Vestaburg Community Schools

Financial Statements

June 30, 2016

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Vestaburg Community Schools
Members of the Board of Education and Administration
June 30, 2016

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Brandon Hubbard – Superintendent

Bonnie Walker – Business Office Specialist

YEO & YEO
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Independent Auditors' Report

Management and the Board of Education
Vestaburg Community Schools

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, 2016, 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, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2016, the School District adopted GASB Statements No. 72, 76, 79, and 82, *Fair Value Measurement and Application, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, Certain External Investment Pools and Pool Participants,* and *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73, respectively.* Our opinions are not modified with respect to this matter.

Other Matters:

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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, 2015, which are not presented with the accompanying basic financial statements. In our report dated October 19, 2015, 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 2015 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 2015 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 2015 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 September 14, 2016 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
September 14, 2016

YEO & YEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2016. 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.

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.

Government-wide Financial Analysis

Summary of Statement of Net Position

	2015-2016	2014-2015
Assets		
Current assets	$2,128,077	$2,212,816
Capital assets, net	6,582,636	6,953,555
Total assets	8,710,713	9,166,371
Deferred Outflows of Resources	946,308	822,563
Total assets and deferred outflows of resources	9,657,021	9,988,934
Liabilities		
Current liabilities	1,714,846	1,697,035
Long-term liabilities	20,743,634	20,447,249
Total liabilities	22,458,480	22,144,284
Deferred Inflows of Resources	461,408	809,062
Total liabilities and deferred inflows of resources	22,919,888	22,953,346
Net Position		
Net investment in capital assets (deficit)	(3,976,017)	(6,175,206)
Restricted for food service		107,500
Unrestricted (deficit)	(9,286,850)	(6,896,706)
Total net position	$(13,262,867)	$(12,964,412)

A substantial portion of the District's assets (75.6%) 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.

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 $298,455 during the current fiscal year. This decrease largely reflects the degree to which ongoing expenses exceeded ongoing revenues.

Summary of Statement of Activities

	2015-2016	2014-2015
Revenue		
Program revenue		
Charges for services	$ 113,095	$ 222,167
Operating and Capital grants and contributions	1,861,876	1,686,495
General revenue		
Property taxes	1,023,234	1,029,053
State aid - unrestricted	3,795,297	3,734,733
Other	7,233	22,795
Total revenue	6,800,735	6,695,243
Expenses		
Instruction	4,017,614	3,621,509
Supporting services	2,153,282	2,141,342
Food services	232,238	250,464
Community services		505
Interest on long-term debt	696,056	782,362
Total expenses	7,099,190	6,796,182
Change in net position	$ (298,455)	$ (100,939)

Total revenues increased approximately $105,500 mostly due to increased categoricals related to state funding. Total expenses increased approximately $303,000 mostly related to increased retirement and health care expenses.

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 $793,012 decreased by $56,764 from last year. The General Fund, which is the primary operating fund, decreased by $76,239. 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, increased $20,500. The fund balance in Food Service at June 30, 2016, was $128,000. The increase is primarily the result of good participation rates in the food service program, and monitoring of costs.

The Debt Service Funds show a fund balance of $85,756 which is a decrease of $1,025 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 71.63% 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 categoricals 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 $5,737,274 in revenues which was $5,889 over the final budget.
- The General Fund had $5,828,831 in expenditures which was $58,854 under final budget. The actual General Fund expenditures were within .1% of the final budget amounts. Actual expenditures were under budget due to health insurance expenditures coming in less than the budgeted amount.

Capital Assets

As of June 30, 2016, the District had $6,582,636 in capital assets as follows:

	2015-2016	2014-2015
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	3,071,108	3,074,793
Subtotal	13,764,660	13,843,345
Less accumulated depreciation	(7,257,024)	(6,889,790)
Net capital assets	$ 6,582,636	$6,953,555

Long-term Debt

The long-term obligations for the District decreased from $13,128,761 at the end of 2014-2015 to $12,938,653 at the end of 2015-2016. The total decrease includes the payment of debt service requirements for the government obligation bonds and the installment note. During 2015-2016 the District advance refunded bonds. The new bonds were issued at a par value of $2,310,000, and paid down bonds in the amount of $2,255,000.

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 $7,511 for the 2016-17 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, 2016

	Governmental Activities
Assets	
Cash	$ 1,210,444
Due from other governmental units	913,267
Inventory	2,731
Prepaid items	1,635
Capital assets not being depreciated	75,000
Capital assets - net of accumulated depreciation	6,507,636
Total assets	8,710,713
Deferred Outflows of Resources	
Deferred amount on debt refunding	42,094
Deferred amount relating to net pension liability	904,214
Total assets and deferred outflows of resources	9,657,021

Vestaburg Community Schools
Statement of Net Position
June 30, 2016

	Governmental Activities
Liabilities	
Accounts payable	$ 33,387
State aid anticipation note payable	727,625
Accrued expenditures	645,955
Accrued salaries payable	297,850
Unearned revenue	10,029
Noncurrent liabilities	
Net pension liability	7,804,981
Debt due within one year	595,000
Debt due in more than one year	12,343,653
Total liabilities	22,458,480
Deferred Inflows of Resources	
Deferred amount relating to net pension liability	461,408
Total liabilities and deferred inflows of resources	22,919,888
Net Position	
Net investment in capital assets (deficit)	(3,976,017)
Unrestricted (deficit)	(9,286,850)
Total net position	$ (13,262,867)

See Accompanying Notes to the Financial Statements

Vestaburg Community Schools
Statement of Activities
For the Year Ended June 30, 2016

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs					
Governmental activities					
Instruction	$ 4,017,614	$ 19,752	$ 1,454,136	$ -	$ (2,543,726)
Supporting services	2,153,282	35,706	12,159	184,388	(1,921,029)
Food services	232,238	57,637	211,193	-	36,592
Interest and fiscal charges on long-term debt	696,056	-	-	-	(696,056)
Total governmental activities	$ 7,099,190	$ 113,095	$ 1,677,488	$ 184,388	(5,124,219)
General revenues					
Property taxes, levied for general purposes					410,870
Property taxes, levied for debt service					612,364
State aid - unrestricted					3,795,297
Interest and investment earnings					1,217
Other					6,016
Total general revenues					4,825,764
Change in net position					(298,455)
Net position - beginning					(12,964,412)
Net position - ending					$ (13,262,867)

See Accompanying Notes to the Financial Statements

Vestaburg Community Schools
Governmental Funds
Balance Sheet
June 30, 2016

	General Fund	2009 Debt Service Fund	2015 Debt Service Fund	Nonmajor Governmental Fund Food Service	Total Governmental Funds
Assets					
Cash	$ 991,122	$ 43,205	$ 42,551	$ 133,566	$ 1,210,444
Due from other governmental units	911,449	-	-	1,818	913,267
Inventory	-	-	-	2,731	2,731
Prepaid items	1,635	-	-	-	1,635
Total assets	$ 1,904,206	$ 43,205	$ 42,551	$ 138,115	$ 2,128,077
Liabilities					
Accounts payable	$ 25,851	$ -	$ -	$ 7,536	$ 33,387
State aid anticipation note payable	727,625	-	-	-	727,625
Accrued expenditures	266,174	-	-	-	266,174
Accrued salaries payable	297,850	-	-	-	297,850
Unearned revenue	7,450	-	-	2,579	10,029
Total liabilities	1,324,950	-	-	10,115	1,335,065
Fund Balance					
Non-spendable					
Inventory	-	-	-	2,731	2,731
Prepaid items	1,635	-	-	-	1,635
Restricted for					
Food service	-	-	-	125,269	125,269
Debt service	-	43,205	42,551	-	85,756
Assigned					
Future fiscal year budget	227,771	-	-	-	227,771
Unassigned	349,850	-	-	-	349,850
Total fund balance	579,256	43,205	42,551	128,000	793,012
Total liabilities and fund balance	$ 1,904,206	$ 43,205	$ 42,551	$ 138,115	$ 2,128,077

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, 2016

Total fund balances for governmental funds	$ 793,012
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	6,507,636
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	42,094
Deferred inflows of resources resulting from net pension liability	(461,408)
Deferred outflows of resources resulting from net pension liability	904,214
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(379,781)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Bonds payable	(10,383,696)
School bond loan payable	(2,554,957)
Net pension liability	(7,804,981)
Net position of governmental activities	$ (13,262,867)

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, 2016

	General Fund	2009 Debt Service Fund	2015 Debt Service Fund	Nonmajor Governmental Fund Food Service	Total Governmental Funds
Revenues					
Local sources	$ 491,683	$ 396,336	$ 216,107	$ 60,059	$ 1,164,185
State sources	4,871,357	-	-	11,001	4,882,358
Federal sources	257,687	184,388	-	211,193	653,268
Interdistrict sources	116,547	-	-	-	116,547
Total revenues	5,737,274	580,724	216,107	282,253	6,816,358
Expenditures					
Current					
Education					
Instruction	3,723,423	-	-	-	3,723,423
Supporting services	1,962,661	-	-	-	1,962,661
Food services	-	-	-	231,094	231,094
Capital outlay	42,508	-	-	15,341	57,849
Debt service					
Principal	74,534	270,000	145,000	-	489,534
Interest and other expenditures	24,164	565,285	28,449	-	617,898
Bond issuance costs	1,541	-	39,796	-	41,337
Payment to bond refunding escrow agent	-	-	2,301,304	-	2,301,304
Total expenditures	5,828,831	835,285	2,514,549	246,435	9,425,100
Excess (deficiency) of revenues over expenditures	(91,557)	(254,561)	(2,298,442)	35,818	(2,608,742)

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, 2016

	General Fund	2009 Debt Service Fund	2015 Debt Service Fund	Nonmajor Governmental Fund Food Service	Total Governmental Funds
Other Financing Sources (Uses)					
Proceeds from refinancing debt	$ -	$ -	2,310,000	$ -	$ 2,310,000
Proceeds from school bond loan fund	-	241,978	-	-	241,978
Transfers in	15,318	-	-	-	15,318
Transfers out	-	-	-	(15,318)	(15,318)
Total other financing sources (uses)	15,318	241,978	2,310,000	(15,318)	2,551,978
Net change in fund balance	(76,239)	(12,583)	11,558	20,500	(56,764)
Fund balance - beginning	655,495	55,788	30,993	107,500	849,776
Fund balance - ending	$ 579,256	$ 43,205	$ 42,551	$ 128,000	$ 793,012

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, 2016

Net change in fund balances - Total governmental funds	$ (56,764)
Total change in net position reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Other	(15,623)
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	(385,511)
Capital outlay	14,684
Sale of capital assets (net book value)	(92)
Expenses are recorded when incurred in the statement of activities.	
Interest	(30,163)
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	(486,493)
Net change in the deferrals of resources related to the net pension liability	508,907
Net change between actual pension contributions and the cost of benefits earned net of employee contributions	(79,602)
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	(2,551,978)
Repayments of long-term debt	489,534
Payment to bond refunding escrow agent	2,301,304
Amortization of debt defeasance	(4,210)
Amortization of bond discount	(2,448)
Change in net position of governmental activities	$ (298,455)

See Accompanying Notes to the Financial Statements

Vestaburg Community Schools
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2016

	Agency Funds
Assets	
Cash	$ 20,672
Investments	54,410
Total assets	$ 75,082
Liabilities	
Due to agency fund activities	$ 75,082

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 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, 2016, 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.

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.

Investments – Investments are stated at fair value based on a quoted market price. Certificates of deposit are stated at cost which approximates fair value.

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 estimated fair market 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	30-50 years
Site improvements	10-20 years
Equipment and furniture	5-20 years
Buses and other vehicles	8-15 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 are not allowed to accumulate or carryover leave time and therefore, no liability is required in the district-wide financial statements.

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 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.

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
The Governmental Accounting Standards Board ("The GASB") has issued Statement No. 72 *Fair Value Measurement and Application.* Statement 72 provides guidance for accounting and financial reporting issues related to fair value measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The guidance establishes a three level hierarchy of inputs for valuation of fair value. Statement 72 is effective for the year ending June 30, 2016.

GASB No. 76*, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement 76 is effective for the year ending June 30, 2016.

GASB No. 79*, Certain External Investment Pools and Pool Participants*, establishes criteria that, if met, permit external investment pools to elect to measure all of their investments at amortized cost for financial reporting purposes. Also, it establishes additional disclosure requirements for qualifying external investment pools that make that election and for governments that participate in such external investment pools. Statement 79 is effective for the year ending June 30, 2016.

GASB No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement 82 is effective for the year ending June 30, 2016.

Upcoming Accounting and Reporting Changes
Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts.

This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

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.

GASB 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.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 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.

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

The School District did not have significant expenditure budget variances.

District-Wide Deficits
The School District has an unrestricted net position deficit for District-Wide activities in the amount of $9,286,850 as of June 30, 2016. 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	$ 1,210,444	$ 20,672	$ 1,231,116
Investments	-	54,410	54,410
	$ 1,210,444	$ 75,082	$ 1,285,526

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	$ 1,230,616
Investments in securities, mutual funds, and similar vehicles	54,410
Petty cash and cash on hand	500
Total	$ 1,285,526

As of year end, the District had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
MI LAF + MAX Class	$ 54,410	6 months	AAAm	Standard and Poor's

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, $919,263 of the District's bank balance of $1,255,020 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the district's investments were exposed to custodial credit risk.

Note 4 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The School District has the following recurring fair value measurements as of June 30, 2016:

Amounts invested in MILAF + Portfolio of $54,410. The MILAF + Portfolio is not registered under Rule 2a-7 under the Investment Company Act of 1940. The money market securities are valued using amortized cost, which generally approximates the current fair value of the security. However, the value is not obtained from a quoted price in an active market (Level 2 inputs).

Note 5 - 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	3,074,793	14,684	18,369	3,071,108
Buses and other vehicles	535,470	-	-	535,470
Total capital assets being depreciated	13,768,345	14,684	18,369	13,764,660
Less accumulated depreciation for				
Buildings and additions	(3,678,570)	(272,088)	-	(3,950,658)
Site improvements	(184,292)	(46,073)	-	(230,365)
Equipment and furniture	(2,549,587)	(54,226)	(18,277)	(2,585,536)
Buses and other vehicles	(477,341)	(13,124)	-	(490,465)
Total accumulated depreciation	(6,889,790)	(385,511)	(18,277)	(7,257,024)
Net capital assets being depreciated	6,878,555	(370,827)	92	6,507,636
Net capital assets	$ 6,953,555	$ (370,827)	$ 92	$ 6,582,636

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

Governmental activities	
Instruction	$ 252,444
Supporting services	133,067
Total governmental activities	$ 385,511

Note 6 - Transfers

An interfund transfer was made during the year between the General Fund and the Food Service Fund totaling $15,318. This transfer was made to reimburse the General Fund for indirect costs.

Note 7 - 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	$ 7,450
Other - student lunch deposits	2,579
Total	$ 10,029

Note 8 - Leases

Operating Leases
The School District leases copiers under non-cancelable operating leases. Total costs for such leases were $32,775 for the year. The future minimum lease payments for these leases are as follows:

Year ending June 30,	
2017	$ 31,836
2018	31,836
2019	31,836
2020	23,877
Total	$ 119,385

Note 9 - 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	$ 485,010	$ 900,000	$ 657,385	$ 727,625

The state aid anticipation note agreement includes an irrevocable set-aside of $172,375 at year end that is considered defeased debt and not included in the ending balance.

Note 10 - 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	$ 10,865,000	$ 2,310,000	$ 2,735,000	$ 10,440,000	$ 595,000
School Bond Loan	2,312,979	241,978	-	2,554,957	-
Installment Note	9,534	-	9,534	-	-
Discount on bonds	(58,752)	-	(2,448)	(56,304)	-
Total	$ 13,128,761	$ 2,551,978	$ 2,742,086	$ 12,938,653	$ 595,000

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 4.9% to 5.2%	$ 215,000
2009 school building and site bonds due in annual installments of $290,000 to $380,000 through May 1, 2039, interest at 5.41% to 7.32%	8,060,000
2015 refunding bonds due in annual installments of $200,000 to $235,000 through May 1, 2026, interest at 1.20% to 3.15%	2,165,000
Total general obligation bonded debt	$ 10,440,000

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

Year Ending June 30,	Principal	Interest	Total
2017	$ 595,000	$ 609,270	$ 1,204,270
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
2022-2026	2,725,000	2,154,894	4,879,894
2027-2031	1,785,000	1,479,456	3,264,456
2032-2036	1,850,000	824,964	2,674,964
2037-2039	1,140,000	166,896	1,306,896
Total	$ 10,440,000	$ 7,433,482	$ 17,873,482

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of $85,756 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 $241,978 and had an outstanding balance at year of $2,554,957, 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 a vehicle. The interest rate is 1.49% and the note matured March 28, 2016. The installment note was paid off during the current year.

Interest expenditures for the fiscal year in the General Fund and Debt Service Funds were $24,164 and $593,734, respectively.

Advance Refunding
On September 10, 2015, the School District issued general obligation bonds of $2,310,000 (par value) with an interest rate of 1.00% to 3.15% to advance refund term bonds with an interest rate of 4.00% to 4.25% and a par value of $2,255,000. The term bonds mature on May 1, 2016. The general obligation bonds issued did not have a premium or discount associated with them; however, after paying issuance costs of $39,796, the net proceeds were $2,270,204. The net proceeds from the issuance of the general obligation bonds were deposited with an escrow agent to provide debt service payments.

As a result of the advance refunding, the School District reduced its total debt service requirements by $158,525, which resulted in an economic gain of $149,705.

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, 2016 is $42,094.

Note 11 - 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 12 - Pension Plans and Post-Employment Benefits

Organization
The Michigan Public School Employees' Retirement System (MPSERS) 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 September 30, 2015 valuation will be amortized over a 21 year period for the plan's 2015 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2015.

Pension Contribution Rates

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

Required contributions to the pension plan from the School District were $616,451 for the year ending September 30, 2015.

Net Pension Liability
At June 30, 2016, the School District reported a liability of $7,804,981 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014. 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, 2015, the School District's proportionate share percent was 0.032 percent, which was a decrease of 0.0013 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, 2016, the School District recognized total pension expense of $596,100**.** The School District's actual contributions for the years ended June 30, 2016, 2015, and 2014 and were approximately $538,000, $574,000, and $518,000, respectively.

At June 30, 2016, 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
Difference between expected and actual experience	$ -	$ 25,852
Changes in assumptions	192,175	-
Net difference between projected and actual earnings on pension plan investments	39,838	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	556	236,835
Employer contributions subsequent to the measurement date	671,645	198,721
	$ 904,214	$ 461,408

$671,645 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. $198,721 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, 2017 when the related payments reduce the net pension liability.

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
2016	$ (41,686)
2017	(41,686)
2018	(52,106)
2019	105,360
	$ (30,118)

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, 2014
- 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: 8.5% Year 1 graded to 3.5% Year 12

- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation, 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: (4.7158 for non-university employers). The recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report (CAFR) (www.michigan.gov/mpsers-cafr).

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
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 Pension Plus 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%
$ 10,062,621	$ 7,804,981	$ 5,901,698

**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 MPSERS CAFR. See the 2015 MPSERS CAFR (www.michigan.gov/mpsers-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 benefits for eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPSERS).

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, 2015 through September 30, 2015, and October 1, 2015 through June 30, 2016, the employer contribution rate ranged from 2.20% to 2.71% and 6.40% to 6.83%, respectively.

The School District's actual contributions match the required contributions for the years ended June 30, 2016, 2015, and 2014 and were approximately $178,046, $89,800, and $210,000, respectively.

Unfunded Accrued Liability
During the year ending June 30, 2016, the School District had contributions in the amount of approximately $306,000 to the MPSERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 10.53% for the year ending June 30, 2016.

Note 13 - 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 14 - Subsequent Event

Subsequent to June 30, 2016, the School District has paid the balance of $727,625 and accrued interest on the short-term state aid anticipation note borrowed in August 2015 and has subsequently borrowed the following in short-term state aid anticipation notes. Proceeds from the borrowing were distributed to the School District during August 2016.

$750,000, at 1.20% interest, due July 20, 2017
$90,036, at 0.76% interest, due July 20, 2017
$59,964, at 1.00% interest, due July 20, 2017

REQUIRED SUPPLEMENTARY INFORMATION

Vestaburg Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
Revenues				
Local sources	$ 442,775	$ 484,866	$ 491,683	$ 6,817
State sources	4,707,552	4,873,695	4,871,357	(2,338)
Federal sources	227,640	257,794	257,687	(107)
Interdistrict sources	94,645	115,030	116,547	1,517
Total revenues	5,472,612	5,731,385	5,737,274	5,889
Expenditures				
Instruction				
Basic programs	2,885,266	3,129,563	3,089,443	(40,120)
Added needs	611,578	641,537	633,980	(7,557)
Supporting services				
Pupil	327,725	366,482	362,696	(3,786)
Instructional staff	35,815	43,214	43,214	-
General administration	207,471	201,139	202,192	1,053
School administration	362,930	360,629	359,377	(1,252)
Business	103,570	108,612	108,621	9
Operations and maintenance	475,214	425,464	420,604	(4,860)
Pupil transportation services	310,704	229,125	226,763	(2,362)
Central	86,200	84,449	84,472	23
Athletic activities	155,903	154,724	154,722	(2)
Capital outlay	18,000	42,508	42,508	-

Vestaburg Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
Debt service				
Principal	$ 74,500	$ 74,641	$ 74,534	$ (107)
Interest and fiscal charges	23,000	24,057	24,164	107
Bond issuance costs	2,500	1,541	1,541	-
Total expenditures	5,680,376	5,887,685	5,828,831	(58,854)
Deficiency of revenues over expenditures	(207,764)	(156,300)	(91,557)	64,743
Other Financing Sources				
Transfers in	10,000	15,318	15,318	-
Net change in fund balance	(197,764)	(140,982)	(76,239)	64,743
Fund balance - beginning	655,495	655,495	655,495	-
Fund balance - ending	$ 457,731	$ 514,513	$ 579,256	$ 64,743

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,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
A. School District's proportion of net pension liability (%)	0.03%	0.03%								
B. School District's proportionate share of net pension liability	$7,804,981	$7,318,488								
C. School District's covered-employee payroll	$2,710,653	$2,857,221								
D. School District's proportionate share of net pension liability as a percentage of its covered- employee payroll	287.94%	256.14%								
E. Plan fiduciary net position as a percentage of total pension liability	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,									
		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
A.	Statutorily required contributions	$ 538,281	$ 652,820								
B.	Contributions in relation to statutorily required contributions	538,281	652,820								
C.	Contribution deficiency (excess)	$ -	$ -								
D.	Reporting unit's covered-employee payroll	2,849,550	2,666,900								
E.	Contributions as a percentage of covered-employee payroll	18.89%	24.48%								

Notes:
Benefit changes - There were no changes of benefit terms in 2016.
Changes in assumptions - There were no changes of benefit assumptions in 2016.

OTHER SUPPLEMENTARY INFORMATION

Vestaburg Community Schools
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2016

	2016	2015
Assets		
Cash	$ 991,122	$ 1,004,094
Due from other governmental units	911,449	1,010,642
Prepaid items	1,635	-
Total assets	$ 1,904,206	$ 2,014,736
Liabilities		
Accounts payable	$ 25,851	$ 22,983
State aid anticipation note payable	727,625	771,015
Due to other funds	-	12
Accrued expenditures	266,174	244,652
Accrued salaries payable	297,850	304,956
Unearned revenue	7,450	-
Total liabilities	1,324,950	1,343,618
Deferred Inflows of Resources		
Unavailable revenue		
Universal service funds	-	15,623
Fund Balance		
Non-spendable		
Prepaid items	1,635	-
Assigned		
Future fiscal year budget	227,771	197,764
Unassigned	349,850	457,731
Total fund balance	579,256	655,495
Total liabilities, deferred inflows of resources and fund balance	$ 1,904,206	$ 2,014,736

Vestaburg Community Schools
Other Supplementary Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue from local sources				
Property tax levy	$ 402,500	$ 405,569	$ 410,870	$ 5,301
Earnings on investments	1,000	1,097	1,097	-
Student activities	25,900	30,314	30,315	1
Community service activities	12,000	19,483	19,483	-
Other local revenues	1,375	28,403	29,918	1,515
Total revenues from local sources	442,775	484,866	491,683	6,817
Revenues from state sources				
Grants - unrestricted	3,861,080	3,784,296	3,784,296	-
Grants - restricted	846,472	1,089,399	1,087,061	(2,338)
Total revenues from state sources	4,707,552	4,873,695	4,871,357	(2,338)
Revenues from federal sources				
Grants	227,640	257,794	257,687	(107)
Interdistrict sources				
Transportation	-	2,980	2,980	-
ISD collected millage	48,645	50,924	50,924	-
Other	46,000	61,126	62,643	1,517
Total interdistrict sources	94,645	115,030	116,547	1,517
Other financing sources				
Transfers in	10,000	15,318	15,318	-
Total revenue and other financing sources	$ 5,482,612	$ 5,746,703	$ 5,752,592	$ 5,889

Vestaburg Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - elementary				
Salaries	$ 763,754	$ 843,222	$ 843,219	$ (3)
Employee benefits	537,723	636,670	614,875	(21,795)
Purchased services	40,000	35,472	35,472	-
Supplies and materials	11,950	26,376	25,400	(976)
Total elementary	1,353,427	1,541,740	1,518,966	(22,774)
Basic program - high school				
Salaries	573,030	600,603	600,603	-
Employee benefits	413,005	419,375	406,467	(12,908)
Purchased services	143,600	147,717	147,717	-
Supplies and materials	13,700	22,901	22,901	-
Other	1,500	760	760	-
Total high school	1,144,835	1,191,356	1,178,448	(12,908)
Basic program - pre-school				
Salaries	200,705	207,119	207,119	-
Employee benefits	150,571	153,157	147,678	(5,479)
Purchased services	9,150	19,747	19,747	-
Supplies and materials	24,143	13,385	14,426	1,041
Total pre-school	384,569	393,408	388,970	(4,438)

Vestaburg Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - summer school				
Salaries	$ 1,495	$ 1,973	$ 1,973	$ -
Employee benefits	475	648	648	-
Supplies and materials	465	438	438	-
Total summer school	2,435	3,059	3,059	-
Added needs - special education				
Salaries	222,374	240,486	240,486	-
Employee benefits	176,709	194,461	187,005	(7,456)
Purchased services	23,000	7,267	7,267	-
Supplies and materials	750	105	105	-
Total special education	422,833	442,319	434,863	(7,456)
Added needs - compensatory education				
Salaries	116,392	119,953	119,953	-
Employee benefits	71,174	69,604	69,503	(101)
Supplies and materials	1,179	9,661	9,661	-
Total compensatory education	188,745	199,218	199,117	(101)
Pupil - guidance services				
Salaries	109,400	114,967	114,967	-
Employee benefits	81,216	89,619	86,238	(3,381)
Purchased services	500	8,321	8,321	-
Supplies and materials	-	5,000	5,000	-
Total guidance services	191,116	217,907	214,526	(3,381)

Vestaburg Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil - speech services				
Salaries	$ 51,406	$ 54,928	$ 54,928	$ -
Employee benefits	29,313	31,803	31,205	(598)
Purchased services	1,500	1,792	1,792	-
Other	1,600	-	-	-
Total speech services	83,819	88,523	87,925	(598)
Pupil - social work services				
Salaries	32,728	38,465	38,465	-
Employee benefits	18,038	20,144	20,087	(57)
Purchased services	2,024	914	1,164	250
Total social work services	52,790	59,523	59,716	193
Pupil - other support services				
Salaries	-	368	368	-
Employee benefits	-	161	161	-
Total other pupil support services	-	529	529	-
Instructional staff - improvement of education				
Purchased services	35,465	35,723	35,723	-
Other	-	495	495	-
Total improvement of education	35,465	36,218	36,218	-

Vestaburg Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Instructional staff - educational media services				
Supplies and materials	$ 350	$ 364	$ 364	$ -
Instructional staff - supervision and direction of instructional staff				
Salaries	-	5,000	5,000	-
Employee benefits	-	1,632	1,632	-
Total supervision and direction of instructional staff	-	6,632	6,632	-
General administration - board of education				
Purchased services	42,400	38,291	39,344	1,053
Supplies and materials	1,000	1,295	1,295	-
Other	10,500	11,201	11,201	-
Total board of education	53,900	50,787	51,840	1,053
General administration - executive administration				
Salaries	82,388	82,708	82,708	-
Employee benefits	64,233	60,511	60,511	-
Purchased services	950	1,936	1,936	-
Supplies and materials	3,000	103	103	-
Other	3,000	5,094	5,094	-
Total executive administration	153,571	150,352	150,352	-

Vestaburg Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
School administration - office of the principal				
Salaries	$ 218,221	$ 223,634	$ 223,634	$ -
Employee benefits	137,059	132,589	131,314	(1,275)
Purchased services	5,200	3,772	3,795	23
Supplies and materials	900	634	634	-
Other	1,550	-	-	-
Total office of the principal	362,930	360,629	359,377	(1,252)
Business - fiscal services				
Salaries	38,672	41,991	41,991	-
Employee benefits	33,433	35,996	35,996	-
Purchased services	6,950	7,360	7,369	9
Supplies and materials	500	765	765	-
Other	6,500	2,133	2,133	-
Total fiscal services	86,055	88,245	88,254	9
Business - other				
Purchased services	12,515	12,515	12,515	-
Other	5,000	7,852	7,852	-
Total other business	17,515	20,367	20,367	-
Operations and maintenance - operating building services				
Salaries	59,246	53,978	53,978	-
Employee benefits	39,968	34,018	34,018	-
Purchased services	326,500	290,205	285,462	(4,743)
Supplies and materials	44,500	44,321	44,204	(117)
Other	5,000	2,942	2,942	-
Total operating building services	475,214	425,464	420,604	(4,860)

Vestaburg Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil transportation services				
Salaries	$ 125,339	$ 117,002	$ 117,002	$ -
Employee benefits	61,615	56,148	55,886	(262)
Purchased services	25,250	10,112	10,429	317
Supplies and materials	97,500	43,022	40,605	(2,417)
Other	1,000	2,841	2,841	-
Total transportation services	310,704	229,125	226,763	(2,362)
Central - support services technology				
Purchased services	70,200	43,555	43,555	-
Supplies and materials	16,000	40,894	40,917	23
Total support services technology	86,200	84,449	84,472	23
Athletic activities				
Salaries	28,328	30,457	30,457	-
Employee benefits	20,625	22,987	22,987	-
Purchased services	67,150	62,703	62,703	-
Supplies and materials	26,300	26,841	26,897	56
Other	13,500	11,736	11,678	(58)
Total athletic activities	155,903	154,724	154,722	(2)

Vestaburg Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Capital outlay				
Pupil transportation services	$ -	$ 7,539	$ 7,539	$ -
Central - support services technology	18,000	34,969	34,969	-
Total capital outlay	18,000	42,508	42,508	-
Debt service				
Principal	74,500	74,641	74,534	(107)
Interest and other expenditures	23,000	24,057	24,164	107
Bond issuance costs	2,500	1,541	1,541	-
Total debt service	100,000	100,239	100,239	-
Total expenditures and financing uses	$ 5,680,376	$ 5,887,685	$ 5,828,831	$ (58,854)

Vestaburg Community Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2016

Year Ending June 30,	2008 Energy Bond	2009 Building Bond	2015 Refunding Bond	Total
2017	$ 70,000	$ 290,000	$ 235,000	$ 595,000
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	$ 215,000	$ 8,060,000	$ 2,165,000	$ 10,440,000

Vestaburg Community Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2016

	2008 Energy Bond	2009 Building Bond	2015 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	4.90% - 5.20%	5.41% - 7.32%	1.20% - 3.15%
Original issue	$ 605,000	$ 9,180,000	$ 2,310,000

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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

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, 2016, and the related notes to the financial statements, which collectively comprise Vestaburg Community Schools' basic financial statements, and have issued our report thereon dated September 14, 2016.

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
September 14, 2016