | 2,096 |
| Total assets | \$ 218,198 | \$ 681,428 | \$ (642,047) | \$ 257,579 |
| Liabilities | | | | |
| Douglas Elementary School: | | | | |
| Kindergarten | \$ - | \$ 794 | \$ (650) | \$ 144 |
| 1st Grade | - | 21 | (21) | - |
| 2nd Grade | - | 241 | - | 241 |
| 3rd Grade | 178 | 2,112 | (1,036) | 1,254 |
| 4th Grade | - | 465 | - | 465 |
| 5th Grade | 268 | 6,191 | (5,366) | 1,093 |
| Pre-Kindergarten | - | 75 | (95) | (20) |
| General Misc. - Principal Gust | 4,006 | 6,907 | (8,828) | 2,085 |
| After School Activity Clubs | - | 2,125 | (756) | 1,369 |
| Art - Boverhof | 6,753 | 7,327 | (11,063) | 3,017 |
| DFA - Student Needs - Boverhof/McLarty | 1,215 | 1,215 | (1,215) | 1,215 |
| DFA - Scholarships - Boverhof/McLarty | 977 | 977 | (977) | 977 |
| Garden Project | 564 | 1,697 | (1,259) | 1,002 |
| Library - Dehn | 883 | 1,684 | (1,071) | 1,496 |
| LIFT | 1,684 | 1,970 | (2,086) | 1,568 |
| Music - McLarty | 4,033 | 4,396 | (6,008) | 2,421 |
| Preschool | 256 | 3,766 | (3,560) | 462 |
| School Store - 4th Grade | 972 | 3,533 | (3,277) | 1,228 |
| SEA Scholarships - Webbert | 1,989 | 1,989 | (1,989) | 1,989 |
| Summer School | 300 | 300 | (300) | 300 |
| Sunshine Club - Jackson | 34 | 639 | (186) | 487 |
| Symphony - McLarty | 1,334 | 2,511 | (2,334) | 1,511 |
| PTO | - | 79,090 | (30,171) | 48,919 |
| Middle School and High School: | | | | |
| 6th grade camp | 310 | 8,788 | (6,919) | 2,179 |
| 8th grade trip | 1,329 | 20,586 | (16,010) | 5,905 |
| Accounts payable | 6,601 | 6,601 | (13,202) | - |
| American cancer society fundraiser | 319 | 319 | (319) | 319 |
| AP testing | 1,726 | 1,731 | (1,731) | 1,726 |
| Art a loan | 7,816 | 14,984 | (14,070) | 8,730 |

continued...

SAUGATUCK PUBLIC SCHOOLS

Schedule of Changes in Fiduciary Assets and Liabilities

Student Activities Fund by Club/Organization
For the Year Ended June 30, 2017

| | July 1, 2016 | Additions | Deductions | June 30, 2017 |
|--|-----------------|-----------|------------|------------------|
| Liabilities (continued) | | | | |
| Middle School and High School (continued): | | | | |
| Art department | \$ 643 | \$ 3,553 | \$ (643) | \$ 3,553 |
| Art field trips | 8,140 | 18,121 | (22,512) | 3,749 |
| Athletic boosters | 1,989 | 34,323 | (33,444) | 2,868 |
| Athletic fund | 8,539 | 12,278 | (13,868) | 6,949 |
| Athletic pavers | 3,030 | 3,030 | (3,062) | 2,998 |
| Baseball | 3,567 | 6,045 | (3,898) | 5,714 |
| Boys basketball | 709 | 5,857 | (6,171) | 395 |
| Chromebook deposits | - | 160 | - | 160 |
| Class of 2014 | 1,930 | 1,930 | (3,860) | - |
| Class of 2015 | 1,555 | 1,555 | (3,110) | - |
| Class of 2016 | 578 | 578 | (1,156) | - |
| Class of 2017 | 3,375 | 3,548 | (6,923) | - |
| Class of 2018 | 1,690 | 5,295 | (4,284) | 2,701 |
| Class of 2019 | 1,155 | 2,555 | (1,155) | 2,555 |
| Class of 2020 | - | 1,225 | - | 1,225 |
| Cross country | 1,325 | 15,655 | (13,306) | 3,674 |
| Drama club | 1 | 30,074 | (25,875) | 4,200 |
| Field maintenance - baseball | 1,146 | 1,146 | (1,146) | 1,146 |
| FIRST Robotics | 1,701 | 11,558 | (6,504) | 6,755 |
| Fitness center | 24,169 | 28,138 | (51,430) | 877 |
| Football | 4,211 | 19,740 | (20,303) | 3,648 |
| Girls basketball | 149 | 6,562 | (5,008) | 1,703 |
| Golf | 865 | 2,437 | (1,767) | 1,535 |
| Great expectations | 535 | 535 | (582) | 488 |
| Gym rental | 58 | 57 | (57) | 58 |
| Interact | 8,316 | 50,573 | (56,317) | 2,572 |
| Interest account | 501 | 696 | (500) | 697 |
| Logowear | 1,704 | 3,344 | (3,055) | 1,993 |
| Materials deposit | 16,210 | 17,791 | (16,235) | 17,766 |
| Memorials | 1,014 | 1,014 | (1,014) | 1,014 |
| Middle school art | 1,613 | 1,758 | (1,663) | 1,708 |
| Middle school store | 769 | 879 | (769) | 879 |
| Middle school student council | 313 | 700 | (488) | 525 |
| Miscellaneous | 701 | 3,809 | (4,440) | 70 |
| Music boosters | 10,536 | 30,991 | (27,039) | 14,488 |
| National Honor Society | 1,065 | 2,592 | (2,044) | 1,613 |
| Need to know - art scholarships | 765 | 765 | (917) | 613 |
| Outdoor learning center | 2,376 | 2,551 | (2,774) | 2,153 |

continued...

SAUGATUCK PUBLIC SCHOOLS

Schedule of Changes in Fiduciary Assets and Liabilities

Student Activities Fund by Club/Organization
For the Year Ended June 30, 2017

| | July 1, 2016 | Additions | Deductions | June 30, 2017 |
|--|-------------------|-------------------|---------------------|-------------------|
| Liabilities (concluded) | | | | |
| Middle School and High School (concluded): | | | | |
| Salmon account | \$ 614 | \$ 914 | \$ (614) | \$ 914 |
| Saugatuck Educators Association | 150 | 150 | (150) | 150 |
| Senior parents Class of 2015 | 77 | 77 | (154) | - |
| Senior parents Class of 2016 | 815 | 815 | (1,630) | - |
| Senior parents Class of 2017 | 3,523 | 12,168 | (15,691) | - |
| Senior parents Class of 2018 | 2,380 | 3,605 | (2,638) | 3,347 |
| Senior parents Class of 2019 | 1,485 | 4,094 | (1,485) | 4,094 |
| Senior parents Class of 2020 | - | 1,225 | - | 1,225 |
| Shop | 315 | 5,418 | (4,830) | 903 |
| Soccer | 564 | 4,863 | (4,243) | 1,184 |
| Social worker at risk | 5,062 | 5,062 | (5,604) | 4,520 |
| Softball | 1,486 | 4,026 | (4,048) | 1,464 |
| Spanish club | 58 | 318 | (200) | 176 |
| State/Regional meets | 7,905 | 22,539 | (18,842) | 11,602 |
| Student teacher account | 501 | 601 | (501) | 601 |
| Student council | 3,834 | 5,009 | (5,665) | 3,178 |
| Student council scholarships | 785 | 785 | (1,285) | 285 |
| Track | 3,017 | 6,926 | (6,037) | 3,906 |
| Track and field pole vault camp | 294 | 1,966 | (1,719) | 541 |
| Vending | 2,745 | 4,258 | (6,635) | 368 |
| Volleyball | 2,230 | 9,413 | (7,803) | 3,840 |
| Women who care | 697 | 997 | (997) | 697 |
| Yearbook and newspaper | 2,785 | 6,268 | (4,054) | 4,999 |
| Yoga | 8,501 | 8,501 | (13,257) | 3,745 |
| Youth in government | 1,783 | 14,418 | (14,588) | 1,613 |
| Parking lot | 6,102 | 40,560 | (37,559) | 9,103 |
| Total liabilities | \$ 218,198 | \$ 681,428 | \$ (642,047) | \$ 257,579 |

concluded

INTERNAL CONTROL AND COMPLIANCE

This page intentionally left blank.

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*

August 25, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 25, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rehmann Lobson LLC