

Saugatuck Public
Schools



Year Ended
June 30, 2013

Financial
Statements

SAUGATUCK PUBLIC SCHOOLS

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds	14
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	21
Statement of Fiduciary Assets and Liabilities - Agency Fund	22
Notes to Financial Statements	23
Combining and Individual Fund Financial Statements and Schedules	
General Fund:	
Detailed Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	42
Nonmajor Governmental Funds:	
Combining Balance Sheet	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	47
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Food Service Fund	48
Community Recreation Fund	49
Student Activities Fund:	
Schedule of Changes in Fiduciary Assets and Liabilities by Club/Organization	50
Internal Control and Compliance	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55
Schedule of Findings and Responses	57

INDEPENDENT AUDITORS' REPORT

September 3, 2013

Board of Education
Saugatuck Public Schools
Douglas, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Saugatuck Public Schools* (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Saugatuck Public Schools as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2013 on our consideration of Saugatuck Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rehmann Robson LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

SAUGATUCK PUBLIC SCHOOLS

Management's Discussion and Analysis

As management of Saugatuck Public Schools (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013.

Financial Highlights

- The District's assets and deferred outflows of resources exceeded its liabilities at the close of the most recent fiscal year by \$4,840,144 (net position). Of this amount, \$1,113,781 (unrestricted net position) may be used to meet the District's ongoing obligations for district programs.
- The District's total net position decreased by \$132,531.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,204,758, an increase of \$798,386 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,358,229 or 16 percent of total general fund expenditures and transfers out.

Overview of the Financial Statements

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

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

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

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

Both of the government wide financial statements display functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The activities of the District include instruction, supporting services, athletics, food services and community and recreation. The District has no business-type activities as of and for the year ended June 30, 2013.

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

SAUGATUCK PUBLIC SCHOOLS

Management's Discussion and Analysis

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

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

The District maintains numerous individual governmental funds and one agency fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, the bond debt service fund, and the 2013 capital projects fund each of which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

Other information. The combining and individual fund financial statements referred to earlier are presented immediately following the notes to the financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$4,840,144 at the close of the most recent fiscal year. The timing of debt service payments and depreciation expense of capital assets has a significant impact on this balance.

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

SAUGATUCK PUBLIC SCHOOLS

Management's Discussion and Analysis

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

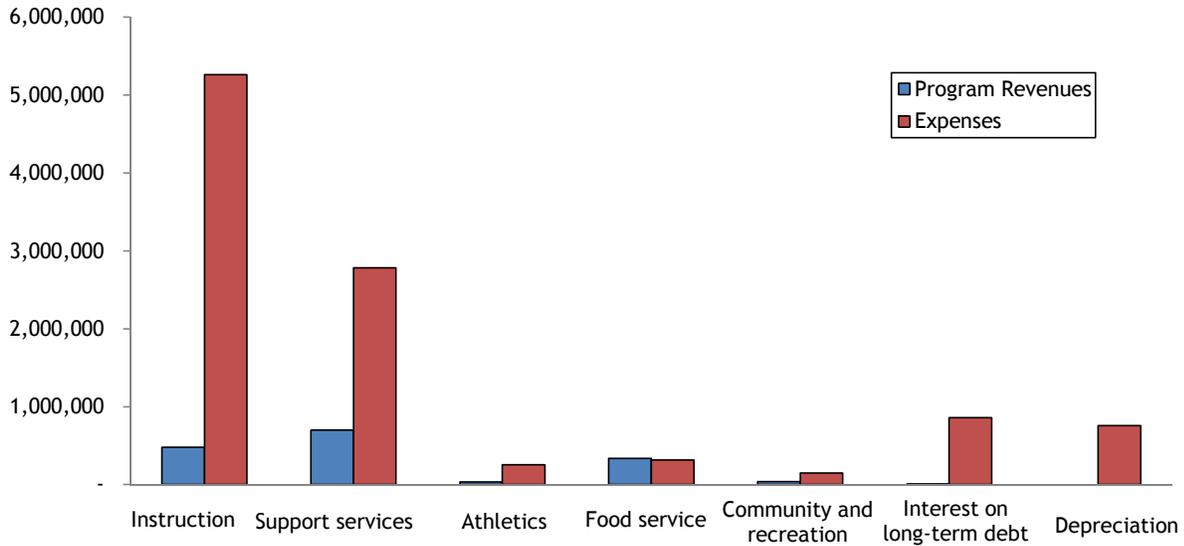
	Net Position	
	Governmental Activities	
	2013	2012
Current and other assets	\$ 4,144,450	\$ 3,244,377
Capital assets, net	21,856,912	22,448,370
Total assets	<u>26,001,362</u>	<u>25,692,747</u>
Deferred outflows of resources	<u>386,283</u>	<u>413,518</u>
Other liabilities	1,072,052	974,739
Long-term	20,475,449	20,158,851
Total liabilities	<u>21,547,501</u>	<u>21,133,590</u>
Net position:		
Net investment in capital assets	3,173,945	3,159,558
Restricted	552,418	536,411
Unrestricted	1,113,781	1,276,706
Total net position	<u>\$ 4,840,144</u>	<u>\$ 4,972,675</u>
	Change in Net Position	
	Governmental Activities	
	2013	2012
Program revenues:		
Charges for services	\$ 280,553	\$ 282,021
Operating grants and contributions	1,307,175	1,140,829
General revenues:		
Property taxes	7,042,846	7,045,425
Unrestricted State school aid	1,604,421	1,377,463
Unrestricted investment earnings	3,559	4,382
Other revenues	4,907	1,484
Total revenues	<u>10,243,461</u>	<u>9,851,604</u>
Expenses:		
Instruction	5,260,652	4,995,087
Supporting services	2,780,781	2,696,022
Athletics	256,238	254,235
Food service	314,548	327,422
Community and recreation	148,499	142,880
Interest on long-term debt	859,265	860,815
Unallocated depreciation	756,009	752,901
Total expenses	<u>10,375,992</u>	<u>10,029,362</u>
Change in net position	(132,531)	(177,758)
Net position, beginning of year, as restated	<u>4,972,675</u>	<u>5,150,433</u>
Net position, end of year	<u>\$ 4,840,144</u>	<u>\$ 4,972,675</u>

SAUGATUCK PUBLIC SCHOOLS

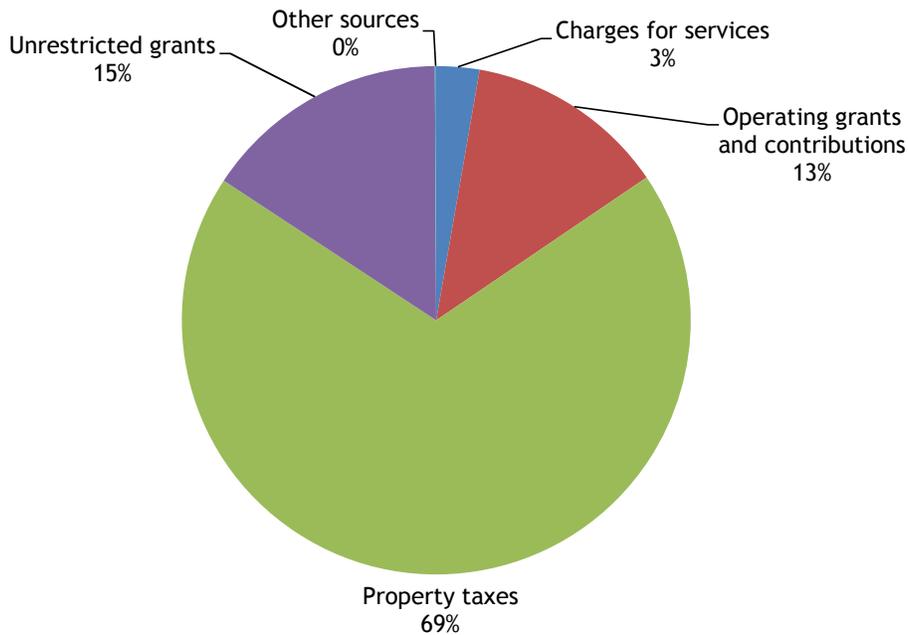
Management's Discussion and Analysis

Governmental Activities. Net position decreased by \$132,531. Overall, the differences in most of the categories between the 2011-2012 fiscal year and the 2012-2013 year would be considered within the normal ranges of operation, especially when factoring recent uncertainty in funding sources of revenue for schools and the District's goal to operate programming under cost-containment objectives. Revenues increased approximately 4% over the prior fiscal year primarily in State Aid due to an increase in enrollment, and certain one time state funding sources. Expenditures also increased approximately 4%, over the prior fiscal year primarily due to higher labor costs including state retirement and healthcare.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Government Activities



SAUGATUCK PUBLIC SCHOOLS

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the entire amount of fund balance in the general fund of \$1,358,229 was unassigned. As a measure of the general fund's liquidity, it may be useful to compare the fund balance to total fund expenditures and transfers out. Fund balance represents 16 percent of total general fund expenditures and transfers out. Board policy recommends a minimum fund balance of not less than 15 percent of general fund expenditures and transfers out.

The District's general fund balance decreased by \$359,140 during the current fiscal year, a drop from 20 percent of general fund expenditures to 16 percent. Factors impacting the change in fund balance include a one-time payment of \$128,000 for the completion of a building project, to replace a boiler at the high school site and the settlement of a one year labor agreement with the teachers union impacting wages and benefits. The largest revenue source in this fund are property taxes. Expenditures consist primarily of costs associated with instruction and related supporting activities. The District continues to operate programming under cost containment objectives due to the uncertainty in funding sources and the Board goal of maintaining 15 percent in reserves.

The fund balance of the debt service fund increased by \$1,451. The District's bonds are being repaid with voter-approved property tax millages. These rates are adjusted annually to approximate the actual needs of the District for repayment of principal and interest. The increase in fund balance is an indication that property taxes collected during the current period approximated the related payments of principal and interest on bonds.

The fund balance of the 2013 capital projects fund increased by \$1,161,751. This increase is due to the issuance of bonds during the current year, with the proceeds to be used in future periods for acquiring, installing and equipping educational technology for school facilities, and purchasing equipment, furnishings, and school buses. The bonds were issued on June 27, 2013. The only expenditures incurred as of year-end related to bond issuance costs.

General Fund Budgetary Highlights

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

- The original budget for State School Aid was budgeted conservatively given the uncertainty surrounding per pupil funding, which had not been communicated to the District's under after the commencement of the fiscal year. Related expenditures were adjusted accordingly for a net zero impact on the change in fund balance.

SAUGATUCK PUBLIC SCHOOLS

Management's Discussion and Analysis

- The budget for State Aid was increased by a little over \$86,000 due to an additional UAAL Rate Stabilization Payment given to the School with the intent that the same amount would be paid to the Office of Retirement Services on behalf of School employees. As such, budgeted expenditures for instructional services, support services, and school administration all were amended to be higher than the original budget amount.
- The budget for basic programs (a component of instruction expenditures) was increased \$265,960 from \$4,429,251 to \$4,695,211. This was due to one teacher returning to the work force after an unpaid leave of absence, settling a one-year contract with the teachers labor union that increased wages/benefits by 3.5 percent, and budgeting for the corresponding UAAL Rate Stabilization payment of \$86,000 due to the Office of Retirement Services.
- The original budget for capital outlay was increased from \$128,000 to \$166,010 to account for board-approved purchases of new scoreboards and copy machines.

The District is not permitted to amend the budget after June 30, 2013 in accordance with State law. Therefore, the budget is estimated as close to actual as possible, with the understanding that small variances are expected. Variances between the final amended budget and the actual expenditures were:

- The variance in local revenue was due to an increase in ACT 18 revenue caused by an increase in allocation of funding from the intermediate school district for special education transportation.
- Basic programs were less than final budget by approximately \$30,700 as a result of conservative budgeted amounts due to the uncertainty of retirement reform costs. This impacted all areas of the District's budget.
- Pupil transportation was less than final budget by approximately \$19,000 due to efficiencies gained through the shared services for bus mechanic, lower than anticipated repair and maintenance charges for the transportation fleet and lower than budgeted labor costs for transportation.
- Technology services were less than final budget by approximately \$10,000 due to efficiencies gained through the shared services consortium for technology services and support.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2013 amounted to \$21,856,912 (net of accumulated depreciation). This investment in capital assets included land, buildings, vehicles and equipment. Significant purchases during the year included computers and equipment. Capital assets at fiscal year-end included the following:

	Capital Assets (Net of Depreciation)	
	2013	2012
Land	\$ 555,563	\$ 555,563
Construction in progress	-	12,814
Buildings and improvements	19,679,576	20,098,351
Buses and vehicles	96,257	122,078
Furniture and equipment	1,525,516	1,659,564
Total capital assets, net	<u>\$21,856,912</u>	<u>\$22,448,370</u>

Additional information on the District's capital assets can be found in Note 4.

SAUGATUCK PUBLIC SCHOOLS

Management's Discussion and Analysis

Long-term Debt. At the end of the current fiscal year, the District had total long-term debt outstanding of \$20,475,449. Long-term debt at fiscal year-end included the following:

	Long-term Debt	
	2013	2012
Bonds payable	\$19,995,000	\$19,580,000
Installment purchase agreements	108,000	128,000
Deferred bond charges	128,001	138,188
Compensated absences and early retirement incentives	244,448	312,663
Total long-term debt	<u>\$20,475,449</u>	<u>\$20,158,851</u>

The District's total debt increased by \$316,598 during the current fiscal year. Additional information on the District's long term debt can be found in Note 6.

Factors Bearing on the District's Future

- Student enrollments for fiscal year 13-14 are projected to be flat.
- State Aid foundation levels remain at \$8,050 for the fourth year in a row.
- The District did not replace three retiring teachers in order to align district-wide programming expenses to anticipated revenues.
- On-going contract negotiations with the teachers union to settle the fiscal year 13-14 contract for wages and benefits.
- As a cost containment measure, the District is expanding its shared services initiatives with other public schools to include a partnership with Holland Public Schools to jointly operate our Food Service program. Other shared programming already in place include: Hamilton Public Schools Transportation to jointly share bus mechanic services, and the Ottawa Area Intermediate School District Technology Consortium made up of Hamilton Community Schools, Holland Public Schools, Spring Lake Public Schools, and Saugatuck Public Schools to provide shared technology support services.

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

SAUGATUCK PUBLIC SCHOOLS

Statement of Net Position

June 30, 2013

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,977,247
Investments	1,588,938
Receivables	574,926
Inventories	3,339
Capital assets not being depreciated	555,563
Capital assets being depreciated, net	<u>21,301,349</u>
Total assets	<u>26,001,362</u>
Deferred outflows of resources	
Loss on advance bond refundings, net	<u>386,283</u>
Liabilities	
Accounts payable and accrued liabilities	1,053,244
Unearned revenue	18,808
Current portion of long-term debt	1,145,632
Long-term debt, net of current portion	<u>19,329,817</u>
Total liabilities	<u>21,547,501</u>
Net position	
Net investment in capital assets	3,173,945
Restricted for:	
Food service operations	97,863
Community recreation programs	151,734
Debt service	302,821
Unrestricted	<u>1,113,781</u>
Total net position	<u><u>\$ 4,840,144</u></u>

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

SAUGATUCK PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2013

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 5,260,652	\$ 12,119	\$ 466,712	\$ (4,781,821)
Supporting services	2,780,781	41,018	657,409	(2,082,354)
Athletics	256,238	34,338	-	(221,900)
Food service	314,548	157,624	179,288	22,364
Community and recreation	148,499	35,454	992	(112,053)
Interest on long-term debt	859,265	-	2,774	(856,491)
Unallocated depreciation	756,009	-	-	(756,009)
Total governmental activities	<u>\$ 10,375,992</u>	<u>\$ 280,553</u>	<u>\$ 1,307,175</u>	<u>(8,788,264)</u>
General revenues				
Property taxes				7,042,846
Unrestricted State school aid				1,604,421
Unrestricted investment earnings				3,559
Other revenues				4,907
Total general revenues				<u>8,655,733</u>
Change in net position				<u>(132,531)</u>
Net position, beginning of year, as restated				<u>4,972,675</u>
Net position, end of year				<u>\$ 4,840,144</u>

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

SAUGATUCK PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2013

	General Fund	Bond Debt Service	2013 Capital Projects
Assets			
Cash and cash equivalents	\$ 103,894	\$ 440,631	\$ 1,180,013
Investments	1,588,938	-	-
Accounts receivable	386	-	-
Due from other governments	574,540	-	-
Inventories	-	-	-
Total assets	\$ 2,267,758	\$ 440,631	\$ 1,180,013
Liabilities			
Accounts payable	\$ 32,090	\$ -	\$ 18,262
Due to other governments	108,720	5,450	-
Accrued liabilities	755,759	-	-
Unearned revenue	12,960	-	-
Total liabilities	909,529	5,450	18,262
Fund balances			
Nonspendable	-	-	-
Restricted	-	435,181	1,161,751
Unassigned	1,358,229	-	-
Total fund balances	1,358,229	435,181	1,161,751
Total liabilities and fund balances	\$ 2,267,758	\$ 440,631	\$ 1,180,013

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



Nonmajor Governmental Funds	Total Governmental Funds
\$ 252,709	\$ 1,977,247
-	1,588,938
-	386
-	574,540
<u>3,339</u>	<u>3,339</u>
<u>\$ 256,048</u>	<u>\$ 4,144,450</u>
\$ -	\$ 50,352
603	114,773
-	755,759
<u>5,848</u>	<u>18,808</u>
<u>6,451</u>	<u>939,692</u>
3,339	3,339
246,258	1,843,190
-	1,358,229
<u>249,597</u>	<u>3,204,758</u>
<u>\$ 256,048</u>	<u>\$ 4,144,450</u>

SAUGATUCK PUBLIC SCHOOLS

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2013

Fund balances - total governmental funds	\$ 3,204,758
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statements.	
Capital assets not being depreciated	555,563
Capital assets being depreciated, net	21,301,349
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and installment purchase agreements	(20,103,000)
Unamortized discounts/premiums on bonds	(128,001)
Unamortized deferred loss on bond refunding	386,283
Accrued interest on bonds and installment purchase agreements	(132,360)
Early retirement incentive	(70,000)
Compensated absences	(174,448)
Net position of governmental activities	<u>\$ 4,840,144</u>

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

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SAUGATUCK PUBLIC SCHOOLS

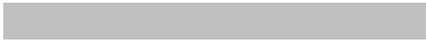
Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2013

	General Fund	Bond Debt Service	2013 Capital Projects
Revenues			
Local sources	\$ 6,057,059	\$ 1,591,867	\$ 13
State sources	1,795,787	-	-
Federal sources	295,499	-	-
Total revenues	8,148,345	1,591,867	13
Expenditures			
Current:			
Instruction	5,328,867	-	-
Supporting services	2,766,908	-	-
Athletics	256,238	-	-
Food service	-	-	-
Community and recreation	-	-	-
Debt service:			
Principal	20,000	770,000	-
Interest and fiscal charges	2,913	820,416	-
Bond issuance costs	-	-	23,262
Capital outlay	165,979	-	-
Total expenditures	8,540,905	1,590,416	23,262
Revenues over (under) expenditures	(392,560)	1,451	(23,249)
Other financing sources (uses)			
Transfers in	30,000	-	-
Transfers out	-	-	-
Issuance of long-term debt	-	-	1,185,000
Proceeds from sale of capital assets	3,420	-	-
Total other financing sources (uses)	33,420	-	1,185,000
Net changes in fund balances	(359,140)	1,451	1,161,751
Fund balances, beginning of year	1,717,369	433,730	-
Fund balances, end of year	\$ 1,358,229	\$ 435,181	\$ 1,161,751

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



Nonmajor Governmental Funds	Total Governmental Funds
\$ 323,948	\$ 7,972,887
16,662	1,812,449
162,626	458,125
<u>503,236</u>	<u>10,243,461</u>
-	5,328,867
-	2,766,908
-	256,238
314,548	314,548
148,499	148,499
-	790,000
-	823,329
-	23,262
15,865	181,844
<u>478,912</u>	<u>10,633,495</u>
<u>24,324</u>	<u>(390,034)</u>
-	30,000
(30,000)	(30,000)
-	1,185,000
-	3,420
<u>(30,000)</u>	<u>1,188,420</u>
(5,676)	798,386
<u>255,273</u>	<u>2,406,372</u>
<u>\$ 249,597</u>	<u>\$ 3,204,758</u>

SAUGATUCK PUBLIC SCHOOLS

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2013

Net change in fund balances - total governmental funds	\$ 798,386
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital assets purchased/constructed	164,551
Depreciation expense	(756,009)
Proceeds from sale of capital assets	(3,420)
Gain on sale of capital assets	3,420
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but a reduction in long-term debt on the statement of net position.	
Issuance of long-term debt	(1,185,000)
Principal payments on long-term debt	790,000
Amortization of bond premiums and discounts, net	10,187
Amortization of deferred loss on bond refunding	(27,235)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Change in accrued interest payable on long-term debt	4,374
Change in the accrual for early retirement incentives	70,000
Change in the accrual for compensated absences	(1,785)
Change in net position of governmental activities	<u>\$ (132,531)</u>

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

SAUGATUCK PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 6,062,000	\$ 6,028,624	\$ 6,057,059	\$ 28,435
State sources	1,465,868	1,799,053	1,795,787	(3,266)
Federal sources	333,946	295,525	295,499	(26)
Total revenues	7,861,814	8,123,202	8,148,345	25,143
Expenditures				
Current:				
Instruction	5,073,063	5,365,060	5,328,867	(36,193)
Supporting services	2,781,422	2,814,506	2,766,908	(47,598)
Athletics	261,591	263,831	256,238	(7,593)
Debt service:				
Principal	21,000	20,000	20,000	-
Interest and fiscal charges	3,000	2,913	2,913	-
Capital outlay	128,000	166,010	165,979	(31)
Total expenditures	8,268,076	8,632,320	8,540,905	(91,415)
Revenues over (under) expenditures	(406,262)	(509,118)	(392,560)	116,558
Other financing sources				
Transfers in	30,000	30,000	30,000	-
Proceeds on sale of capital assets	-	3,050	3,420	370
Total other financing sources	30,000	33,050	33,420	370
Net changes in fund balance	(376,262)	(476,068)	(359,140)	116,928
Fund balance, beginning of year	1,717,369	1,717,369	1,717,369	-
Fund balance, end of year	\$ 1,341,107	\$ 1,241,301	\$ 1,358,229	\$ 116,928

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

SAUGATUCK PUBLIC SCHOOLS

Statement of Fiduciary Assets and Liabilities

Agency Fund
June 30, 2013

	Student Activities Fund
Assets	
Cash and cash equivalents	<u>\$ 157,328</u>
Liabilities	
Due to student groups	<u>\$ 157,328</u>

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

NOTES TO FINANCIAL STATEMENTS

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the reporting entity of Saugatuck Public Schools. The criteria identified in GASB Statements 14 and 39, including financial accountability, have been utilized in identifying the District’s reporting entity which includes no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2013.

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

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

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

The District reports the following major governmental funds:

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

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

The *2013 capital projects fund* accounts for the proceeds and related expenditure of general obligation bonds. The bonds are restricted to use for technology upgrades and new buses as approved by the taxpayers.

Additionally, the government reports the following fund types:

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

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

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

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

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

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

Budgets and Budgetary Accounting

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

1. The Superintendent submits to the Board a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all governmental funds.
5. Adoption and amendments of all budgets used by the District are governed by Public Act 621, which was followed for the year ended June 30, 2013. Expenditures may not exceed appropriations at the function level. The appropriations resolutions are based on the projected expenditures budget of the department heads of the District. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Encumbrances

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

Property Taxes

Property taxes are recognized as revenue in the General and Debt Service funds on a levy year basis. The 2012 levy amounts are recognized as current property tax revenue to the extent that they are collected during the year or within sixty days after year end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues in the year collected. Property taxes are levied December 1 on the assessed valuation of property located in the District as of the preceding December 31, the lien date. Assessed values are established annually by the various governmental units within the District and are equalized by the State of Michigan.

Cash and Cash Equivalents

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

Investments

Investments consist of mutual funds and are recorded in the District's records at fair value.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

Receivables

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

Inventories

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

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District only has one item that qualifies for reporting in this category which is the loss on advance refunding of bonds payable. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

Salaries Payable and Accrued Employee Benefits

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

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

Vested Termination Benefits

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

The liability for the sick leave has been computed using the vesting method in accordance with Governmental Accounting Standards Board Statement No. 16. This liability is shown on the statement of net position.

Bonded Construction Costs and Sinking Funds

The 2008 bond construction fund includes activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Michigan Revised School Code. Beginning in the year of issuance, the District has recorded the annual construction activity in the 2008 bond construction fund. The project for which the 2008 building and site bonds were issued was substantially complete on June 30, 2010. The remaining proceeds were expended during the year ended June 30, 2013.

The 2013 capital project fund includes activities funded with bonds issued on June 27, 2013. For these capital projects, the District has complied with the applicable provisions of §1351a of the Michigan Revised School Code. During the current year, the District has recorded the bond issuance costs in the 2013 capital projects fund. The remaining proceeds are planned to be expended during the year ended June 30, 2014 on the purchases of school buses and technology improvements.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

Fund Equity

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

The Board of Education has adopted a minimum fund balance policy in which the total fund balance of the general fund will be equal to at least 15 percent of the general fund expenditures and transfers out.

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

Interfund Transactions

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

Use of Estimates

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

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

2. STATE OF MICHIGAN SCHOOL AID

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan school aid appropriation acts. State funding represented 22 percent of the District’s general fund revenue during the 2013 fiscal year.

3. DEPOSITS AND INVESTMENTS

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

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 1,977,247	\$ 157,328	\$ 2,134,575
Investments	1,588,938	-	1,588,938
Total	\$ 3,566,185	\$ 157,328	\$ 3,723,513

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

Checking and savings accounts	\$ 2,132,660
Investments - mutual funds	1,588,938
Cash on hand	1,915
Total	\$ 3,723,513

State statutes authorize the District to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 9140 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

Cash and cash equivalents are comprised of deposits in two (2) financial institutions located in Michigan. State policy limits the District's investing options to financial institutions located in Michigan. All accounts are in the name of the District and a specific fund or common account. They are recorded in District records at fair value.

Investment and Deposit Risk

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

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the District's investment policy. As of year-end, \$1,815,589 of the District's bank balance of \$2,225,372 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

4. CAPITAL ASSETS

A summary of changes in capital assets activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 555,563	\$ -	\$ -	\$ -	\$ 555,563
Construction in progress	12,814	130,673	-	(143,487)	-
	<u>568,377</u>	<u>130,673</u>	<u>-</u>	<u>(143,487)</u>	<u>555,563</u>
Capital assets, being depreciated:					
Buildings and improvements	25,432,359	13,920	-	143,487	25,589,766
Buses and vehicles	621,882	-	(61,380)	-	560,502
Furniture and equipment	2,792,476	19,958	(30,600)	-	2,781,834
	<u>28,846,717</u>	<u>33,878</u>	<u>(91,980)</u>	<u>143,487</u>	<u>28,932,102</u>
Less accumulated depreciation for:					
Buildings and improvements	(5,334,008)	(576,182)	-	-	(5,910,190)
Buses and vehicles	(499,804)	(25,821)	61,380	-	(464,245)
Furniture and equipment	(1,132,912)	(154,006)	30,600	-	(1,256,318)
	<u>(6,966,724)</u>	<u>(756,009)</u>	<u>91,980</u>	<u>-</u>	<u>(7,630,753)</u>
Total capital assets being depreciated, net	<u>21,879,993</u>	<u>(722,131)</u>	<u>-</u>	<u>143,487</u>	<u>21,301,349</u>
Governmental activities capital assets, net	<u>\$ 22,448,370</u>	<u>\$ (591,458)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,856,912</u>

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

5. TRANSFERS AND INTERFUND BALANCES

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

Transfers in	Transfers Out
	Nonmajor Governmental Funds
General fund	<u>\$ 30,000</u>

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

6. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2013:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 19,580,000	\$ 1,185,000	\$ (770,000)	\$ 19,995,000	\$ 1,030,000
Installment purchase agreement	128,000	-	(20,000)	108,000	18,000
Total installment debt	19,708,000	1,185,000	(790,000)	20,103,000	1,048,000
Unamortized discounts / premiums on bonds	138,188	-	(10,187)	128,001	10,187
Early retirement incentive	140,000	-	(70,000)	70,000	70,000
Compensated absences	172,663	19,051	(17,266)	174,448	17,445
Total long-term debt	\$ 20,158,851	\$ 1,204,051	\$ (887,453)	\$ 20,475,449	\$ 1,145,632

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

	Ending Balance	Due Within One Year
\$9,035,000 2005 general obligation unlimited tax refunding bonds for the purpose of refunding the 1999 school building and site bonds, due in annual installments of \$195,000 to \$835,000 plus interest ranging from 3.000 to 4.105%, payable semi-annually through May 1, 2024.	\$ 7,730,000	\$ 570,000
\$11,905,000 2008 building site general obligation unlimited tax bonds for the purpose of defraying all or part of the cost of constructing remodeling and equipping, or reequipping, school facilities, due in annual installments of \$200,000 to \$1,625,000 plus interest ranging from 3.500 to 4.500%, payable semi-annually through May 1, 2028.	11,080,000	225,000
\$1,185,000 2013 school improvement and bus obligation unlimited tax bonds for the purpose of acquiring, installing and equipping educational technology for school facilities, and purchasing equipment, furnishings, and school buses, due in annual installments of \$235,000 to \$240,000 plus interest ranging from 0.750 to 1.300%, payable semi-annually through May 1, 2018.	1,185,000	235,000
\$128,000 installment purchase agreement for new boiler in Saugatuck High School, due in annual installments of \$18,000 to \$20,000 plus interest at 2.490%, payable annually through May 1, 2019.	108,000	18,000
Total installment debt	\$ 20,103,000	\$ 1,048,000

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

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

Year Ended June 30,	Principal	Interest	Total
2014	\$ 1,048,000	\$ 502,230	\$ 1,305,204
2015	1,098,000	459,966	1,312,856
2016	1,173,000	413,716	1,343,603
2017	1,263,000	368,197	1,385,317
2018	1,353,000	320,288	1,673,288
2019-2023	9,428,000	1,209,738	10,637,738
2024-2028	4,740,000	193,894	4,933,894
	<u>\$ 20,103,000</u>	<u>\$ 3,468,029</u>	<u>\$ 22,591,900</u>

The early retirement incentive was offered in 2010. Eligible employees electing to participate in the incentive program receive 4 annual payments of \$10,000 as a contribution to their 403(b) plan. The final payment will be made in July 2013. The liability has not been present-value discounted as the amount has been determined by management to be inconsequential. The early retirement incentives and compensated absences are expected to be liquidated by the general fund.

7. RETIREMENT PLAN

Plan Description

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a collection of several retirement plans administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute. The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees' Retirement System, 7150 Harris Drive, P.O. Box 30026, Lansing, Michigan, 48909 or by calling (517) 322-5103.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

Funding Policy

Defined Benefit Plans

Member contribution rates vary based on date of hire and certain voluntary elections. Member Investment Plan ("MIP") members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 through June 30, 2008 contribute at the following graduated permanently fixed contribution rates: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent of all wages over \$15,000. Members first hired July 1, 2008 through June 30, 2010 contribute at the following graduated permanently fixed contribution rates: 3.0 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 6.4 percent of all wages over \$15,000. Basic Plan members make no contributions. Members first enrolled on or after July 1, 2010 are enrolled in the MIP Plus Plan. Member contributions are matched at a rate of 50 percent by the employer, up to a maximum of one percent. Basic 4% and MIP 7% members contribute 4 percent and 7 percent of pretax salary, respectively. Based on the option selected at enrollment, these individuals contribute at a fixed rate until termination of employment or until reaching 30 years of service. At that time, based on the option selected, employee contributions are no longer required or revert to the contribution requirements under the MIP plan in which the employee initially enrolled.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree healthcare benefits on a cash disbursement basis. The rates for the year ended June 30, 2013 as a percentage of payroll ranged from 20.96 to 25.39 percent.

Hybrid Plans

Effective February 1, 2013, members that initially enrolled in the defined benefit plan were provided the option to convert to a defined contribution plan. In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4 percent employer contributions to a personal 401(k) account. Voluntary employee contributions are permitted in accordance with IRS guidelines. Employer contributions and earnings thereon vest based on the following schedule: 50 percent at 2 years of service, 75 percent at 3 years of service, and 100 percent at 4 years of service. Any voluntary contributions vest with the employee immediately. If a member participating in the hybrid plan retires with certain age and service requirements, he or she will receive a monthly pension based on compensation received before February 1, 2013.

Defined Contribution Plan

A member first enrolling in MPSERS on or after September 4, 2012 is automatically enrolled in the defined contribution plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the hybrid plan as described above.

The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPSERS under all plans for the years ended June 30, 2013, 2012, and 2011 were \$1,192,745, \$1,057,999, and \$881,368, respectively, equal to the required contributions for each year.

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

Other Postemployment Benefits

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

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

The District's contributions to MPSERS for other postemployment benefits are not separately identified and are included in the contribution amounts disclosed above.

8. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Bond Debt Service	2013 Capital Projects	Nonmajor Governmental Funds	Total
Nonspendable:					
Inventories	\$ -	\$ -	\$ -	\$ 3,339	\$ 3,339
Restricted for:					
Debt service	-	435,181	-	-	435,181
Food service operations	-	-	-	94,524	94,524
Community recreation programs	-	-	-	151,734	151,734
Capital improvements	-	-	1,161,751	-	1,161,751
Total restricted	-	435,181	1,161,751	246,258	1,843,190
Unassigned	1,358,229	-	-	-	1,358,229
Total fund balances - governmental funds	\$ 1,358,229	\$ 435,181	\$ 1,161,751	\$ 249,597	\$ 3,204,758

SAUGATUCK PUBLIC SCHOOLS

Notes to Financial Statements

9. NET INVESTMENT IN CAPITAL ASSETS

The composition of the District's net investment in capital assets as of June 30, 2013, was as follows:

	Governmental Activities
Capital assets:	
Capital assets not being depreciated	\$ 555,563
Capital assets being depreciated, net	<u>21,301,349</u>
	<u>21,856,912</u>
Related debt:	
Total bonds and installment purchase agreements	20,103,000
Unamortized bond premiums/discounts, net	128,001
Deferred loss on bond refunding	(386,283)
Unexpended bond proceeds	<u>(1,161,751)</u>
	<u>18,682,967</u>
Net investment in capital assets	<u>\$ 3,173,945</u>

10. CONTINGENCIES

Federal Grant Programs

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

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2013, the District carried commercial insurance and participated in a public entity risk pool. The District has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

11. RESTATEMENT

The District adopted the provisions of GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. In addition to the revised classification of certain elements in the financial statements, the implementation of GASB Statement No. 65 resulted in the elimination of bond issuance costs as an asset. As a result of this change, beginning net position of governmental activities decreased by \$225,216.



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

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GENERAL FUND

SAUGATUCK PUBLIC SCHOOLS

Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Property taxes	\$ 5,359,522	\$ 5,346,983	\$ 5,324,806	\$ (22,177)
Act 18	624,500	590,000	637,256	47,256
Tuition	33,300	46,767	49,347	2,580
Rentals	-	255	405	150
Earnings on investments	3,000	2,314	2,615	301
Other local sources	41,678	42,305	42,630	325
Total local sources	6,062,000	6,028,624	6,057,059	28,435
State sources:				
State School Aid	1,465,868	1,799,053	1,795,787	(3,266)
Federal sources:				
Title I	128,270	108,387	108,387	-
Title II-A	20,747	19,072	19,072	-
Special education (IDEA)	184,279	166,964	166,964	-
Other federal sources	650	1,102	1,076	(26)
Total federal sources	333,946	295,525	295,499	(26)
Total revenues	7,861,814	8,123,202	8,148,345	25,143
Expenditures				
Instruction:				
Basic programs:				
Elementary	1,932,559	2,148,000	2,135,798	(12,202)
Middle school	655,647	724,196	715,093	(9,103)
High school	1,784,784	1,779,091	1,769,868	(9,223)
Pre-kindergarten	46,610	43,874	43,070	(804)
Summer school	9,651	50	628	578
Total basic programs	4,429,251	4,695,211	4,664,457	(30,754)
Added needs:				
Special education	513,052	562,180	556,705	(5,475)
Compensatory education	130,760	107,669	107,705	36
Total added needs	643,812	669,849	664,410	(5,439)
Total instruction	5,073,063	5,365,060	5,328,867	(36,193)

continued...

SAUGATUCK PUBLIC SCHOOLS

Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (continued)				
Supporting services:				
Pupil services:				
Guidance services	\$ 140,620	\$ 139,756	\$ 139,448	\$ (308)
Health services	30,100	25,086	25,461	375
Psychology services	20,500	31,440	32,959	1,519
Speech services	113,436	112,887	112,020	(867)
Social work services	73,070	76,029	75,553	(476)
Other pupil services	67,566	57,904	56,616	(1,288)
Total pupil services	<u>445,292</u>	<u>443,102</u>	<u>442,057</u>	<u>(1,045)</u>
Instructional staff:				
Improvement of instruction	48,049	58,280	58,071	(209)
Media center	60,117	69,032	68,895	(137)
Student assessment	7,500	6,860	6,579	(281)
Other staff services	24,791	26,382	26,336	(46)
Total instructional staff	<u>140,457</u>	<u>160,554</u>	<u>159,881</u>	<u>(673)</u>
General administration:				
Board of Education	34,800	41,675	40,659	(1,016)
Executive administration	224,395	223,611	222,267	(1,344)
Total general administration	<u>259,195</u>	<u>265,286</u>	<u>262,926</u>	<u>(2,360)</u>
School administration:				
Office of the Principal	<u>548,984</u>	<u>536,609</u>	<u>530,316</u>	<u>(6,293)</u>
Business services:				
Fiscal services	194,630	191,783	188,044	(3,739)
Other business services	64,475	96,597	95,029	(1,568)
Total business services	<u>259,105</u>	<u>288,380</u>	<u>283,073</u>	<u>(5,307)</u>
Operation and maintenance	<u>647,739</u>	<u>627,276</u>	<u>626,771</u>	<u>(505)</u>
Pupil transportation	<u>303,863</u>	<u>303,594</u>	<u>284,556</u>	<u>(19,038)</u>

continued...

SAUGATUCK PUBLIC SCHOOLS

Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Supporting services (concluded):				
Other support services:				
Communications	\$ 27,627	\$ 29,825	\$ 29,202	\$ (623)
Staff services	11,000	12,500	10,347	(2,153)
Technology	138,160	147,380	137,779	(9,601)
Total other support services	<u>176,787</u>	<u>189,705</u>	<u>177,328</u>	<u>(12,377)</u>
Total supporting services	<u>2,781,422</u>	<u>2,814,506</u>	<u>2,766,908</u>	<u>(47,598)</u>
Athletics	<u>261,591</u>	<u>263,831</u>	<u>256,238</u>	<u>(7,593)</u>
Total expenditures	<u>8,268,076</u>	<u>8,632,320</u>	<u>8,540,905</u>	<u>(91,415)</u>
Revenues over (under) expenditures	<u>(406,262)</u>	<u>(509,118)</u>	<u>(392,560)</u>	<u>116,558</u>
Other financing sources				
Transfers in	30,000	30,000	30,000	-
Proceeds on sale of capital assets	-	3,050	3,420	370
Total other financing sources	<u>30,000</u>	<u>33,050</u>	<u>33,420</u>	<u>370</u>
Net changes in fund balance	<u>(376,262)</u>	<u>(476,068)</u>	<u>(359,140)</u>	<u>116,928</u>
Fund balance, beginning of year	<u>1,717,369</u>	<u>1,717,369</u>	<u>1,717,369</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,341,107</u>	<u>\$ 1,241,301</u>	<u>\$ 1,358,229</u>	<u>\$ 116,928</u>

concluded

NONMAJOR GOVERNMENTAL FUNDS

SAUGATUCK PUBLIC SCHOOLS

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2013

	Special Revenue		Capital Projects	Total
	Food Service	Community Recreation	2008 Bond Construction	
Assets				
Cash and investments	\$ 100,372	\$ 152,337	\$ -	\$ 252,709
Inventories	3,339	-	-	3,339
Total assets	<u>\$ 103,711</u>	<u>\$ 152,337</u>	<u>\$ -</u>	<u>\$ 256,048</u>
Liabilities				
Due to other governments	\$ -	\$ 603	\$ -	\$ 603
Unearned revenue	5,848	-	-	5,848
Total liabilities	<u>5,848</u>	<u>603</u>	<u>-</u>	<u>6,451</u>
Fund balances				
Nonspendable	3,339	-	-	3,339
Restricted	94,524	151,734	-	246,258
Total fund balances	<u>97,863</u>	<u>151,734</u>	<u>-</u>	<u>249,597</u>
Total liabilities and fund balances	<u>\$ 103,711</u>	<u>\$ 152,337</u>	<u>\$ -</u>	<u>\$ 256,048</u>

SAUGATUCK PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2013

	Special Revenue		Capital Projects	Total
	Food Service	Community Recreation	2008 Bond Construction	
Revenues				
Local sources:				
Property taxes	\$ -	\$ 128,947	\$ -	\$ 128,947
Food sales	155,784	-	-	155,784
Charges	-	35,454	-	35,454
Earnings on investments	281	643	7	931
Other revenue	1,840	992	-	2,832
State sources	16,662	-	-	16,662
Federal sources	162,626	-	-	162,626
Total revenues	337,193	166,036	7	503,236
Expenditures				
Current:				
Food service	314,548	-	-	314,548
Community and recreation	-	148,499	-	148,499
Capital outlay	-	-	15,865	15,865
Total expenditures	314,548	148,499	15,865	478,912
Revenues over (under) expenditures	22,645	17,537	(15,858)	24,324
Other financing uses				
Transfers out	(15,000)	(15,000)	-	(30,000)
Net change in fund balances	7,645	2,537	(15,858)	(5,676)
Fund balances, beginning of year	90,218	149,197	15,858	255,273
Fund balances, end of year	\$ 97,863	\$ 151,734	\$ -	\$ 249,597

SAUGATUCK PUBLIC SCHOOLS

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Food Service Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Food sales	\$ 153,800	\$ 156,100	\$ 155,784	\$ (316)
Earnings on investments	500	270	281	11
Other	2,000	1,000	1,840	840
Total local sources	<u>156,300</u>	<u>157,370</u>	<u>157,905</u>	<u>535</u>
State sources - school aid	<u>19,225</u>	<u>22,662</u>	<u>16,662</u>	<u>(6,000)</u>
Federal sources:				
Federal aid received through the State	134,000	144,000	145,137	1,137
USDA donated commodities	<u>17,894</u>	<u>19,909</u>	<u>17,489</u>	<u>(2,420)</u>
Total federal sources	<u>151,894</u>	<u>163,909</u>	<u>162,626</u>	<u>(1,283)</u>
Total revenues	327,419	343,941	337,193	(6,748)
Expenditures				
Current - food service	<u>326,122</u>	<u>332,836</u>	<u>314,548</u>	<u>(18,288)</u>
Revenues over (under) expenditures	1,297	11,105	22,645	11,540
Other financing uses				
Transfers out	<u>(10,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Net changes in fund balance	(8,703)	(3,895)	7,645	11,540
Fund balance, beginning of year	<u>90,218</u>	<u>90,218</u>	<u>90,218</u>	<u>-</u>
Fund balance, end of year	<u>\$ 81,515</u>	<u>\$ 86,323</u>	<u>\$ 97,863</u>	<u>\$ 11,540</u>

SAUGATUCK PUBLIC SCHOOLS

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Community Recreation Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources:				
Property taxes	\$ 128,243	\$ 127,378	\$ 128,947	\$ 1,569
Charges	31,466	34,150	35,454	1,304
Earnings on investments	700	950	643	(307)
Other	-	992	992	-
Total revenues	160,409	163,470	166,036	2,566
Expenditures				
Current - community and recreation	168,466	156,595	148,499	(8,096)
Revenues over (under) expenditures	(8,057)	6,875	17,537	10,662
Other financing uses				
Transfers out	(6,250)	(15,000)	(15,000)	-
Net changes in fund balance	(14,307)	(8,125)	2,537	10,662
Fund balance, beginning of year	149,197	149,197	149,197	-
Fund balance, end of year	\$ 134,890	\$ 141,072	\$ 151,734	\$ 10,662

SAUGATUCK PUBLIC SCHOOLS

Schedule of Changes in Fiduciary Assets and Liabilities

Student Activities Fund by Club/Organization

For the Year Ended June 30, 2013

	July 1, 2012	Additions	Deductions	June 30, 2013
Assets				
Cash and cash equivalents	\$ 169,958	\$ 348,849	\$ (361,479)	\$ 157,328
Liabilities				
Douglas Elementary School:				
1st grade	\$ -	\$ 373	\$ (373)	\$ -
4th grade	-	1,041	(1,041)	-
5th grade	265	6,936	(7,069)	132
Art	8,815	1,000	(8,120)	1,695
Art club	166	-	(166)	-
Baking club	73	84	(157)	-
Destination imagination	147	393	-	540
DFA-student needs	1,000	-	-	1,000
DFA-scholarships	1,500	-	-	1,500
DFA-IV	-	725	(145)	580
Elementary swimming	-	2,040	(2,040)	-
Field trips	69	-	(69)	-
Garden project	333	-	(333)	-
General fund	2,474	19,411	(21,111)	774
Junior gardeners	37	-	(37)	-
Library	2,697	2,602	(2,180)	3,119
Lift	851	1,035	(397)	1,489
Lunchtime enrichment	118	-	(118)	-
Math RTI	241	-	(241)	-
Memorial scholarship fund	753	-	(753)	-
Music	4,277	199	(2,226)	2,250
Physical education	75	-	-	75
Preschool	839	110	(208)	741
Preschool scholarship	1,958	420	-	2,378
School store	623	518	(835)	306
STA scholarships	4,742	1,165	(1,366)	4,541
Student council	184	-	-	184
Summer school	210	-	-	210
Sunshine fund	426	277	(510)	193
Symphony	758	2,500	(1,483)	1,775
Todd Warren II Memorial	1,997	-	(264)	1,733
Middle School and High School:				
6th grade camp	56	8,795	(7,818)	1,033
8th grade trip	-	42,214	(36,246)	5,968

continued...

SAUGATUCK PUBLIC SCHOOLS

Schedule of Changes in Fiduciary Assets and Liabilities

Student Activities Fund by Club/Organization

For the Year Ended June 30, 2013

	July 1, 2012	Additions	Deductions	June 30, 2013
Liabilities (continued)				
Middle School and High School (continued):				
Academic boosters	\$ 1,554	\$ 27	\$ (1,581)	\$ -
American cancer society fundraiser	322	1,233	(1,237)	318
AP testing	1,491	4,148	(3,786)	1,853
Art a loan	6,008	5,336	(5,489)	5,855
Art department	-	1,300	(1,159)	141
Athletic boosters	8,657	38,874	(35,832)	11,699
Athletic fund	615	2,967	(2,880)	702
Athletic pavers	4,314	-	(2,000)	2,314
Audio books	243	-	-	243
Band account	10,595	6,707	(6,437)	10,865
Baseball	3,236	1,311	(1,671)	2,876
Boys basketball	1,898	10,165	(10,816)	1,247
Class of 2008	3,431	-	(3,431)	-
Class of 2009	3,725	-	(3,725)	-
Class of 2010	2,246	200	(2,446)	-
Class of 2011	877	-	(201)	676
Class of 2012	-	200	(200)	-
Class of 2013	2,078	-	(571)	1,507
Class of 2014	2,280	2,488	(2,483)	2,285
Class of 2015	900	870	-	1,770
Class of 2016	-	530	-	530
Community recreation	569	2,393	(1,176)	1,786
Council scholarships	785	-	-	785
Cross country	3,638	5,303	(6,680)	2,261
Destination imagination	-	170	(170)	-
Drama club	2,538	2,554	(1,874)	3,218
Field maintenance - baseball	-	400	(400)	-
Field trips	7,128	19,585	(16,150)	10,563
Football	2,173	11,316	(11,147)	2,342
Girls basketball	947	6,708	(6,677)	978
Golf	601	540	(820)	321
Great expectations	535	-	-	535
Gym rental	1,671	250	(50)	1,871
In - out account	573	394	(967)	-
Interact	1,621	14,993	(14,055)	2,559
Interest account	662	-	-	662
Library	55	-	-	55

continued...

SAUGATUCK PUBLIC SCHOOLS

Schedule of Changes in Fiduciary Assets and Liabilities

Student Activities Fund by Club/Organization

For the Year Ended June 30, 2013

	July 1, 2012	Additions	Deductions	June 30, 2013
Liabilities (concluded)				
Middle School and High School (concluded):				
Logowear	\$ 958	\$ 4,959	\$ (4,668)	\$ 1,249
Material deposit	14,340	1,804	(558)	15,586
Memorials	-	990	-	990
Middle school art	657	170	(431)	396
Middle school store	3,228	3,209	(3,279)	3,158
Miscellaneous	846	2,145	(2,947)	44
MS student council	1,165	1,278	(1,100)	1,343
Salmon account	-	1,549	(1,210)	339
Scholarship plaque	24	-	-	24
Score board	-	10,500	(8,000)	2,500
Senior parents Class of 2010	856	868	(869)	855
Senior parents Class of 2012	2,258	-	(1,500)	758
Senior parents Class of 2013	3,335	8,101	(11,436)	-
Senior parents Class of 2014	2,130	1,030	(58)	3,102
Senior parents Class of 2015	360	1,190	-	1,550
Senior parents Class of 2016	-	850	-	850
Shop	564	3,177	(3,327)	414
Soccer	525	2,056	(2,412)	169
Softball	2,038	3,766	(4,495)	1,309
Spanish club	111	-	(60)	51
Student teacher account	400	300	-	700
STA	150	-	-	150
Student council	1,119	1,294	(1,333)	1,080
Summer school	1,500	400	(1,650)	250
Tournament account	4,269	14,951	(16,401)	2,819
Track	2,768	2,530	(5,298)	-
Vending	1,784	2,737	(1,368)	3,153
Vernon Christopher Memorial	1,426	-	-	1,426
Volleyball	1,566	4,154	(4,235)	1,485
Women who care	17	-	-	17
Yearbook and newspaper	1,621	650	(1,713)	558
Youth in government	381	12,731	(12,630)	482
Parking lot	5,912	28,660	(29,084)	5,488
Total liabilities	\$ 169,958	\$ 348,849	\$ (361,479)	\$ 157,328

concluded

INTERNAL CONTROL AND COMPLIANCE

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

September 3, 2013

Board of Education
Saugatuck Public Schools
Douglas, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Saugatuck Public Schools* (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 3, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2013-FS-1, that we consider to be a significant deficiency.

Compliance and Other Matters

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

Saugatuck Public Schools' Response to Finding

The District’s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



SAUGATUCK PUBLIC SCHOOLS

Schedule of Findings and Responses For the Year Ended June 30, 2013

2013-FS-1 - Internal Controls over Cash Disbursements

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the District. A key element of internal control is the segregation of incompatible duties within the accounting function.

Condition. The District has certain accounting duties related to cash disbursements that are performed by the same individual and are not subject to documented independent review and approval. Expenditures not initiated at the school building level (such as those for capital-related items and District-wide services), do not go through the typical review and approval process. As such, these disbursements do not consistently evidence documented approval by an independent administrator. The individual that is providing the documented approval of these invoices is also an authorized signer on the District's bank accounts and endorses these checks for payment. For disbursements over \$1,000, Board policy requires checks to have dual endorsements. However, this second endorsement is currently being applied through use of a signature stamp under the custody of the individual providing the first endorsement.

Cause. This condition appears to be caused, in part, by staffing constraints typical of a small government.

Effect. As a result of this condition, this District was exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected by management on a timely basis.

Recommendation. Recognizing that there are no easy answers to the challenge of balancing the cost and benefits of internal controls and segregation of duties, we encourage the District to mitigate this risk by requiring as much independent review, reconciliation and approval of accounting functions as possible. Ideally, an individual without general ledger maintenance responsibilities would be involved in approving invoices for payment prior to disbursement and endorsing checks. The District may determine that a lesser control is sufficient to mitigate any significant risk. At a minimum, we recommend that an administrator or board member independent of the procurement and check disbursement processes review and approve a system-generated check register including check number, vendor name, and amount.

View of Responsible Officials. District management takes the responsibility to maintain internal controls over the safeguarding of the District's assets very seriously. In a small district, where staff continue to take on additional duties, or positions have been eliminated in order to absorb funding reductions, we have worked to provide segregation of duties and dual control over accounting functions as necessary throughout the District. When the Board of Education moved to the Carver Model of Governance, they requested that the monthly approval of checks be done at the administrative level, as their focus turned to policy. During that transition, the independent review and documentation of the monthly check register process was handled by two individuals, both responsible for initiating and approving the check and expenditure, and as our auditor noted, lacked documented evidence of independent review. We immediately established procedures to provide *evidence of a documented* independent review and approval by the Superintendent and/or Board members for the procurement and check disbursement process to review and approve a system-generated check register including check number, vendor name and amount for all funds monthly.



INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

September 3, 2013

Board of Education
Saugatuck Public Schools
Douglas, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Saugatuck Public Schools* (the "District") for the year ended June 30, 2013, and have issued our report thereon dated September 3, 2013. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated July 29, 2013, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

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

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters on July 11, 2013.

Significant Results of the Audit

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. The District adopted Statement of Governmental Accounting Standards (GASB Statement) No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. The cumulative effect of the accounting change as of the beginning of the year is reported in the government-wide statement of net position. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred, other than the restatement described in Note 11 to the financial statements.

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, we proposed certain adjustments related to retirement payable in the general fund and bond issuance costs payable in the 2013 capital projects fund which, in our opinion, were significant (but not material) to the financial statements.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment B to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the attached management representation letter dated September 3, 2013.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

This information is intended solely for the use of the governing body and management of Saugatuck Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lehmann Lohman LLC". The signature is written in a cursive, flowing style.

SAUGATUCK PUBLIC SCHOOLS

Attachment A - Comments and Recommendations

For the June 30, 2013 Audit

During our audit, we became aware of certain other matters that are opportunities for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comments and recommendations regarding those matters. Our consideration of the District's internal control over financial reporting is described in our report, dated September 3, 2013, issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated September 3, 2013, on the financial statements of Saugatuck Public Schools.

Policies and Procedures over Suspended/Debarred Parties

In order to comply with requirements of the Michigan Department of Education, the District has prepared a written policies and procedures manual over the administration of federal awards. The policies, which were customized for Saugatuck Public Schools, were based on industry standards and best practices. We noted that the written policies for suspension/debarment state that a quarterly year-to-date vendor report will be generated for federal grant funds, and any vendor with expenditures over \$25,000 would be searched on the federal excluded parties website. The report is to be marked to evidence the search(es) performed and retained for audit purposes. While we are aware of no transactions conducted with suspended or debarred parties, our understanding is that the search was only performed once during the year and no documentation was retained. We recommend that the District either follow its policies and procedures as written, or revise them to reflect the actual control activities performed.



SAUGATUCK PUBLIC SCHOOLS

Attachment B - Upcoming Changes in Accounting Standards

For the June 30, 2013 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the District in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the District. For the complete text of these and other GASB standards, visit www.gasb.org and click on the “pronouncements” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 66 ■ 2012 Technical Corrections (an Amendment to GASB 10 and GASB 62)

Effective 12/15/2013 (your FY 2014)

This standard was issued to eliminate conflicting guidance that resulted from the issuance of GASB 54 and GASB 62, which are both already effective. GASB 10 was amended to allow for risk financing activities to be accounted for in whichever fund type is most applicable (no longer limited to the general fund or an internal service fund). GASB 62 was amended to modify specific guidance related to (1) operating leases with scheduled rent increases, (2) purchase of loans at an amount other than the principal amount, and (3) service fees related to mortgages that are sold when the service rate varies significantly from the current (normal) service fees.

We do not expect GASB 66 to have any significant impact on the District at this time.

GASB 67 ■ Financial Reporting for Pension Plans

Effective 06/15/2014 (your FY 2014)

This standard establishes the requirements for pension plans administered by trusts to report on their operations, including setting new uniform requirements for actuarial valuations of the total pension liability, and reporting various 10-year trend data as required supplementary information. The financial statements of pension plans will not change substantially as a result of GASB 67, though the additional note disclosures and required supplementary information will be significant. Additionally, actuarial valuations conducted in accordance with GASB 67 will have to match the government’s fiscal year, or be rolled forward to that date by the actuary.

Because the District does not maintain its own pension trust fund, we do not expect GASB 67 to have any significant impact on the District at this time.

GASB 68 ■ Accounting and Financial Reporting for Pensions

Effective 06/15/2015 (your FY 2015)

This standard establishes new requirements for governments to report a “net pension liability” for the unfunded portion of its pension plan. Governments that maintain their own pension plans (either single employer or agent multiple-employer) will report a liability for the difference between the total pension liability calculated in accordance with GASB 67 and the amount held in the pension trust fund. Governments that participate in a cost sharing plan will report a liability for their “proportionate share” of the net pension liability of the entire system.

SAUGATUCK PUBLIC SCHOOLS

Attachment B - Upcoming Changes in Accounting Standards

For the June 30, 2013 Audit

Historically, governments have only been required to report a net pension obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, governments will be required to report a net pension liability based on the current funded status of their pension plans. This liability would be limited to the government-wide financial statements. Changes in this liability from year to year will largely be reflected on the income statement, though certain amounts will be deferred and amortized over varying periods.

GASB 68 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the government's proportionate share of plan.

GASB 67 and 68 are only applicable to pension plans. However, the GASB has announced its intent to issue similar standards for other postemployment benefits (e.g., retiree healthcare) on a two year delay from these standards.

GASB 69 ■ Government Combinations and Disposals of Government Operations

Effective 12/15/2014 (your FY 2015)

This standard provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity.

Given the infrequent nature of these types of events, we do not expect this standard to have any impact on the District at this time.

SAUGATUCK PUBLIC SCHOOLS

Attachment B - Upcoming Changes in Accounting Standards

For the June 30, 2013 Audit

GASB 70 ■ Nonexchange Financial Guarantees

Effective 06/15/2014 (your FY 2014)

This standard addresses the accounting and disclosure of situations in which one government offers a financial guarantee on behalf of another government, not-for-profit organization, private entity, or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). A government that extends a nonexchange financial guarantee will be required to recognize a liability when qualitative factors and/or historical data indicate that it is “more likely than not” that the government will be required to make a payment on the guarantee. It further requires governments to disclose any outstanding financial guarantees in the notes to the financial statements.

We do not expect GASB 70 to have any significant impact on the District at this time.

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Saugatuck Public Schools
Central Administration Office

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269-857-1444
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www.saugatuckps.com

Rehmann Robson
2330 E. Paris Ave. SE
Grand Rapids, MI 49546

September 3, 2013

This representation letter is provided in connection with your audit of the financial statements of **Saugatuck Public Schools**, which comprise the statement of financial position as of June 30, 2013, and the related statement of operations for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements of the various opinion units are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of September 3, 2013

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated July 29, 2013, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
9. With regard to items reported at fair value:

- a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
10. All component units, as well as joint ventures with an equity interest, as applicable, are included and other joint ventures and related organizations, if any, are properly disclosed.
 11. All funds and activities are properly classified.
 12. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
 13. All components of net position and fund balance classifications have been properly reported.
 14. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
 15. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
 16. All interfund and intra-entity transactions and balances have been properly classified and reported.
 17. Special items and extraordinary items, if applicable, have been properly classified and reported.
 18. Deposit and investment risks have been properly and fully disclosed.
 19. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
 20. All required supplementary information is measured and presented within the prescribed guidelines.

Information Provided

21. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
22. All transactions have been recorded in the accounting records and are reflected in the financial statements.
23. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
24. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.

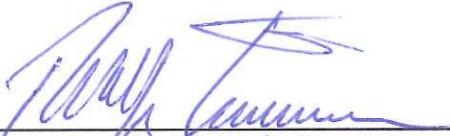
25. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
26. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
27. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
28. We have disclosed to you all communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
29. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
30. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
31. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
32. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
33. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
34. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
35. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Supplementary Information in Relation to the Financial Statements as a Whole

36. With respect to the supplementary information accompanying the financial statements:
 - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Required Supplementary Information

37. With respect to the required supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.



Rolfe Timmerman, Superintendent

9-3-13



Liz Broderick, Director of Business and Human Resources

9.3.13