

Vestaburg Community Schools

Financial Statements

June 30, 2017



Table of Contents

<u>Section</u>	<u>Page</u>	
1	Members of the Board of Education and Administration	1 - 1
2	Independent Auditors' Report	2 - 1
3	Management's Discussion and Analysis	3 - 1
4	Basic Financial Statements	
	District-wide Financial Statements	
	Statement of Net Position	4 - 1
	Statement of Activities	4 - 3
	Fund Financial Statements	
	Governmental Funds	
	Balance Sheet	4 - 4
	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4 - 5
	Statement of Revenues, Expenditures and Changes in Fund Balances	4 - 6
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 - 8
	Fiduciary Funds	
	Statement of Assets and Liabilities	4 - 9
	Notes to the Financial Statements	4 - 10
5	Required Supplementary Information	
	Budgetary Comparison Schedule – General Fund	5 - 1
	Schedule of the School District's Proportionate Share of the Net Pension Liability	5 - 3
	Schedule of the School District's Contributions	5 - 4

<u>Section</u>		<u>Page</u>
6	Other Supplementary Information	
	General Fund	
	Comparative Balance Sheet	6 - 1
	Schedule of Revenues Compared to Budget	6 - 2
	Schedule of Expenditures Compared to Budget	6 - 3
	Schedule of Outstanding Bonded Indebtedness	6 - 10
7	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>	7 - 1

Vestaburg Community Schools
Members of the Board of Education and Administration
June 30, 2017

Members of the Board of Education

Lynn VanSickler – President

Brian Zinn – Vice President

Mick Drumm – Treasurer

Thomas McNerney – Secretary (partial year)

Ivan Palmer – Secretary (partial year)

Charlotte Davis

Carol Herman

Andrew Alexander (partial year)

Administration

Brandon Hubbard – Superintendent

Bonnie Walker – Business Office Specialist



800.968.0010 | yeoandyeo.com

Independent Auditors' Report

Management and the Board of Education
Vestaburg Community Schools
Vestaburg, 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 Vestaburg Community Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Vestaburg Community Schools, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters:

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Vestaburg Community Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other than the prior year information, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Supplementary Information

We have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Vestaburg Community Schools' basic financial statements as of and for the year ended June 30, 2016, which are not presented with the accompanying basic financial statements. In our report dated September 14, 2016, we expressed unmodified opinions on the respective basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming

opinions on the basic financial statements that collectively comprise Vestaburg Community Schools' basic financial statements as a whole. The 2016 information in the comparative supplementary schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2016 information in the comparative supplementary schedules is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2017 on our consideration of Vestaburg Community 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 Vestaburg Community Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Alma, Michigan
August 23, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Vestaburg Community Schools
Management's Discussion and Analysis
June 30, 2017

This section of the annual financial report presents management's discussion and analysis of Vestaburg Community School District's (hereon referred to as "the District") performance during the fiscal year ending June 30, 2017. Please read this along with the financial statements of the District.

Annual Report

The annual report consists of our Management's Discussion and Analysis, a series of financial statements, notes to those statements, and supplementary information. The financial statements (government-wide financial statements) provide information about the activities of the District as a whole. There are two District-wide statements: The Statement of Net Position and the Statement of Activities. They present a year-end cumulative view and a longer-term view of the District's finances. All funds, long-term debt, and capital assets are combined. The Fund Financial Statements (governmental fund statements) provide more detail showing the year's activity by fund. They also show the amount available to finance future programs.

Government-wide Financial Statements

The Government-wide Financial Statements appear first in the financial statements. They present information on the District as a whole. They show net position and a statement of activities for the year. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the full accrual basis of accounting, similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account.

Net position, the difference between assets and deferred outflows of resources, and liabilities and deferred inflow of resources, is one way of measuring the financial health of the District. In the statement of activities, revenue less expense results in an increase or decrease in the net position. Increases or decreases in net position, over time, affect the financial health of the District. When analyzed together, the two statements help the reader determine whether the District is financially stronger or weaker as a result of the year's activities. However, the goal of the District is to provide quality education and a safe environment, not to make a profit.

The statement of activities covers all of the District's services, including instruction, supporting services, food service, athletics, and community services. Property taxes, unrestricted State Aid, and State and Federal grants finance most of these activities.

Vestaburg Community Schools
Management's Discussion and Analysis
June 30, 2017

Fund Financial Statements

The Fund Financial Statements focus on individual parts of the District, by reporting the District's operation in more detail than the district-wide statements provide. 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 (i.e., Food Service). Many of the other funds are created to help control and manage money for a particular purpose, or to meet legal responsibilities for certain taxes, grants, and other money. The governmental funds of the District focus on showing how money flows into and out of funds, and the balances left at year-end. They provide a detailed, short-term view of the operations and services of the District. An accounting method called "modified accrual accounting" is used in fund accounting. This method measures cash and all other financial assets that can readily be converted to cash.

The fund statements are formatted to comply with the legal requirement of the Michigan Department of Education's Public School Accounting Manual. In the State of Michigan, the District's major instructional and instructional support activities are reported in their relevant funds. The funds used by the District include General Fund, Special Revenue Fund for food service and Debt Service Funds for bonded debt.

Agency and Trust Accounts

Vestaburg Community School District is the trustee, or fiduciary, for its student activity and scholarship funds established for the benefit of our students. These fiduciary activities are reported in a separate statement of assets and liabilities. They are excluded from the other financial statements because the District may not use the assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the 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.

Vestaburg Community Schools
Management's Discussion and Analysis
June 30, 2017

Government-wide Financial Analysis

Summary of Statement of Net Position

	2016-2017	2015-2016
Assets		
Current assets	\$2,168,730	\$2,128,077
Capital assets, net	6,221,491	6,582,636
Total assets	8,390,221	8,710,713
Deferred Outflows of Resources		
	1,334,981	946,308
Total assets and deferred outflows of resources	9,725,202	9,657,021
Liabilities		
Current liabilities	1,894,141	1,714,846
Long-term liabilities	21,047,901	20,743,634
Total liabilities	22,942,042	22,458,480
Deferred Inflows of Resources		
	454,384	461,408
Total liabilities and deferred inflows of resources	23,396,426	22,919,888
Net Position		
Net investment in capital assets (deficit)	(6,358,040)	(3,976,017)
Restricted for food service		
Unrestricted (deficit)	(7,313,184)	(9,286,850)
Total net position	\$(13,671,224)	\$(13,262,867)

A substantial portion of the District's assets (74.2%) reflects its investment in capital assets (i.e., land, buildings, vehicles, and equipment), less accumulated depreciation. The District uses these capital assets to provide services to the students; consequently, these assets are not available for future spending. The District's net investment in 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.

Long-term liabilities include general obligation bonds used to finance acquisition of capital assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due.

Vestaburg Community Schools
Management's Discussion and Analysis
June 30, 2017

Net position represents the accumulated results of all past years' activities. This amount will be affected by the year-to-year combined operations. The summary of this year's activity for the District as a whole is reported below. The District's net position decreased by \$408,357 during the current fiscal year. This decrease largely reflects the degree to which ongoing expenses exceeded ongoing revenues.

Summary of Statement of Activities

	<u>2016-2017</u>	<u>2015-2016</u>
Revenue		
Program revenue		
Charges for services	\$ 118,156	\$ 113,095
Operating and Capital grants and contributions	1,839,615	1,861,876
General revenue		
Property taxes	1,048,194	1,023,234
State aid - unrestricted	3,809,922	3,795,297
Other	4,688	7,233
Total revenue	<u>6,820,575</u>	<u>6,800,735</u>
Expenses		
Instruction	4,021,077	4,017,614
Supporting services	2,233,189	2,153,282
Food services	253,173	232,238
Community services		
Interest on long-term debt	721,493	696,056
Total expenses	<u>7,228,932</u>	<u>7,099,190</u>
Change in net position	<u>\$ (408,357)</u>	<u>\$ (298,455)</u>

Total revenues increased approximately \$19,840 mostly due to increased categoricals related to state funding. Total expenses increased approximately \$129,742 mostly related to increased retirement and health care expenses.

Vestaburg Community Schools
Management's Discussion and Analysis
June 30, 2017

Summary of Fund Financial Statements

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

The combined governmental fund balance of \$748,190 decreased by \$44,822 from last year. The General Fund, which is the primary operating fund, increased by \$29,859. The use of fund balance is primarily the result of increased employee wage and benefit costs.

The special revenue fund balance, which includes Food Service, decreased \$58,134. The fund balance in Food Service at June 30, 2017, was \$69,866. The decrease is primarily the result of purchasing equipment necessary to meet State guidelines.

The Debt Service Funds show a fund balance of \$69,209 which is a decrease of \$16,547 from the prior year.

General Fund Budget

By law, the District must establish an original budget in June, with a beginning fiscal date of July 1, for the General Fund and Special Revenue Funds. Budgets are revised twice a year. Approximately 71.88% of the District's revenue comes from the State through a Foundation Allowance and Categoricals (specific program grants). The State Foundation Allowance is based on student enrollment and an amount per pupil designated by the State. Therefore, the budget is primarily based on an estimate of the student population including the following October count, the per-pupil amount set by the State, and an estimate of the categoricalals that will be approved by the State.

State law requires that budgets be amended to ensure that expenditures do not exceed appropriations. Original and final budgets, as well as actual amounts paid and received, are included in the basic financial statements.

- The General Fund received \$5,754,362 in revenues which was \$2,473 over the final budget.
- The General Fund had \$5,891,350 in expenditures which was \$7,085 under final budget. The actual General Fund expenditures were within .1% of the final budget amounts. Actual expenditures were under budget due to the accumulation of various expenditures coming in under budget.

**Vestaburg Community Schools
Management's Discussion and Analysis
June 30, 2017**

Capital Assets

As of June 30, 2017, the District had \$6,221,491 in capital assets as follows:

	<u>2016-2017</u>	<u>2015-2016</u>
Land	\$ 75,000	\$ 75,000
Buildings	9,236,627	9,236,627
Vehicles	535,470	535,470
Site improvements	921,455	921,455
Equipment and furniture	1,138,952	3,071,108
Subtotal	<u>11,907,504</u>	<u>13,839,660</u>
Less accumulated depreciation	<u>(5,686,013)</u>	<u>(7,257,024)</u>
Net capital assets	<u>\$6,221,491</u>	<u>\$6,582,636</u>

Long-term Debt

The long-term obligations for the District decreased from \$12,938,653 at the end of 2015-2016 to \$12,811,912 at the end of 2016-2017. The total decrease includes the payment of debt service requirements for the government obligation bonds and the installment note.

Economic Factors and Next Year's Budget and Rates

Since most of the District's revenue is derived from the per pupil foundation allowance, student enrollment as reported in the blended count is one of the key factors in forecasting revenue. Once the final student count is known in late October, State law requires the District to amend the budget if actual revenues will vary significantly from those originally appropriated. Under State law, the District cannot assess additional property tax revenue for general operations.

The State periodically holds a revenue-estimating conference. Based on the results of the most recent conference, the State estimates funds sufficient to maintain the per pupil foundation this year will bring the per pupil amount to \$7,631 for the 2017-18 school year.

Requests for Information

This financial report is designed to provide a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Bonnie Walker, Vestaburg Community School District, 7188 Avenue B, Vestaburg, MI 48891.

BASIC FINANCIAL STATEMENTS

Vestaburg Community Schools
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
Assets	
Cash	\$ 1,001,642
Accounts receivable	9,588
Due from other governmental units	1,079,483
Inventory	2,990
Prepaid items	75,027
Capital assets not being depreciated	75,000
Capital assets - net of accumulated depreciation	<u>6,146,491</u>
 Total assets	 8,390,221
 Deferred Outflows of Resources	
Deferred amount on debt refunding	37,884
Deferred amount relating to net pension liability	<u>1,297,097</u>
 Total assets and deferred outflows of resources	 <u>9,725,202</u>

See Accompanying Notes to the Financial Statements

Vestaburg Community Schools
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	\$ 75,087
State aid anticipation note payable	770,594
Accrued expenditures	738,493
Accrued salaries payable	299,893
Unearned revenue	10,074
Noncurrent liabilities	
Net pension liability	8,235,989
Debt due within one year	643,544
Debt due in more than one year	<u>12,168,368</u>
Total liabilities	22,942,042
Deferred Inflows of Resources	
Deferred amount relating to net pension liability	<u>454,384</u>
Total liabilities and deferred inflows of resources	<u>23,396,426</u>
Net Position	
Net investment in capital assets (deficit)	(6,358,040)
Unrestricted (deficit)	<u>(7,313,184)</u>
Total net position	<u><u>\$ (13,671,224)</u></u>

See Accompanying Notes to the Financial Statements

Vestaburg Community Schools
Statement of Activities
For the Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Functions/Programs					
Governmental activities					
Instruction	\$ 4,021,077	\$ 6,310	\$ 1,451,551	\$ -	\$ (2,563,216)
Supporting services	2,233,189	57,252	10,473	179,826	(1,985,638)
Food services	253,173	54,594	197,765	-	(814)
Interest and fiscal charges on long-term debt	721,493	-	-	-	(721,493)
Total governmental activities	<u>\$ 7,228,932</u>	<u>\$ 118,156</u>	<u>\$ 1,659,789</u>	<u>\$ 179,826</u>	<u>(5,271,161)</u>
General revenues					
Property taxes, levied for general purposes					424,611
Property taxes, levied for debt service					623,583
State aid - unrestricted					3,809,922
Interest and investment earnings					2,875
Other					1,813
Total general revenues					<u>4,862,804</u>
Change in net position					(408,357)
Net position - beginning					<u>(13,262,867)</u>
Net position - ending					<u>\$ (13,671,224)</u>

See Accompanying Notes to the Financial Statements

Vestaburg Community Schools
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund	2009 Debt Service Fund	2015 Debt Service Fund	Nonmajor Governmental Fund Food Service	Total Governmental Funds
Assets					
Cash	\$ 868,310	\$ 44,640	\$ 24,569	\$ 64,123	\$ 1,001,642
Accounts receivable	9,109	-	-	479	9,588
Due from other governmental units	1,072,980	-	-	6,503	1,079,483
Inventory	-	-	-	2,990	2,990
Prepaid items	75,027	-	-	-	75,027
Total assets	<u>\$ 2,025,426</u>	<u>\$ 44,640</u>	<u>\$ 24,569</u>	<u>\$ 74,095</u>	<u>\$ 2,168,730</u>
Liabilities					
Accounts payable	\$ 74,909	\$ -	\$ -	\$ 178	\$ 75,087
State aid anticipation note payable	770,594	-	-	-	770,594
Accrued expenditures	264,480	-	-	412	264,892
Accrued salaries payable	299,893	-	-	-	299,893
Unearned revenue	6,435	-	-	3,639	10,074
Total liabilities	<u>1,416,311</u>	<u>-</u>	<u>-</u>	<u>4,229</u>	<u>1,420,540</u>
Fund Balance					
Non-spendable					
Inventory	-	-	-	2,990	2,990
Prepaid items	75,027	-	-	-	75,027
Restricted for					
Food service	-	-	-	66,876	66,876
Debt service	-	44,640	24,569	-	69,209
Capital projects	74,704	-	-	-	74,704
Assigned					
Future fiscal year budget	233,172	-	-	-	233,172
Unassigned	226,212	-	-	-	226,212
Total fund balance	<u>609,115</u>	<u>44,640</u>	<u>24,569</u>	<u>69,866</u>	<u>748,190</u>
Total liabilities and fund balance	<u>\$ 2,025,426</u>	<u>\$ 44,640</u>	<u>\$ 24,569</u>	<u>\$ 74,095</u>	<u>\$ 2,168,730</u>

See Accompanying Notes to the Financial Statements

Vestaburg Community Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2017

Total fund balances for governmental funds	\$ 748,190
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	75,000
Capital assets - net of accumulated depreciation	6,146,491
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	37,884
Deferred inflows of resources resulting from net pension liability	(454,384)
Deferred outflows of resources resulting from net pension liability	1,297,097
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(473,601)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(12,677)
Bonds payable	(9,791,144)
School bond loan payable	(2,858,683)
Other loans payable and liabilities	(149,408)
Net pension liability	<u>(8,235,989)</u>
Net position of governmental activities	<u><u>\$ (13,671,224)</u></u>

Vestaburg Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	General Fund	2009 Debt Service Fund	2015 Debt Service Fund	Nonmajor Governmental Fund Food Service	Total Governmental Funds
Revenues					
Local sources	\$ 496,593	\$ 403,633	\$ 220,100	\$ 56,512	\$ 1,176,838
State sources	4,894,246	-	-	8,377	4,902,623
Federal sources	215,744	179,826	-	197,765	593,335
Interdistrict sources	147,779	-	-	-	147,779
Total revenues	5,754,362	583,459	220,100	262,654	6,820,575
Expenditures					
Current					
Education					
Instruction	3,742,476	-	-	-	3,742,476
Supporting services	2,041,565	-	-	-	2,041,565
Food services	-	-	-	252,551	252,551
Capital outlay	15,126	-	-	50,798	65,924
Debt service					
Principal	70,000	290,000	235,000	-	595,000
Interest and other expenditures	22,183	551,571	47,261	-	621,015
Total expenditures	5,891,350	841,571	282,261	303,349	7,318,531
Deficiency of revenues over expenditures	(136,988)	(258,112)	(62,161)	(40,695)	(497,956)

See Accompanying Notes to the Financial Statements

Vestaburg Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	General Fund	2009 Debt Service Fund	2015 Debt Service Fund	Nonmajor Governmental Fund <u>Food Service</u>	Total Governmental Funds
Other Financing Sources (Uses)					
Proceeds from school bond loan fund	\$ -	\$ 259,547	\$ 44,179	\$ -	\$ 303,726
Proceeds from notes and loans	149,408	-	-	-	149,408
Transfers in	17,439	-	-	-	17,439
Transfers out	-	-	-	(17,439)	(17,439)
	<u>166,847</u>	<u>259,547</u>	<u>44,179</u>	<u>(17,439)</u>	<u>453,134</u>
Total other financing sources (uses)					
Net change in fund balance	29,859	1,435	(17,982)	(58,134)	(44,822)
Fund balance - beginning	<u>579,256</u>	<u>43,205</u>	<u>42,551</u>	<u>128,000</u>	<u>793,012</u>
Fund balance - ending	<u>\$ 609,115</u>	<u>\$ 44,640</u>	<u>\$ 24,569</u>	<u>\$ 69,866</u>	<u>\$ 748,190</u>

See Accompanying Notes to the Financial Statements

Vestaburg Community Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances - Total governmental funds	\$ (44,822)
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(382,816)
Capital outlay	31,510
Sale of capital assets (net book value)	(9,839)
Expenses are recorded when incurred in the statement of activities.	
Interest	(93,820)
Compensated absences	(12,677)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(431,008)
Net change in the deferrals of resources related to the net pension liability	397,996
Net change between actual pension contributions and the cost of benefits earned net of employee contributions	1,911
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or payments, as "a" financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(453,134)
Repayments of long-term debt	595,000
Amortization of debt defeasance	(4,210)
Amortization of bond discount	(2,448)
Change in net position of governmental activities	\$ (408,357)

See Accompanying Notes to the Financial Statements

Vestaburg Community Schools
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2017

	<u>Agency Funds</u>
Assets	
Cash	<u>\$ 88,277</u>
Liabilities	
Due to agency fund activities	<u>\$ 88,277</u>

See Accompanying Notes to the Financial Statements

Vestaburg Community Schools
Notes to the Financial Statements
June 30, 2017

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as

Vestaburg Community Schools
Notes to the Financial Statements
June 30, 2017

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

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

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

The School District reports the following major governmental funds:

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

2009 Debt Service Fund – Debt Service Funds are used to record taxes, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

2015 Debt Service Fund – Debt Service Funds are used to record taxes, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Fund includes the Food Service Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Net Position or Equity

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

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

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2017, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.00000
Commercial personal property	6.00000
Debt Service Funds	7.00000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 99% of the School District's tax roll lies within Richland Township, Ferris Township and Fremont Township.

Vestaburg Community Schools
Notes to the Financial Statements
June 30, 2017

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before February 28. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Montcalm and remitted to the School District by May 15.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000 and an estimated useful life in excess of one year. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	25-50 years
Site improvements	20 years
Equipment and furniture	5-20 years
Buses and other vehicles	8 years

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between

what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce the net pension liability in the following year.

Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt.

Compensated Absences – District employees participating in the Vestaburg Education Association with 20 years or more of service to the District that retire qualify for leave time buyback according to the payment schedule outlined in the current bargaining agreement.

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

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

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the

Vestaburg Community Schools
Notes to the Financial Statements
June 30, 2017

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

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

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

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

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

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance

commitment may be established, modified, or rescinded by a resolution of the Board of Education.

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

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

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

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

Use of Estimates

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

Vestaburg Community Schools
Notes to the Financial Statements
June 30, 2017

Eliminations and Reclassifications

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

Adoption of New Accounting Standards

Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

Upcoming Accounting and Reporting Changes

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

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3)

private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

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

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

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

Vestaburg Community Schools
Notes to the Financial Statements
June 30, 2017

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Instructional staff	\$ 41,261	\$ 41,651	\$ 390
General administration	295,249	299,761	4,512
Business	113,656	113,879	223
Central	103,295	104,510	1,215
Athletic activities	157,158	157,209	51

District-Wide Deficits

The School District has an unrestricted net position deficit for District-Wide activities in the amount of \$9,243,903 as of June 30, 2017. There are no other governmental funds with a deficit.

Note 3 - Deposits and Investments

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	<u>\$ 1,001,642</u>	<u>\$ 88,277</u>	<u>\$ 1,089,919</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 1,089,419
Petty cash and cash on hand	<u>500</u>
Total	<u><u>\$ 1,089,919</u></u>

Interest rate risk – The District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The District has no investment policy that would further limit its investment choices.

Concentration of credit risk – The District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year-end, \$877,367 of the District's bank balance of \$1,127,367 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Vestaburg Community Schools
Notes to the Financial Statements
June 30, 2017

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 75,000	\$ -	\$ -	\$ 75,000
Capital assets being depreciated				
Buildings and additions	9,236,627	-	-	9,236,627
Site improvements	921,455	-	-	921,455
Equipment and furniture	3,071,108	31,510	1,963,666	1,138,952
Buses and other vehicles	535,470	-	-	535,470
Total capital assets being depreciated	<u>13,764,660</u>	<u>31,510</u>	<u>1,963,666</u>	<u>11,832,504</u>
Less accumulated depreciation for				
Buildings and additions	(3,950,658)	(272,088)	-	(4,222,746)
Site improvements	(230,365)	(46,072)	-	(276,437)
Equipment and furniture	(2,585,536)	(51,532)	(1,953,827)	(683,241)
Buses and other vehicles	(490,465)	(13,124)	-	(503,589)
Total accumulated depreciation	<u>(7,257,024)</u>	<u>(382,816)</u>	<u>(1,953,827)</u>	<u>(5,686,013)</u>
Net capital assets being depreciated	<u>6,507,636</u>	<u>(351,306)</u>	<u>9,839</u>	<u>6,146,491</u>
Net capital assets	<u>\$ 6,582,636</u>	<u>\$ (351,306)</u>	<u>\$ 9,839</u>	<u>\$ 6,221,491</u>

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

Governmental activities	
Instruction	\$ 247,695
Supporting services	135,121
Total governmental activities	<u>\$ 382,816</u>

Open Contracts

As of year end, the School District had the following contracts in progress:

Project	Total Contract	Remaining Construction Commitment at Year End	Contract Payable at Year End
Lighting and security improvements	\$ 149,408	\$ 74,704	\$ -

Note 5 - Transfers

An interfund transfer was made during the year between the General Fund and the Food Service Fund totaling \$17,439. This transfer was made to reimburse the General Fund for indirect costs.

Note 6 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Grant and categorical aid payments received prior to meeting all eligibility requirements	\$ 6,435
Other - student lunch deposits	3,639
Total	<u>\$ 10,074</u>

Vestaburg Community Schools
Notes to the Financial Statements
June 30, 2017

Note 7 - Leases

Operating Leases

The School District leases copiers under non-cancelable operating leases. Total costs for such leases were \$36,190 for the year. The future minimum lease payments for these leases are as follows:

Year ending June 30,	
2018	\$ 31,836
2019	31,836
2020	<u>23,877</u>
 Total	 <u>\$ 87,549</u>

Note 8 - State Aid Anticipation Note

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

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	<u>\$ 727,625</u>	<u>\$ 900,000</u>	<u>\$ 857,031</u>	<u>\$ 770,594</u>

The state aid anticipation note agreement includes an irrevocable set-aside of \$129,406 at year end that is considered defeased debt and not included in the ending balance.

Note 9 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 10,440,000	\$ -	\$ 595,000	\$ 9,845,000	\$ 615,000
School Bond Loan	2,554,957	303,726	-	2,858,683	-
Installment Note	-	149,408	-	149,408	28,544
Compensated absences	-	12,677	-	12,677	-
Discount on bonds	<u>(56,304)</u>	<u>-</u>	<u>(2,448)</u>	<u>(53,856)</u>	<u>-</u>
 Total	 <u>\$ 12,938,653</u>	 <u>\$ 465,811</u>	 <u>\$ 592,552</u>	 <u>\$ 12,811,912</u>	 <u>\$ 643,544</u>

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

2008 energy bond due in annual installments of \$70,000 to \$75,000 through May 1, 2019, interest at 5.05% to 5.2%	\$ 145,000
2009 school building and site bonds due in annual installments of \$315,000 to \$380,000 through May 1, 2039, interest at 5.61% to 7.32%	7,770,000
2015 refunding bonds due in annual installments of \$200,000 to \$230,000 through May 1, 2026, interest at 1.45% to 3.15%	<u>1,930,000</u>
 Total general obligation bonded debt	 <u>\$ 9,845,000</u>

Vestaburg Community Schools
Notes to the Financial Statements
June 30, 2017

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

Year Ending June 30,	Principal	Interest	Total
2018	\$ 615,000	\$ 587,332	\$ 1,202,332
2019	630,000	562,790	1,192,790
2020	550,000	535,892	1,085,892
2021	550,000	511,988	1,061,988
2022	550,000	485,940	1,035,940
2023-2027	2,525,000	2,013,608	4,538,608
2028-2032	1,800,000	1,353,670	3,153,670
2033-2037	1,865,000	689,544	2,554,544
2038-2039	760,000	83,448	843,448
Total	\$ 9,845,000	\$ 6,824,212	\$ 16,669,212

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of \$69,209 to pay this debt. Future debt and interest will be payable from future tax levies.

State School Bond Loan

The State School Bond Loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities on the School District's bond issues. Since 2005, the School District issued bonds to renovate School District facilities. The bond election, as passed by the voters, specified that the School District debt millage would not exceed the pre-bond voted millage of 7 mills. Since the monies generated by the 7 mills are presently not sufficient to cover the entire debt service requirements of the School District, it has been necessary for the School District to borrow a total of \$2,554,957 to meet debt service requirements. Management of the School District anticipates that as bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the bonds and all necessary borrowing from the State School Bond Loan Fund. During the year, the School District borrowed \$303,726 and had an outstanding balance at year of \$2,858,683, from the State School Bond Loan Fund.

The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

Installment Note

The School District obtained an installment note to purchase lighting and security equipment. The interest rate is 2.29% and the note matures June 21, 2022. Future principal and interest requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 28,544	\$ 3,421	\$ 31,965
2019	29,198	2,768	31,966
2020	29,866	2,099	31,965
2021	30,550	1,415	31,965
2022	31,250	719	31,969
Total	\$ 149,408	\$ 10,422	\$ 159,830

Interest expenditures for the fiscal year in the General Fund and Debt Service Funds were \$22,183 and \$598,832, respectively.

Deferred Amount on Refunding

The School District issued bonds in 2015 to advance refund and retire previously issued bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$46,304. This amount, less accumulated amortization, is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2026. The balance at June 30, 2017 is \$37,884.

Vestaburg Community Schools
Notes to the Financial Statements
June 30, 2017

Note 10 - Risk Management

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

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had \$0 of unemployment compensation expense for the year. No provision has been made for possible future claims in the district wide statements.

Note 11 - Pension Plans and Post-Employment Benefits

Plan Description

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

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

The System's financial statements are available at www.michigan.gov/mpsers-cafr.

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

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. 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 Funding 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

Vestaburg Community Schools
Notes to the Financial Statements
June 30, 2017

September 30, 2016 valuation will be amortized over a 20 year period for the plan's 2016 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2016.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	18.95%
Member Investment Plan	3.0 - 7.0	18.95%
Pension Plus	3.0 - 6.4	17.73%
Defined Contribution	0.0	14.56%

Required contributions to the pension plan from the School District were \$741,280 for the year ending September 30, 2016.

Net Pension Liability

At June 30, 2017, the School District reported a liability of \$8,235,989 for its proportionate share of the 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 30, 2015. The School District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2016, the School District's proportionate share percent was 0.033 percent, which was an increase of 0.0011 percent since the prior measurement date.

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

For the year ended June 30, 2017, the School District recognized total pension expense of \$774,292. The School District's actual contributions for the years ended June 30, 2017, 2016, and 2015 and were approximately \$530,800, \$538,000, and \$574,000, respectively.

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total to Amortize
Difference between expected and actual experience	\$ 102,642	\$ (19,520)	\$ 83,122
Changes in assumptions	128,763	-	128,763
Net difference between projected and actual earnings on pension plan investments	136,882	-	136,882
Changes in proportion and differences between employer contributions and proportionate share of contributions	197,293	(178,182)	19,111
Employer contributions subsequent to the measurement date	731,517	(256,682)	-
	<u>\$ 1,297,097</u>	<u>\$ (454,384)</u>	<u>\$ 367,878</u>

\$731,517 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. \$256,682 reported as deferred inflows of resources relating to pensions resulting from employer contributions subsequent to the measurement date are 147c revenues received that will be recognized in the year ended June 30, 2018 when the related payments reduce the net pension liability.

Vestaburg Community Schools
Notes to the Financial Statements
June 30, 2017

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ending September 30	Amount
2017	\$ 54,157
2018	43,392
2019	205,467
2020	64,862
	<u>\$ 367,878</u>

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2015
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of returns:
 - MIP and Basic Plans (Non-Hybrid): 8.0%
 - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5-12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12

- Mortality: RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA (for men, 140% of the table rates for ages 0-79, 133% of the table rates for ages 80-84, and 121.8% of the table rates for ages over 84 were used and for women, 96% of the table rates were used).

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The 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. The recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.6273 for non-university employers). The recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report (CAFR) (www.michigan.gov/mpsers-cafr).

Vestaburg Community Schools
Notes to the Financial Statements
June 30, 2017

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*
Domestic Equity Pools	28.00%	5.9%
Alternative Investment Pools	18.00%	9.2%
International Equity	16.00%	7.2%
Fixed Income Pools	10.50%	0.9%
Real Estate and Infrastructure Pools	10.00%	4.3%
Absolute Return Pools	15.50%	6.0%
Short Term Investment Pools	2.00%	0.0%
	100.00%	

*Long term rate of return does not include 2.1% inflation

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). 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.

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

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

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%
\$ 10,605,881	\$ 8,235,989	\$ 6,237,943

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

Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR. See the 2016 MPERS CAFR (www.michigan.gov/mpers-cafr).

Payables to the Pension Plan

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

Post-Employment Benefits

In addition to the pension benefits described above, state law requires the School District to provide post-employment healthcare

Vestaburg Community Schools
Notes to the Financial Statements
June 30, 2017

benefits for eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPERS).

The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the participant contributes up to 2% of their salary, and receives up to a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

For the periods July 1, 2016 through September 30, 2016, and October 1, 2016 through June 30, 2017, the employer contribution rate ranged from 6.40% to 6.83% and 5.69% to 5.91%, respectively.

The School District's actual contributions match the required contributions for the years ended June 30, 2017, 2016, and 2015 and were approximately \$173,600, \$178,000, and \$89,800, respectively.

Unfunded Accrued Liability

During the year ending June 30, 2017, the School District had contributions in the amount of approximately \$352,200 to the MPERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 11.70% for the year ending June 30, 2017.

Note 12 - Contingent Liabilities

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

Note 13 - Subsequent Event

Subsequent to June 30, 2017, the School District has paid the balance of \$770,594 and accrued interest on the short-term state aid anticipation note borrowed in July 2016 and has subsequently borrowed \$900,000 at 1.34% interest in short-term state aid anticipation notes due August 20, 2018. Proceeds from the borrowing were distributed to the School District during August 2017.

REQUIRED SUPPLEMENTARY INFORMATION

Vestaburg Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenues				
Local sources	\$ 451,300	\$ 494,914	\$ 496,593	\$ 1,679
State sources	4,736,455	4,893,527	4,894,246	719
Federal sources	212,085	215,669	215,744	75
Interdistrict sources	90,000	147,779	147,779	-
Total revenues	5,489,840	5,751,889	5,754,362	2,473
Expenditures				
Instruction				
Basic programs	2,882,203	3,118,134	3,113,672	(4,462)
Added needs	637,212	628,962	628,804	(158)
Supporting services				
Pupil	351,857	346,195	345,805	(390)
Instructional staff	42,648	41,261	41,651	390
General administration	199,357	295,249	299,761	4,512
School administration	371,711	297,228	293,984	(3,244)
Business	113,631	113,656	113,879	223
Operations and maintenance	442,184	449,587	447,089	(2,498)
Pupil transportation services	339,141	240,400	237,677	(2,723)
Central	82,200	103,295	104,510	1,215
Athletic activities	156,967	157,158	157,209	51
Capital outlay	18,000	15,127	15,126	(1)

Vestaburg Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Debt service				
Principal	\$ 70,000	\$ 70,000	\$ 70,000	\$ -
Interest and fiscal charges	25,500	22,183	22,183	-
Total expenditures	<u>5,732,611</u>	<u>5,898,435</u>	<u>5,891,350</u>	<u>(7,085)</u>
Deficiency of revenues over expenditures	<u>(242,771)</u>	<u>(146,546)</u>	<u>(136,988)</u>	<u>9,558</u>
Other Financing Sources				
Proceeds from notes and loans	-	149,408	149,408	-
Transfers in	15,000	17,439	17,439	-
Total other financing sources	<u>15,000</u>	<u>166,847</u>	<u>166,847</u>	<u>-</u>
Net change in fund balance	(227,771)	20,301	29,859	9,558
Fund balance - beginning	<u>579,256</u>	<u>579,256</u>	<u>579,256</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 351,485</u></u>	<u><u>\$ 599,557</u></u>	<u><u>\$ 609,115</u></u>	<u><u>\$ 9,558</u></u>

Vestaburg Community Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th)

	June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A. School District's proportion of net pension liability (%)	0.03%	0.03%	0.03%							
B. School District's proportionate share of net pension liability	\$8,235,989	\$7,804,981	\$7,318,488							
C. School District's covered-employee payroll	\$2,855,228	\$2,710,653	\$2,857,221							
D. School District's proportionate share of net pension liability as a percentage of its covered- employee payroll	288.45%	287.94%	256.14%							
E. Plan fiduciary net position as a percentage of total pension liability	63.27%	63.17%	66.20%							

Vestaburg Community Schools
Required Supplementary Information
Schedule of the School District's Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A. Statutorily required contributions	\$ 530,841	\$ 538,281	\$ 652,820							
B. Contributions in relation to statutorily required contributions	<u>530,841</u>	<u>538,281</u>	<u>652,820</u>							
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
D. Reporting unit's covered-employee payroll	\$2,869,282	\$2,849,550	\$2,666,900							
E. Contributions as a percentage of covered-employee payroll	18.50%	18.89%	24.48%							

Notes:

Benefit changes - There were no changes of benefit terms in 2017.

Changes in assumptions - There were no changes of benefit assumptions in 2017.

OTHER SUPPLEMENTARY INFORMATION

Vestaburg Community Schools
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2017

	2017	2016
Assets		
Cash	\$ 868,310	\$ 991,122
Accounts receivable	9,109	65,043
Due from other governmental units	1,072,980	846,406
Prepaid items	75,027	1,635
Total assets	\$ 2,025,426	\$ 1,904,206
Liabilities		
Accounts payable	\$ 74,909	\$ 25,851
State aid anticipation note payable	770,594	727,625
Accrued expenditures	264,480	266,174
Accrued salaries payable	299,893	297,850
Unearned revenue	6,435	7,450
Total liabilities	1,416,311	1,324,950
Fund Balance		
Non-spendable		
Prepaid items	75,027	1,635
Restricted for		
Capital projects	74,704	-
Assigned		
Future fiscal year budget	233,172	227,771
Unassigned	226,212	349,850
Total fund balance	609,115	579,256
Total liabilities, deferred inflows of resources and fund balance	\$ 2,025,426	\$ 1,904,206

Vestaburg Community Schools
Other Supplementary Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue from local sources				
Property tax levy	\$ 407,500	\$ 424,450	\$ 424,611	\$ 161
Earnings on investments	1,000	2,612	2,603	(9)
Student activities	25,200	30,076	30,226	150
Community service activities	7,000	5,950	5,950	-
Other local revenues	10,600	31,826	33,203	1,377
Total revenues from local sources	<u>451,300</u>	<u>494,914</u>	<u>496,593</u>	<u>1,679</u>
Revenues from state sources				
Grants - unrestricted	3,953,995	3,800,825	3,801,545	720
Grants - restricted	782,460	1,092,702	1,092,701	(1)
Total revenues from state sources	<u>4,736,455</u>	<u>4,893,527</u>	<u>4,894,246</u>	<u>719</u>
Revenues from federal sources				
Grants	212,085	215,669	215,744	75
Interdistrict sources				
ISD collected millage	44,000	46,437	46,437	-
Cooperative education	-	10,174	10,174	-
Other	46,000	91,168	91,168	-
Total interdistrict sources	<u>90,000</u>	<u>147,779</u>	<u>147,779</u>	<u>-</u>
Other financing sources				
Proceeds from notes and loans	-	149,408	149,408	-
Transfers in	15,000	17,439	17,439	-
Total other financing sources	<u>15,000</u>	<u>166,847</u>	<u>166,847</u>	<u>-</u>
Total revenue and other financing sources	<u>\$ 5,504,840</u>	<u>\$ 5,918,736</u>	<u>\$ 5,921,209</u>	<u>\$ 2,473</u>

Vestaburg Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - elementary				
Salaries	\$ 819,718	\$ 805,134	\$ 805,133	\$ (1)
Employee benefits	579,911	596,375	590,730	(5,645)
Purchased services	35,000	48,152	48,146	(6)
Supplies and materials	21,750	21,679	21,679	-
Total elementary	<u>1,456,379</u>	<u>1,471,340</u>	<u>1,465,688</u>	<u>(5,652)</u>
Basic program - high school				
Salaries	569,785	658,281	659,107	826
Employee benefits	398,657	447,916	448,280	364
Purchased services	147,500	181,340	181,340	-
Supplies and materials	20,700	29,385	29,385	-
Other	1,500	1,750	1,750	-
Total high school	<u>1,138,142</u>	<u>1,318,672</u>	<u>1,319,862</u>	<u>1,190</u>
Basic program - pre-school				
Salaries	152,479	182,364	182,364	-
Employee benefits	106,080	120,948	120,948	-
Purchased services	9,050	10,280	10,280	-
Supplies and materials	16,654	9,814	9,814	-
Total pre-school	<u>284,263</u>	<u>323,406</u>	<u>323,406</u>	<u>-</u>

Vestaburg Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - summer school				
Salaries	\$ 1,973	\$ 3,287	\$ 3,287	\$ -
Employee benefits	648	1,429	1,429	-
Supplies and materials	798	-	-	-
	<u>3,419</u>	<u>4,716</u>	<u>4,716</u>	<u>-</u>
Added needs - special education				
Salaries	261,704	258,919	258,919	-
Employee benefits	193,606	181,671	181,671	-
Purchased services	4,500	6,675	6,659	(16)
Supplies and materials	750	230	230	-
	<u>460,560</u>	<u>447,495</u>	<u>447,479</u>	<u>(16)</u>
Added needs - compensatory education				
Salaries	116,359	119,781	119,781	-
Employee benefits	60,293	61,686	61,544	(142)
	<u>176,652</u>	<u>181,467</u>	<u>181,325</u>	<u>(142)</u>
Pupil - guidance services				
Salaries	112,882	115,662	115,661	(1)
Employee benefits	83,498	84,221	83,832	(389)
Purchased services	15,500	10,240	10,240	-
Supplies and materials	-	4,855	4,855	-
Other	-	300	299	(1)
	<u>211,880</u>	<u>215,278</u>	<u>214,887</u>	<u>(391)</u>

Vestaburg Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil - speech services				
Salaries	\$ 54,786	\$ 48,077	\$ 48,077	\$ -
Employee benefits	30,857	26,120	26,121	1
Purchased services	1,500	-	-	-
	<u>87,143</u>	<u>74,197</u>	<u>74,198</u>	<u>1</u>
Total speech services				
Pupil - social work services				
Salaries	33,052	35,435	35,435	-
Employee benefits	18,582	19,593	19,593	-
Purchased services	1,200	220	220	-
Supplies and materials	-	111	111	-
	<u>52,834</u>	<u>55,359</u>	<u>55,359</u>	<u>-</u>
Total social work services				
Pupil - other support services				
Salaries	-	867	867	-
Employee benefits	-	373	373	-
Supplies and materials	-	121	121	-
	<u>-</u>	<u>1,361</u>	<u>1,361</u>	<u>-</u>
Total other pupil support services				
Instructional staff - improvement of education				
Salaries	-	7,000	7,000	-
Employee benefits	-	3,063	3,063	-
Purchased services	35,433	24,055	24,055	-
	<u>35,433</u>	<u>34,118</u>	<u>34,118</u>	<u>-</u>
Total improvement of education				

Vestaburg Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Instructional staff - educational media services				
Employee benefits	\$ -	\$ -	\$ 390	\$ 390
Instructional staff - supervision and direction of instructional staff				
Salaries	5,000	5,000	5,000	-
Employee benefits	2,215	2,143	2,143	-
Total supervision and direction of instructional staff	<u>7,215</u>	<u>7,143</u>	<u>7,143</u>	<u>-</u>
General administration - board of education				
Purchased services	36,600	53,855	55,832	1,977
Supplies and materials	1,300	575	575	-
Other	10,500	12,611	12,611	-
Total board of education	<u>48,400</u>	<u>67,041</u>	<u>69,018</u>	<u>1,977</u>
General administration - executive administration				
Salaries	82,757	128,248	128,248	-
Employee benefits	62,950	90,884	90,884	-
Purchased services	1,750	1,976	4,511	2,535
Supplies and materials	500	197	197	-
Other	3,000	6,903	6,903	-
Total executive administration	<u>150,957</u>	<u>228,208</u>	<u>230,743</u>	<u>2,535</u>

Vestaburg Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
School administration - office of the principal				
Salaries	\$ 224,720	\$ 183,075	\$ 183,075	\$ -
Employee benefits	139,141	109,420	106,139	(3,281)
Purchased services	5,200	4,095	4,133	38
Supplies and materials	1,100	324	323	(1)
Other	1,550	314	314	-
Total office of the principal	<u>371,711</u>	<u>297,228</u>	<u>293,984</u>	<u>(3,244)</u>
Business - fiscal services				
Salaries	41,991	41,991	41,991	-
Employee benefits	39,549	37,260	37,260	-
Purchased services	6,950	9,124	9,185	61
Supplies and materials	500	1,005	1,167	162
Other	6,500	819	819	-
Total fiscal services	<u>95,490</u>	<u>90,199</u>	<u>90,422</u>	<u>223</u>
Business - other				
Purchased services	13,141	13,141	13,141	-
Other	5,000	10,316	10,316	-
Total other business	<u>18,141</u>	<u>23,457</u>	<u>23,457</u>	<u>-</u>
Operations and maintenance - operating building services				
Salaries	43,402	43,070	43,070	-
Employee benefits	32,682	30,879	30,879	-
Purchased services	317,600	327,430	325,521	(1,909)
Supplies and materials	43,500	38,817	38,828	11
Other	5,000	9,391	8,791	(600)
Total operating building services	<u>442,184</u>	<u>449,587</u>	<u>447,089</u>	<u>(2,498)</u>

Vestaburg Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil transportation services				
Salaries	\$ 137,168	\$ 123,740	\$ 123,800	\$ 60
Employee benefits	73,242	58,646	58,650	4
Purchased services	23,950	13,928	13,928	-
Supplies and materials	101,981	43,734	40,791	(2,943)
Other	2,800	352	508	156
	<u>339,141</u>	<u>240,400</u>	<u>237,677</u>	<u>(2,723)</u>
Total transportation services				
	<u>339,141</u>	<u>240,400</u>	<u>237,677</u>	<u>(2,723)</u>
Central - support services technology				
Purchased services	66,200	71,160	71,400	240
Supplies and materials	16,000	32,135	33,110	975
	<u>82,200</u>	<u>103,295</u>	<u>104,510</u>	<u>1,215</u>
Total support services technology				
	<u>82,200</u>	<u>103,295</u>	<u>104,510</u>	<u>1,215</u>
Athletic activities				
Salaries	30,890	34,750	34,750	-
Employee benefits	25,459	24,688	24,688	-
Purchased services	63,318	62,013	62,013	-
Supplies and materials	24,800	21,904	21,904	-
Other	12,500	13,803	13,854	51
	<u>156,967</u>	<u>157,158</u>	<u>157,209</u>	<u>51</u>
Total athletic activities				
	<u>156,967</u>	<u>157,158</u>	<u>157,209</u>	<u>51</u>

Vestaburg Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Capital outlay				
Pupil transportation services	\$ -	\$ 10,630	\$ 10,630	\$ -
Central - support services technology	18,000	4,497	4,496	(1)
Total capital outlay	<u>18,000</u>	<u>15,127</u>	<u>15,126</u>	<u>(1)</u>
Debt service				
Principal	70,000	70,000	70,000	-
Interest and other expenditures	25,500	22,183	22,183	-
Total debt service	<u>95,500</u>	<u>92,183</u>	<u>92,183</u>	<u>-</u>
Total expenditures and financing uses	<u>\$ 5,732,611</u>	<u>\$ 5,898,435</u>	<u>\$ 5,891,350</u>	<u>\$ (7,085)</u>

Vestaburg Community Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2017

Year Ending June 30,	2008 Energy Bond	2009 Building Bond	2015 Refunding Bond	Total
2018	\$ 70,000	\$ 315,000	\$ 230,000	\$ 615,000
2019	75,000	330,000	225,000	630,000
2020	-	330,000	220,000	550,000
2021	-	330,000	220,000	550,000
2022	-	335,000	215,000	550,000
2023	-	335,000	210,000	545,000
2024	-	340,000	205,000	545,000
2025	-	340,000	205,000	545,000
2026	-	340,000	200,000	540,000
2027	-	350,000	-	350,000
2028	-	350,000	-	350,000
2029	-	360,000	-	360,000
2030	-	360,000	-	360,000
2031	-	365,000	-	365,000
2032	-	365,000	-	365,000
2033	-	370,000	-	370,000
2034	-	370,000	-	370,000
2035	-	370,000	-	370,000
2036	-	375,000	-	375,000
2037	-	380,000	-	380,000
2038	-	380,000	-	380,000
2039	-	380,000	-	380,000
Total	<u>\$ 145,000</u>	<u>\$ 7,770,000</u>	<u>\$ 1,930,000</u>	<u>\$ 9,845,000</u>

Vestaburg Community Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2017

	<u>2008</u> Energy Bond	<u>2009</u> Building Bond	<u>2015</u> Refunding Bond
Principal payments due the first day of	May 1st	May 1st	May 1st
Interest payments due the first day of	May 1st and November 1st	May 1st and November 1st	May 1st and November 1st
Interest rate	5.05% - 5.20%	5.61% - 7.32%	1.45% - 3.15%
Original issue	<u>\$ 605,000</u>	<u>\$ 9,180,000</u>	<u>\$ 2,310,000</u>



800.968.0010 | yeoandyeo.com

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*

Independent Auditors' Report

Management and the Board of Education
Vestaburg Community Schools
Vestaburg, 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 Vestaburg Community Schools as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Vestaburg Community Schools' basic financial statements, and have issued our report thereon dated August 23, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Vestaburg Community Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Vestaburg Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Vestaburg Community Schools' 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 Vestaburg Community Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

Yeo & Yeo, P.C.

Alma, Michigan
August 23, 2017