

**FENNVILLE PUBLIC SCHOOLS**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and**  
**additional supplementary information)**  
**YEAR ENDED JUNE 30, 2012**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Fennville Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fennville Public Schools, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fennville Public Schools' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Fennville Public Schools as of June 30, 2012 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2012, on our consideration of Fennville 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 15 and 48, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fennville Public Schools' basic financial statements. The supplementary information on pages 50 through 62 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the 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.

*Maney Costeiran PC*

September 24, 2012

**FENNVILLE PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2012**

Fennville Public Schools, a K-12 school district located in Allegan County, Michigan, is in its ninth year of implementation for the provisions of Governmental Accounting Standards Board Statement #34 (GASB #34) with the enclosed financial statements.

**FINANCIAL HIGHLIGHTS**

Below is a table showing the fund balances for the past ten years.

<u>DATE</u>	<u>GENERAL FUND BALANCE</u>	<u>DIFFERENCE</u>
June 30, 2003	\$ 906,648	\$ 91,435
June 30, 2004	1,149,200	242,552
June 30, 2005	1,479,503	303,303
June 30, 2006	1,254,283	(225,220)
June 30, 2007	1,006,356	(247,927)
June 30, 2008	1,058,854	52,498
June 30, 2009	971,741	(87,113)
June 30, 2010 (as restated)	1,463,183	491,442
June 30, 2011	1,803,110	339,927
June 30, 2012	2,773,951	970,841

In 2011-12 the total general fund revenues exceeded \$12.42 million dollars with expenditures approximately \$11.49 million dollars. In 2010-11 the total general fund revenues exceeded \$12.42 million dollars with expenditures approximately \$12.12 million dollars. General fund revenues remained consistent with the 2011-12 school year revenues for all sources, meaning that property tax revenues remained the same and pupil count remained at the same level as the prior year. Total expenditures decreased by \$631,933. This decrease reflected cost containment measures the Board took to prepare for the “funding cliff” expected to occur during the 2012-13 year when federal stimulus funds will run out, uncertainties about State funding and rising retirement costs. The unusual weather patterns during the 2011-12 school year also contributed to lower operational costs.

The District continues to participate in short-term borrowing and borrowed \$2.0 million dollars during the year that was repaid in August 2012. The reliance on short-term borrowings to finance operations during the school year, especially until the first State Aid payment in October and the receipt of property taxes beginning in December will require state aid borrowing in 2012/13, with \$1.5 million dollars being borrowed to meet cash flow needs.

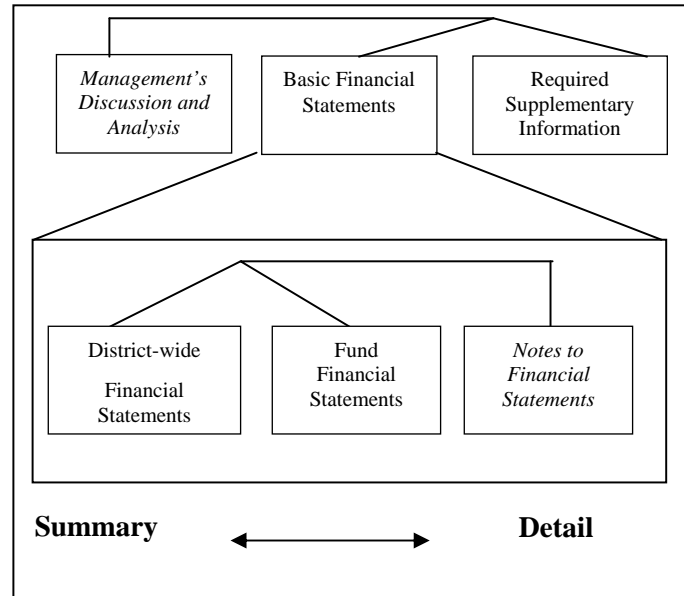
The food service department finished the fiscal year with a decrease of approximately \$24,000 largely due to purchases of equipment. Food service continues with an enviable fund balance in excess of \$160,000.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District’s operations *in more detail* than the district-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others.

**Figure A-1  
Organization of Fennville Public Schools’  
Annual Financial Report**



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-2  
Major Features of District-Wide and Fund Financial Statements**

	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, FPS's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

**DISTRICT WIDE FINANCIAL STATEMENTS:**

All of the District’s assets and liabilities are reported in the district-wide financial statements and are on a full accrual basis that is similar to those used by private-sector companies. For example, capital assets and long-term obligations of the District are reported in the statement of net assets of the district-wide financial statements. The difference between the District’s assets and liabilities (net assets) are one way to measure the District’s financial position. However, you need to consider other non-financial factors such as changes in the District’s property tax base and the condition and age of the school buildings and other facilities.



The current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. Most of the District's basic services are included here, such as regular and special education, transportation and administration. These activities are financed through the state foundation grant, property taxes and various federal and state programs.

The District's combined net assets at the beginning of the fiscal year were \$4,238,118 and on June 30, 2012 they were \$4,932,818 which represents an increase of \$694,700 as recorded in the statement of activities.

**FUND FINANCIAL STATEMENTS**

The fund financial statements are reported on a modified accrual basis and consist of governmental funds and fiduciary funds. Governmental funds include most of the District's basic services which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending on future District programs.

Fiduciary funds are for assets that belong to others, such as the scholarship fund and the student activities fund where the District is the trustee or fiduciary. The District cannot use these assets to finance its operations but it is responsible to ensure that these funds are used for their intended purposes. Only measurable and currently available funds are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. Some of these funds are established by State law and by bond covenants while others can be established for the District to control and manage money for a particular purpose such as school lunch and athletics.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net assets** - The District's combined net assets as of June 30, 2012 totaled \$4,932,818 which was slightly more than the June 30, 2011 balance of \$4,238,118.

<b>Table A-3 Fennville Public Schools</b>		
	2012	2011
Current assets	\$ 5,041,855	\$ 5,927,633
Capital assets and other	24,711,995	25,636,480
Total assets	<u>29,753,850</u>	<u>31,564,113</u>
Long-term debt outstanding	22,599,033	23,325,782
Other liabilities	2,221,999	4,000,213
Total liabilities	<u>24,821,032</u>	<u>27,325,995</u>
Net assets:		
Invested in capital assets, net of related debt	1,390,441	1,632,970
Restricted for debt service	633,631	645,939
Restricted for special revenue (food service)	152,777	128,617
Unrestricted	<u>2,755,969</u>	<u>1,830,592</u>
Total net assets	<u>\$ 4,932,818</u>	<u>\$ 4,238,118</u>

<b>Table A-4</b>		
<b>Changes in Fennville Public Schools' Net Assets</b>		
	2012	2011
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 222,677	\$ 278,744
Federal and state categorical grants	1,797,687	1,851,990
General revenues:		
Property taxes	4,038,120	3,989,395
Investment	5,571	6,883
State aid - unrestricted	7,961,266	8,068,653
Federal Education Jobs Fund - unrestricted	328,661	172,189
Intermediate sources	407,594	385,323
Other	110,721	128,989
Total revenues	<u>14,872,297</u>	<u>14,882,166</u>
<b>Expenses:</b>		
Instruction	7,432,027	7,814,285
Support services	4,671,392	4,916,701
Community services	173,267	185,313
Outgoing transfers and other	-	90,350
Food services	826,270	816,326
Interest on long-term debt	1,074,641	1,094,151
Total expenses	<u>14,177,597</u>	<u>14,917,126</u>
Change in net assets	<u>\$ 694,700</u>	<u>\$ (34,960)</u>

**STATE OF MICHIGAN UNRESTRICTED AID (State Foundation Grant)**

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. The Michigan State Aid Act per student foundation allowance which was established under Proposal A has increased from \$4,754 per student in 1995 to \$6,846 per student in 2011-2012. The per student State foundation allowance decreased by \$470 from 2010-11.
- b. Student Enrollment - The blended count is 90 percent of current year's fall count and 10 percent of prior year's February count.
- c. The District's non-homestead levy for 2011-12 was 18.0000 mills which the voters approved in May 2011.

**Student Enrollment**

Student enrollment remained the same from 2010-11 to 2011-12 at 1,473. A decrease of pupils is expected in fall of 2012.

**GOVERNMENTAL FUNDS**

**Results of Operations:**

For the fiscal years ended June 30, 2012 and 2011, the district-wide results of operations were:

	2012	2011
<b>REVENUES:</b>		
Local sources:		
Property taxes	\$ 4,039,685	\$ 3,940,081
Investment earnings	5,571	13,928
Food sales, athletics, community service and transportation	211,101	206,587
Other	98,356	94,048
Total local sources	4,354,713	4,254,644
State sources	8,506,847	8,691,617
Federal sources	1,580,767	1,817,983
Intermediate sources	431,535	446,474
<b>TOTAL REVENUES</b>	<b>\$ 14,873,862</b>	<b>\$ 15,210,718</b>
<b>EXPENDITURES:</b>		
Current:		
Instruction	\$ 6,743,166	\$ 7,176,498
Supporting services	4,543,677	4,566,456
Food service activities	815,184	796,647
Athletic activities	-	221,589
Community service activities	63,750	65,349
Outgoing transfers and other	-	83,217
Debt service:		
Principal	711,655	699,543
Interest expense	1,065,564	1,105,347
Other	746	838
Capital outlay	-	12,147
<b>TOTAL EXPENDITURES</b>	<b>\$ 13,943,742</b>	<b>\$ 14,727,631</b>

The following summarizes the revenues and expenses by comparing fiscal year 2012 to 2011 as shown in the previous results of operations.

- Property taxes continue to increase slightly due to increased taxable values and assessments.
- Interest earnings decreased with the reduction of interest rates the District was able to obtain on their own investment opportunities due to the state of our economy.
- State sources slightly decreased due to the State budget cuts.
- Federal sources showed a decrease due to decreases in Title I allocation and federal stimulus funding.

- Intermediate sources decreased over the previous year as the result of Act 18 funding and discontinuing federal stimulus funds.
- The Community Athletic Center (CAC) continues to be a huge success, with over 800 community members becoming members. There will always be costs associated with utility, cleaning and personnel costs to operate the center. Membership fees were increased to offset existing costs this year.
- The continued success of the food service department is a two edged sword. Too much fund equity can jeopardize federal funding, yet the desire to offer more food options to students requires greater start up costs. The District charges an indirect cost to recover some of the cleaning and utility costs paid by the general fund.
- Salaries and benefits increased due to annual steps in salary as well as insurance rate increases.

The Fennville Public School District voters approved the 18 mill renewal in May 2011. The State of Michigan allows each school district to levy 18 mills on Non-PRE property, formally known as non-homestead property, and the foundation grant is calculated after the 18 mills. The approval of this renewal resulted in over two million in revenue for the District in fiscal year 2011-12.

Following is a table showing the past ten years of property taxes collected on Non-PRE property, formally known non-homestead property.

Fiscal year	Non-Homestead	
	Levy	Mills
2011 - 2012	\$ 2,344,947	18.0000
2010 - 2011	2,316,278	18.0000
2009 - 2010	2,255,711	18.0000
2008 - 2009	2,096,333	18.0000
2007 - 2008	1,999,760	18.0000
2006 - 2007	1,891,005	18.0000
2005 - 2006	1,739,017	18.0000
2004 - 2005	1,564,900	17.5338
2003 - 2004	1,516,817	18.0000
2002 - 2003	1,407,377	18.0000

## GENERAL FUND AND BUDGET HIGHLIGHTS

### Original vs. Final Budget:

The Uniform Budget Act of the State of MI requires that the local BOE approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The 2011-12 budget was approved on June 20, 2011.

The 2011-12 budget was revised two times throughout the fiscal year, with the final revision approved on June 18, 2012, representing changes that were estimated during the month of February 2012. The final budget revision anticipated higher revenues and lower expenses than was expected in June 2011 when the original budget was approved. The increase in revenues was a result of receiving more state funding due to complying with the Best Practice incentive offered by the State. The decrease in expenses was the result of the reduction in federal grant fund expenses, lower operational costs and staffing positions that were vacant during the year or contracted out to third parties.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of 2012, the District had invested \$35.3 million in a broad range of capital assets.

	2012			2011
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 337,337	\$ -	\$ 337,337	\$ 337,337
Buildings and additions	29,427,934	6,933,154	22,494,780	23,135,868
Land improvements	1,735,401	488,253	1,247,148	1,333,793
Computer and office	1,946,822	1,822,608	124,214	255,743
Outdoor equipment	573,387	418,592	154,795	141,190
Transportation equipment	1,287,927	1,090,195	197,732	269,445
Total	<u>\$ 35,308,808</u>	<u>\$ 10,752,802</u>	<u>\$ 24,556,006</u>	<u>\$ 25,473,376</u>

## LONG-TERM DEBT

The 2004 construction and remodeling bond was approved by the voters on June 14, 2004 in the amount of \$25,760,000. The bond debt was refinanced in 2007 and again in the summer of 2012 which reduced the debt obligations of the taxpayers. The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. See Note 7 for more information.

<b>Table A-6</b>		
<b>Fennville Public Schools</b>		
<b>Outstanding Long-Term Debt</b>		
	2012	2011
General obligation bonds - net	\$ 22,361,385	\$ 22,886,686
Limited obligation bonds	19,405	37,930
Compensated absences	29,236	33,927
Other loans	940,764	1,078,894
	\$ 23,350,790	\$ 24,037,437

## FACTORS BEARING ON THE DISTRICT'S FUTURE

There are several factors that could significantly affect the financial health of the District in the future.

- The funding received from the State of Michigan continues to be of concern. The current legislature is looking at reforming the way public schools are funded and has made temporary changes that may affect the amount of pupil funding the District will receive in the coming school year. Another set of Best Practice incentives are available to enhance State funding that Fennville PS may be in compliance, guidance is not yet available to make a final determination.
- The current teacher's contract ended June 30, 2012. Negotiations are currently underway and a new contract is expected by the fall of 2012. Due to new State laws passed during the last year teachers will not receive their step increases until a new contract is settled; this will result in short term savings for the district.
- The District implemented the State mandatory employee health insurance co-pay requiring the District to pay no more than annual cap amounts toward the cost of employee insurance. The caps are; family coverage \$15,000, two person coverage \$11,000 and single coverage \$5,500. This new law will result in lower benefit costs to the District and controlled future increases.
- The State employee retirement pension rate continues to increase at an alarming rate with rates increasing for 2012-13 to 27% of gross pay and projected to increase to 31% for 2013-14. This is an expense the District has no control over. The State legislature is debating several modifications to the current system to reduce future costs to the System by school districts.

- A student enrollment decrease is anticipated for the upcoming school year, which will play a role in the District's balancing of their budget.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the revenues it receives. If you have any questions about this report or need any additional information, please contact Business Services Office, Fennville Public Schools, Fennville, Michigan 49408, phone 269-561-7331.

## **BASIC FINANCIAL STATEMENTS**



**FENNVILLE PUBLIC SCHOOLS  
STATEMENT OF NET ASSETS  
JUNE 30, 2012**

	<u>Governmental activities</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 3,304,786
Investments	22,413
Receivables:	
Accounts receivable	10,119
Due from other governmental units	1,611,140
Inventories	65,289
Prepaid expenditures	<u>28,108</u>
<b>TOTAL CURRENT ASSETS</b>	<u>5,041,855</u>
<b>NONCURRENT ASSETS:</b>	
Deferred charges, net of amortization	155,989
Capital assets	35,308,808
Less accumulated depreciation	<u>(10,752,802)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>24,711,995</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 29,753,850</u></u>

<b>LIABILITIES AND NET ASSETS</b>	<b>Governmental activities</b>
<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 41,822
Note payable	275,486
Accrued interest	186,886
Accrued salaries and related items	885,506
Unearned revenue	80,542
Current portion of bonded debt obligations	585,000
Current portion of other long-term obligations	164,321
Current portion of compensated absences	2,436
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,221,999</b>
<b>NONCURRENT LIABILITIES:</b>	
Noncurrent portion of bonded debt obligations	21,776,385
Noncurrent portion of other long-term obligations	795,848
Noncurrent portion of compensated absences	26,800
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>22,599,033</b>
<b>TOTAL LIABILITIES</b>	<b>24,821,032</b>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	1,390,441
Restricted for debt service	633,631
Restricted for special revenue (food service)	152,777
Unrestricted	2,755,969
<b>TOTAL NET ASSETS</b>	<b>4,932,818</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 29,753,850</b>

**FENNVILLE PUBLIC SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>
		<u>Charges for services</u>	<u>Operating grants</u>	<u>Net (expense) revenue and changes in net assets</u>
Governmental activities:				
Instruction	\$ 7,432,027	\$ -	\$ 927,302	\$ (6,504,725)
Support services	4,671,392	63,568	199,608	(4,408,216)
Community services	173,267	15,565	1,010	(156,692)
Food services	826,270	143,544	669,767	(12,959)
Interest on long-term debt	1,074,641	-	-	(1,074,641)
Total governmental activities	<u>\$ 14,177,597</u>	<u>\$ 222,677</u>	<u>\$ 1,797,687</u>	<u>(12,157,233)</u>
General revenues:				
Property taxes, levied for general purposes				2,441,860
Property taxes, levied for debt service				1,596,260
Investment earnings				5,571
State sources				7,961,266
Federal Education Jobs Fund - unrestricted				328,661
Intermediate sources				407,594
Other				110,721
Total general revenues				<u>12,851,933</u>
<b>CHANGE IN NET ASSETS</b>				694,700
<b>NET ASSETS</b> , beginning of year				<u>4,238,118</u>
<b>NET ASSETS</b> , end of year				<u>\$ 4,932,818</u>

**FENNVILLE PUBLIC SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	<b>General Fund</b>	<b>2005 Debt service</b>	<b>Other nonmajor governmental funds</b>	<b>Total governmental funds</b>
<b>ASSETS</b>				
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 2,350,325	\$ 810,573	\$ 143,888	\$ 3,304,786
Investments	22,413	-	-	22,413
Receivables:				
Accounts receivable	3,229	-	6,890	10,119
Due from other governmental units	1,605,945	-	5,195	1,611,140
Due from other funds	-	-	2,021	2,021
Inventories	54,856	-	10,433	65,289
Prepaid expenditures	28,108	-	-	28,108
	<b>\$ 4,064,876</b>	<b>\$ 810,573</b>	<b>\$ 168,427</b>	<b>\$ 5,043,876</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 41,822	\$ -	\$ -	\$ 41,822
Due to other funds	2,021	-	-	2,021
Note payable	275,486	-	-	275,486
Accrued interest	9,944	-	-	9,944
Accrued salaries and related items	885,506	-	-	885,506
Unearned revenue	76,146	-	4,396	80,542
	<b>1,290,925</b>	<b>-</b>	<b>4,396</b>	<b>1,295,321</b>
<b>FUND BALANCES:</b>				
Nonspendable:				
Inventories	54,856	-	10,433	65,289
Prepaid expenditures	28,108	-	-	28,108

See notes to financial statements.

	<u>General Fund</u>	<u>2005 Debt service</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>FUND BALANCES (Concluded):</b>				
Restricted for:				
Debt service	\$ -	\$ 810,573	\$ -	\$ 810,573
Food service	-	-	152,777	152,777
Assigned for subsequent year expenditures	270,375	-	821	271,196
Unassigned	2,420,612	-	-	2,420,612
<b>TOTAL FUND BALANCES</b>	<u>2,773,951</u>	<u>810,573</u>	<u>164,031</u>	<u>3,748,555</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 4,064,876</u>	<u>\$ 810,573</u>	<u>\$ 168,427</u>	<u>\$ 5,043,876</u>
<b>Total governmental fund balances</b>				\$ 3,748,555
Amounts reported for governmental activities in the statement of net assets are different because:				
Value of amortized bond issuance costs			\$ 203,246	
Accumulated amortization			<u>(47,257)</u>	155,989
Capital assets used in governmental activities are not financial resources and are not reported in the funds				
The cost of the capital assets is			35,308,808	
Accumulated depreciation is			<u>(10,752,802)</u>	24,556,006
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Bonds payable				(22,361,385)
Other long-term debt				(960,169)
Compensated absences				(29,236)
Accrued interest is not included as a liability in government funds, it is recorded when paid				<u>(176,942)</u>
<b>Net assets of governmental activities</b>				<u>\$ 4,932,818</u>

See notes to financial statements.

**FENNVILLE PUBLIC SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>2005 Debt service</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ 2,437,854	\$ 1,601,831	\$ -	\$ 4,039,685
Tuition	15,565	-	-	15,565
Investment earnings	4,124	1,382	65	5,571
Food sales	-	-	140,867	140,867
Athletics	40,884	-	-	40,884
Transportation	13,785	-	-	13,785
Other	87,701	-	10,655	98,356
Total local sources	<u>2,599,913</u>	<u>1,603,213</u>	<u>151,587</u>	<u>4,354,713</u>
State sources	8,455,835	-	51,012	8,506,847
Federal sources	941,681	-	639,086	1,580,767
Intermediate school districts	431,535	-	-	431,535
Total revenues	<u>12,428,964</u>	<u>1,603,213</u>	<u>841,685</u>	<u>14,873,862</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction	6,743,166	-	-	6,743,166
Supporting services	4,543,677	-	-	4,543,677
Food service activities	-	-	815,184	815,184
Community service activities	63,750	-	-	63,750

See notes to financial statements.

	<u>General Fund</u>	<u>2005 Debt service</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>EXPENDITURES (Concluded):</b>				
Debt service:				
Principal repayment	\$ 138,130	\$ 555,000	\$ 18,525	\$ 711,655
Interest	-	1,063,758	1,806	1,065,564
Other	-	746	-	746
Total expenditures	<u>11,488,723</u>	<u>1,619,504</u>	<u>835,515</u>	<u>13,943,742</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>940,241</u>	<u>(16,291)</u>	<u>6,170</u>	<u>930,120</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	30,600	-	-	30,600
Transfers out	-	-	(30,600)	(30,600)
Total other financing sources (uses)	<u>30,600</u>	<u>-</u>	<u>(30,600)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	970,841	(16,291)	(24,430)	930,120
<b>FUND BALANCES:</b>				
Beginning of year	<u>1,803,110</u>	<u>826,864</u>	<u>188,461</u>	<u>2,818,435</u>
End of year	<u>\$ 2,773,951</u>	<u>\$ 810,573</u>	<u>\$ 164,031</u>	<u>\$ 3,748,555</u>

See notes to financial statements.

**FENNVILLE PUBLIC SCHOOLS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

<b>Net change in fund balances total governmental funds</b>	<b>\$ 930,120</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(950,954)
Capital outlay	33,584
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	180,925
Accrued interest payable, end of the year	(176,942)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Payments on bonded debt	555,000
Payments on other long-term debt	156,655
Amortization of bond issuance costs	(7,115)
Amortization of deferred loss on refunding	(17,385)
Amortization of bond discounts	(12,314)
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Unearned revenue, beginning of the year	(1,565)
Unearned revenue, end of the year	-
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences, beginning of the year	33,927
Accrued compensated absences and termination benefits, end of the year	(29,236)
<b>Change in net assets of governmental activities</b>	<b>\$ 694,700</b>



**FENNVILLE PUBLIC SCHOOLS  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITES  
JUNE 30, 2012**

	<u>Agency fund</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 130,220
<b>LIABILITIES:</b>	
Accounts payable	\$ 2,588
Due to student and other groups	<u>127,632</u>
	<u>\$ 130,220</u>

**FENNVILLE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Fennville Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

The Fennville Public Schools (the "District") is governed by the Fennville Public School's Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and 39.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services 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. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

**FENNVILLE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and Fund Financial Statements (Continued)**

The District first utilizes restricted resources to finance qualifying activities.

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

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

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

**Governmental funds** - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *2005 debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**FENNVILLE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and fund financial statements (Concluded)**

**Other Non-major Funds**

The *special revenue fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service activities in the special revenue fund.

The *debt service fund* - Durant accounts for the resources accumulated and payments made for principal and interest on long-term limited obligation debt as a result of the Durant settlement.

**Fiduciary funds** account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**FENNVILLE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)**

**Modified Accrual Method**

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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid 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.

**State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2012, the foundation allowance was based on pupil membership counts taken in February and October of 2011.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes (formerly known as Non-Homestead) which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The State revenue is recognized during the foundation period and is funded through payments from October 2011 to August 2012. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds which are not expended by the close of the fiscal year are recorded as deferred revenue.

**FENNVILLE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

**FENNVILLE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

2. Property taxes (Concluded)

For the year ended June 30, 2012, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund:	
Non-Principal Residence Exemption (PRE)	18.00
Commercial Personal Property	6.00
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	4.90

3. Inventories and prepaid expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

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. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

**FENNVILLE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

5. Capital assets (Concluded)

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 - 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated absences

The District's contracts generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method, which approximates the effective interest method, over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.



**FENNVILLE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**D. Other Accounting Policies (Concluded)**

9. Fund Balance

The District has implemented GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance - amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District's Debt Service and Food Service fund balance is considered restricted.

Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

In the general fund, the goal of the District shall be to maintain a minimum unassigned fund balance of no less than 5% of the preceding year's expenditures.

**FENNVILLE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue fund.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, for the general fund are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2012. The District does not consider these amendments to be significant.

**FENNVILLE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS**

As of June 30, 2012, the District had the following investments

<b>Investment Type</b>	<b>Fair value</b>	<b>Weighted average maturity (years)</b>	<b>Standard &amp; Poor's Rating</b>	<b>%</b>
MILAF External Investment pool - CMF	\$ 2,552	0.0027	AA+	11.3%
MILAF External Investment pool - MAX	19,861	0.0027	AA+	88.7%
Total fair value	<u>\$ 22,413</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals approximately .0027 years.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2012, the fair value of the District’s investments is the same as the value of the pool shares.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**FENNVILLE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)**

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2012, \$3,061,840 of the District's bank balance of \$3,561,840 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The carrying value on the books for deposits at the end of the year was \$3,457,419.

**Custodial credit risk - investments.** For an investment, this 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 will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$130,220	\$ 3,435,006
Investments	22,413
	<u>\$ 3,457,419</u>

The above amounts are reported in the financial statements as listed below. Certain interest bearing deposits have been reported as investments.

Fiduciary fund:	
Cash and cash equivalents	\$ 130,220
District wide:	
Current assets:	
Cash and cash equivalents	3,304,786
Investments	22,413
	<u>\$ 3,457,419</u>

**FENNVILLE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS**

Receivables at June 30, 2012 consist of the following:

	Government wide
State aid	\$ 1,533,121
Federal revenue	78,019
	\$ 1,611,140

No allowance for doubtful accounts is considered necessary based on previous experience.

**NOTE 5 - CAPITAL ASSETS**

A summary of changes in the District's capital assets follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Assets not being depreciated:				
Land	\$ 337,337	\$ -	\$ -	\$ 337,337
Other capital assets:				
Building and additions	29,427,934	-	-	29,427,934
Land improvements	1,735,401	-	-	1,735,401
Computer and office equipment	1,946,822	-	-	1,946,822
Outdoor equipment	539,803	33,584	-	573,387
Transportation equipment	1,287,927	-	-	1,287,927
Subtotal	34,937,887	33,584	-	34,971,471
Accumulated depreciation:				
Building and additions	6,292,066	641,088	-	6,933,154
Land improvements	401,608	86,645	-	488,253
Computer and office equipment	1,691,079	131,529	-	1,822,608
Outdoor equipment	398,613	19,979	-	418,592
Transportation equipment	1,018,482	71,713	-	1,090,195
Total accumulated depreciation	9,801,848	950,954	-	10,752,802
Net capital assets being depreciated	25,136,039	(917,370)	-	24,218,669
Net governmental capital assets	\$ 25,473,376	\$ (917,370)	\$ -	\$ 24,556,006

**FENNVILLE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - CAPITAL ASSETS (Concluded)**

Depreciation for the fiscal year ended June 30, 2012 amounted to \$950,954. The District allocated depreciation to the various activities as follows:

Instruction	\$ 691,988
Support services	138,363
Community services	109,517
Food service	11,086
	\$ 950,954

**NOTE 6 - NOTE PAYABLE**

At June 30, 2012, the District has issued a state aid note payable in the amount of \$2,000,000 which has an interest rate of .782% and matures August 20, 2012. The note is secured by the full faith and credit of the District as well as pledged as state aid. The note required payments to an irrevocable set-aside account of \$1,724,514 at June 30, 2012. At year end the balance of these payments are considered defeased debt are not included in the year-end balance.

Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
\$ 2,200,000	\$ 2,000,000	\$ 3,924,514	\$ 275,486

**NOTE 7 - LONG-TERM DEBT**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

**FENNVILLE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM DEBT (Continued)**

The following is a summary of long-term obligations for the District for the year ended June 30, 2012:

	General obligation bonds	Limited obligation bonds	Compensated absences	Roof replacement loan
Balance July 1, 2011	\$ 22,886,686	\$ 37,930	\$ 33,927	\$ 415,006
Deletions	(525,301)	(18,525)	(4,691)	(65,392)
Balance June 30, 2012	22,361,385	19,405	29,236	349,614
Less current portion	(585,000)	(19,405)	(2,436)	(68,425)
Total due after one year	<u>\$ 21,776,385</u>	<u>\$ -</u>	<u>\$ 26,800</u>	<u>\$ 281,189</u>

	Land purchase	Energy notes	Total
Balance July 1, 2011	\$ 166,907	\$ 496,981	\$ 24,037,437
Deletions	(26,408)	(46,330)	(686,647)
Balance June 30, 2012	140,499	450,651	23,350,790
Less current portion	(28,037)	(48,454)	(751,757)
Total due after one year	<u>\$ 112,462</u>	<u>\$ 402,197</u>	<u>\$ 22,599,033</u>

**FENNVILLE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM DEBT (Continued)**

Bonds payable at June 30, 2012 is comprised of the following issues:

1998 limited obligation bonds (Durant bonds) due in annual installment of \$19,405 through May 15, 2013, with interest at 4.76%. Certain state aid payments have been pledged as security.	\$ 19,405
2004 serial bonds due in annual installments of \$585,000 to \$1,295,000 through May 1, 2029 with interest from 4.00% to 5.00%.	15,265,000
2007 serial bonds due in annual installments of \$35,000 to \$1,640,000 through May 1, 2034 with interest from 4.00% to 4.20%.	7,745,000
Less: deferred amount on bond refunding	(378,135)
Less: issuance discounts	(270,480)
Land purchase - January 2007 purchase of land. Loan due in monthly installments of \$2,975 through December 14, 2017 with an interest rate of 6.00%.	140,499
Roof replacement - March 2007 replacement of the high school roof. Loan due in monthly installments of \$6,907 through May 10, 2017 with an interest rate of 5.04%.	349,614
Energy notes - September 2008 purchase of energy conservation materials and equipment. Loan due in monthly installments of \$5,725 through May 1, 2020 with an interest rate of 4.49%.	450,651
Total bonded debt and other long-term obligations	23,321,554
Compensated absences	29,236
Total general long-term debt	<u>\$ 23,350,790</u>

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2012, \$7,345,000 of bonds outstanding are considered defeased.



**FENNVILLE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM DEBT (Concluded)**

The annual requirements to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2012, including interest of \$14,220,849 are as follows:

Year ending June 30,	Principal	Interest	Total
2013	\$ 749,321	\$ 1,086,241	\$ 1,835,562
2014	767,036	1,054,795	1,821,831
2015	804,514	1,022,717	1,827,231
2016	847,364	989,068	1,836,432
2017	846,811	953,130	1,799,941
2018 - 2022	4,340,123	4,218,324	8,558,447
2023 - 2027	5,375,000	3,078,725	8,453,725
2028 - 2032	7,010,000	1,613,309	8,623,309
2033 - 2034	3,230,000	204,540	3,434,540
	23,970,169	14,220,849	38,191,018
Deferred amount on bond refinancing	(378,135)	-	(378,135)
Issuance discounts	(270,480)	-	(270,480)
Compensated absences	29,236	-	29,236
	<u>\$ 23,350,790</u>	<u>\$ 14,220,849</u>	<u>\$ 37,571,639</u>

The Durant bonds, including interest, was issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

Interest expense (all funds) for the year ended June 30, 2012 was approximately \$1,130,000.

**NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund payable and receivable balances at June 30, 2012 are as follows:

Receivable fund	Payable fund
Food Service <u>\$ 2,021</u>	General Fund <u>\$ 2,021</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**FENNVILLE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**

Plan Description - The District participates in the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS 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, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111. It is also available at <http://www.michigan.gov/orsschools>.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members joining the system on or after July 1, 2008 contribute at the following graduated rate: 3% of the first \$5,000, 3.6% of \$5,001 through \$15,000 and 6.4% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of MPERS who became a member of MPERS after June 30, 2010 is a Pension Plus Member. The Pension Plus Plan pairs a guaranteed retirement income (defined benefit pension) with a flexible and transferable retirement savings (defined contribution) account.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. For the period October 1 through September 30, the School District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement System ("MPERS"), which is administered by the State of Michigan. These contributions are required by law and are calculated by using the contribution rates and periods provided in the table below of the employees' wages. In addition, the District is required to match 50% up to 1% of the employee's contribution in the Pension Plus plan. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS were equal to the required contribution for those years.

**FENNVILLE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS  
(Continued)**

The School District's contributions to MPSERS are as follows:

<u>Contribution Period</u>	<u>Contribution Rate</u>	
	<u>Member</u>	<u>Pension Plus Member</u>
October 1, 2011- September 30, 2012	24.46%	23.23%
November 1, 2010 - September 30, 2011	20.66%	19.16%
October 1, 2010 - October 31, 2010	19.41%	17.91%
October 1, 2009 - September 30, 2010	16.94%	0.00%
July 1, 2010 - September 30, 2010	0.00%	15.44%

<u>Fiscal Year Ending June 30,</u>	<u>Contributions to MPSERS</u>
2012	\$ 1,351,107
2011	1,218,810
2010	1,029,600

Other Post-employment Benefits - Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to contribute 3% (or 1.5%) of their compensation to offset employer contributions for health care benefits of current retirees. For the school fiscal year that began July 1, 2010, members who were employed by a reporting unit and were paid less than \$18,000 in the prior school year and members who were hired on or after July 1, 2010, with a starting salary of less than \$18,000 are required to contribute 1.5% of the members' compensation. For each school fiscal year that begins on or after July 1, 2011, members shall contribute 3% of compensation into the health care funding account.

On June 28, 2010, the Michigan Court of Claims issued an injunction in response to a challenge to the authority of the State to require employees who began working before July 1, 2010, to contribute 3% of reportable wages to the retiree health care trust at MPSERS. As a result, the State has adjusted the contribution rate due on employees' wages paid between November 1, 2010 and September 30, 2011 to 20.66% for members who first worked prior to July 1, 2010 and 19.16% for Pension Plus members.

**FENNVILLE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS  
(Concluded)**

On August 16, 2012 the State of Michigan Court of Appeals affirmed the trial court's orders granting summary dispositions in favor of the plaintiffs in each of the cases before it, terminating the stay ordered by this Court on March 18, 2011. The State of Michigan has appealed the decision to the Michigan Supreme Court. The Office of Retirement Services is instructing Michigan public school employers to continue withholding the 3% contribution. Should the plaintiffs prevail; the escrowed funds will be returned to the employees.

Pension recipients are generally eligible for Health Plan coverage, and Dental Plan, Vision Plan and Hearing coverage.

The District is not responsible for the payment of retirement or post-retirement benefits which is the responsibility of the State of Michigan.

**NOTE 10 - 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. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2012 or any of the prior three years.

**NOTE 11 - TRANSFERS**

During the year the food service fund transferred \$40,000 to the general fund for indirect cost reimbursement. The general fund transferred \$9,400 of At-Risk funding to the food service fund to cover their Paid Lunch Equity portion. The net amount was a \$30,600 to the general fund from the food service fund.

**FENNVILLE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 - SUBSEQUENT EVENTS**

The District has approved borrowing \$1,500,000 for fiscal year 2013 to replace the note payable as described in Note 6.

The Board of Education of Fennville Public Schools has authorized refunding of \$13,955,000 of the 2004 general obligation bonds. The bonds were not yet sold as of the report date. The high school roof loan was refinanced after year end which lowered the interest rate from 5.4% to 2.79%.

**NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

The District is currently evaluating the impact the following standards will have on the financial statements when adopted in future fiscal years 2013 through 2015.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued in December 2010. This statement incorporates into the GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, was issued by the GASB in June 2011 and will be effective for the District's 2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued by the GASB in March 2012 and will be effective for the District's 2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement provides supplemental guidance when implementing GASB Statement 63.

**FENNVILLE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS (Concluded)**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued by the GASB in June 2012 and will be effective for the District's 2015 fiscal year. The statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FENNVILLE PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2012**

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget</b>
<b>REVENUES:</b>				
Local sources	\$ 2,448,408	\$ 2,576,370	\$ 2,599,913	\$ 23,543
State sources	7,979,358	8,413,776	8,455,835	42,059
Federal sources	1,033,045	1,013,200	941,681	(71,519)
Intermediate school districts	590,450	502,204	431,535	(70,669)
Total revenues	<u>12,051,261</u>	<u>12,505,550</u>	<u>12,428,964</u>	<u>(76,586)</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic programs	5,298,713	5,308,113	5,160,867	147,246
Added needs	1,570,400	1,531,437	1,526,725	4,712
Adult and continuing education	73,076	82,990	55,574	27,416
Total instruction	<u>6,942,189</u>	<u>6,922,540</u>	<u>6,743,166</u>	<u>179,374</u>
Supporting services:				
Pupil	354,134	345,159	354,812	(9,653)
Instructional staff	444,695	414,586	326,501	88,085
General administration	457,243	411,670	404,294	7,376
School administration	647,446	588,410	575,066	13,344
Business	311,946	308,865	318,394	(9,529)
Operation/maintenance	1,509,300	1,479,412	1,439,413	39,999
Pupil transportation	762,442	746,641	720,738	25,903
Central	5,750	193,500	150,320	43,180
Athletics	514,427	253,188	254,139	(951)
Total supporting services	<u>5,007,383</u>	<u>4,741,431</u>	<u>4,543,677</u>	<u>197,754</u>
Community services	25,162	64,317	63,750	567
Outgoing transfers and other	90,050	-	-	-
Debt service	138,130	139,275	138,130	1,145
Total expenditures	<u>12,202,914</u>	<u>11,867,563</u>	<u>11,488,723</u>	<u>378,840</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(151,653)</u>	<u>637,987</u>	<u>940,241</u>	<u>302,254</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	40,000	40,000	30,600	(9,400)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (111,653)</u>	<u>\$ 677,987</u>	<u>970,841</u>	<u>\$ 292,854</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>1,803,110</u>	
End of year			<u>\$ 2,773,951</u>	



**ADDITIONAL SUPPLEMENTARY INFORMATION**

**FENNVILLE PUBLIC SCHOOLS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUND TYPES  
 JUNE 30, 2012**

	<u>Special revenue</u>
<b>ASSETS</b>	<u>Food service</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 143,888
Accounts receivable	6,890
Due from other governmental units	5,195
Due from other funds	2,021
Inventories	<u>10,433</u>
<b>TOTAL ASSETS</b>	<u>\$ 168,427</u>
 <b>LIABILITIES AND FUND BALANCES</b>  	
<b>LIABILITIES:</b>	
Unearned revenue	<u>\$ 4,396</u>
<b>FUND BALANCES:</b>	
Nonspendable:	
Inventories	10,433
Restricted	152,777
Assigned for subsequent year expenditures	<u>821</u>
<b>TOTAL FUND BALANCES</b>	<u>164,031</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 168,427</u>

**FENNVILLE PUBLIC SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2012**

	<u>Special revenue</u>	<u>Debt service</u>	<b>Total nonmajor governmental funds</b>
	<u>Food Service</u>	<u>Durant</u>	
<b>REVENUES:</b>			
Sales	\$ 140,867	\$ -	\$ 140,867
State aid	30,681	20,331	51,012
Federal aid	639,086	-	639,086
Investment earnings	65	-	65
Other	10,655	-	10,655
Total revenues	<u>821,354</u>	<u>20,331</u>	<u>841,685</u>
<b>EXPENDITURES:</b>			
Current:			
Salaries	239,636	-	239,636
Benefits	109,551	-	109,551
Purchased services	17,683	-	17,683
Supplies and materials	29,491	-	29,491
Food purchase	374,801	-	374,801
Donated commodities	41,752	-	41,752
Capital outlay	2,151	-	2,151
Other expenses	119	-	119
Debt service:			
Principal	-	18,525	18,525
Interest	-	1,806	1,806
Total expenditures	<u>815,184</u>	<u>20,331</u>	<u>835,515</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>6,170</u>	<u>-</u>	<u>6,170</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers out	<u>(30,600)</u>	<u>-</u>	<u>(30,600)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(24,430)</u>	<u>-</u>	<u>(24,430)</u>
<b>FUND BALANCES:</b>			
Beginning of year	<u>188,461</u>	<u>-</u>	<u>188,461</u>
End of year	<u>\$ 164,031</u>	<u>\$ -</u>	<u>\$ 164,031</u>

**FENNVILLE PUBLIC SCHOOLS  
 AGENCY FUNDS - STUDENT ACTIVITIES  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
 AND LIABILITIES BY ACTIVITY  
 YEAR ENDED JUNE 30, 2012**

	Balance 7/1/2011	Additions	Deductions	Balance 6/30/2012
All School Play Fund	\$ 855	\$ 4,614	\$ 4,717	\$ 752
Annual fund - yearbook	2,466	7,479	5,394	4,551
Art Department	86	73	-	159
ArtStar	683	-	-	683
Athletic Contributions	(1,156)	1,156	1,156	(1,156)
Band Club	543	-	-	543
Baseball Fundraiser	4,694	6,497	10,752	439
Bo Mason Memorial Fund	964	-	-	964
Boys Basketball Fundraiser	(451)	14,658	15,690	(1,483)
CAC Classes	9,523	2,155	2,080	9,598
Camp Blackhawk Fundraisers	394	-	-	394
Cheerleaders	(301)	2,129	1,208	620
Children's Theater	2,000	-	-	2,000
Class of:				
1997	157	-	-	157
2003	987	-	-	987
2004	1,673	-	-	1,673
2005	(236)	236	236	(236)
2006	1,554	-	-	1,554
2007	700	-	-	700
2008	2,392	-	-	2,392
2010	1,180	-	-	1,180
2011	2,718	-	539	2,179
2012	3,974	7,252	7,546	3,680
2013	2,613	11,643	9,067	5,189
2014	233	621	204	650
2015	-	652	259	393

**FENNVILLE PUBLIC SCHOOLS  
 AGENCY FUNDS - STUDENT ACTIVITIES  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
 AND LIABILITIES BY ACTIVITY  
 YEAR ENDED JUNE 30, 2012**

	Balance 07/01/11	Additions	Deductions	Balance 06/30/12
Community Athletic Center	\$ 19,498	\$ 21,179	\$ 20,109	\$ 20,568
Community Partnership Institute	102	-	-	102
Cross Country Fundraiser	12	1,671	1,671	12
D.A.R.E	58	-	-	58
DI/OM Fundraisers	2,456	-	-	2,456
Ed Foundation Mini-Grants	-	10,554	9,819	735
Eighth Grade Fund	630	53,224	52,360	1,494
Elementary Dance	279	680	959	-
Elementary Flower Fund	6	-	-	6
Elementary Library Fund	2,104	14,121	14,241	1,984
Elementary Office Fund (Lower)	17	3,716	3,324	409
Elementary Office Fund (Upper)	4,184	5,261	4,518	4,927
Elementary Playground	288	-	287	1
Elementary Pop Fund	932	389	-	1,321
Elementary Student Council (Lower)	2,381	558	1,542	1,397
Elementary Student Council (Upper)	5,727	8,022	6,148	7,601
Elementary Yearbook	(1)	1	1	(1)
Fennville Chamber Scholarship	1,750	1,000	1,000	1,750
Fennville Foundation	(1,025)	1,025	1,025	(1,025)
First Grade Fund	731	1,412	865	1,278
Football Fundraisers	425	2,771	2,803	393
Fund Raisers	156	-	-	156
Future Educators of America	23	-	-	23
Girls Basketball Fundraisers	248	2,452	4,370	(1,670)
Hawk's Nest	2,761	9,435	12,080	116
High School Choir	1,145	14,161	13,254	2,052
High School Library Fund	401	-	-	401
High School Student Council	1,063	1,655	1,519	1,199
Hunt Memorial Fund	624	-	-	624
Kickstart	128	689	550	267

**FENNVILLE PUBLIC SCHOOLS  
 AGENCY FUNDS - STUDENT ACTIVITIES  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
 AND LIABILITIES BY ACTIVITY  
 YEAR ENDED JUNE 30, 2012**

	Balance 07/01/11	Additions	Deductions	Balance 06/30/12
Kindergarten Fund	\$ 191	\$ 1,660	\$ 2,018	\$ (167)
Middle School Art Club	(28)	28	28	(28)
Middle School Cheerleading	505	230	298	437
Middle School Drama	-	552	382	170
Middle School Fund	(308)	1,075	1,153	(386)
Middle School Library	1,868	2,488	2,254	2,102
Middle School Pop Fund	441	655	318	778
Middle School Student Council	1,287	1,863	1,407	1,743
Miscellaneous contingency	7,144	(1)	64	7,079
National Honor Society	122	378	358	142
One in a Million	1,786	-	-	1,786
Pearl Project Fund	758	-	1,449	(691)
Performing Arts Day	(1,334)	5,008	4,709	(1,035)
Perrigo Scholarship	620	-	-	620
Quiz Bowl	68	331	316	83
RIF Program	980	367	611	736
Second Grade Fund	-	810	342	468
Seventh Grade Fund	3,228	13,239	12,641	3,826
Sixth Grade Fund	2,025	1,790	464	3,351
Ski Club	1,662	3,937	2,974	2,625
Soccer Fundraising	8	-	-	8
Softball Fundraiser	10	337	337	10
Sorensen Memorial Staff Development.	2,560	-	-	2,560
Spanish Club	87	-	-	87
Spirit of Christmas	(114)	1,914	1,814	(14)
Students Assisting Students Association	258	6,398	5,392	1,264
Student Pop Fund	(532)	8,064	5,096	2,436
Student Relief Fund	2,676	712	2,175	1,213
Summer Recreation	67	19,622	13,881	5,808

**FENNVILLE PUBLIC SCHOOLS  
 AGENCY FUNDS - STUDENT ACTIVITIES  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
 AND LIABILITIES BY ACTIVITY  
 YEAR ENDED JUNE 30, 2012**

	Balance 07/01/11	Additions	Deductions	Balance 06/30/12
Superintendent Office Fund	\$ 84	\$ -	\$ -	\$ 84
Teachers Pop Fund (HS)	919	628	1,095	452
Third Grade Fundraiser	318	-	-	318
Track Fundraiser	2	-	-	2
VFW Scholarship	1,500	2,000	1,500	2,000
Volleyball Fundraiser	399	1,254	1,281	372
Wrestling Fundraising	(510)	1,846	1,139	197
	<u>\$ 114,095</u>	<u>\$ 290,326</u>	<u>\$ 276,789</u>	<u>\$ 127,632</u>

**FENNVILLE PUBLIC SCHOOLS  
 BONDED DEBT  
 1998 SCHOOL IMPROVEMENT BONDS (DURANT)  
 JUNE 30, 2012**

Year ending June 30,	Interest rate	Principal amount	Interest amount	Total
2013	4.76%	<u>\$ 19,405</u>	<u>\$ 924</u>	<u>\$ 20,329</u>

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorized the payment of the State Aid Payments directly to the Authority's Depository.



**FENNVILLE PUBLIC SCHOOLS  
BONDED DEBT  
JUNE 30, 2012**

\$25,760,000 Bonds issued August 1, 2004 (\$7,740,000 was refunded in 2007)

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 585,000	\$ 359,575	\$ 359,575	2013	\$ 1,304,150
615,000	347,875	347,875	2014	1,310,750
645,000	335,575	335,575	2015	1,316,150
680,000	322,675	322,675	2016	1,325,350
715,000	308,650	308,650	2017	1,332,300
750,000	293,456	293,456	2018	1,336,912
790,000	277,331	277,332	2019	1,344,663
830,000	260,050	260,050	2020	1,350,100
870,000	241,375	241,375	2021	1,352,750
915,000	219,625	219,625	2022	1,354,250
965,000	196,750	196,750	2023	1,358,500
1,015,000	172,625	172,625	2024	1,360,250
1,065,000	147,250	147,250	2025	1,359,500
1,120,000	120,625	120,625	2026	1,361,250
1,175,000	92,625	92,625	2027	1,360,250
1,235,000	63,250	63,250	2028	1,361,500
1,295,000	32,375	32,375	2029	1,359,750
<u>\$ 15,265,000</u>	<u>\$ 3,791,687</u>	<u>\$ 3,791,688</u>		<u>\$ 22,848,375</u>

The above bonds were authorized at an election June 14, 2004 and have interest rates from 4.00% to 5.00%. The bonds were issued for the purpose of erecting, furnishing and equipping a new elementary school; erecting, furnishing and equipping an addition or additions to, and partially remodeling and re-equipping the middle school and high school buildings; partially remodeling a portion of the existing elementary building to use for adult/alternative education and administrative office purposes; erecting, furnishing and equipping a community athletic center; acquiring and installing education technology; constructing and equipping improvements to the outdoor athletic facilities, including a running track, soccer field and playground; and developing and improving sites.

**FENNVILLE PUBLIC SCHOOLS  
BONDED DEBT  
JUNE 30, 2012**

\$7,825,000 Refunding bonds issued March 31, 2007

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ -	\$ 161,897	\$ 161,898	2013	\$ 323,795
-	161,898	161,897	2014	323,795
-	161,897	161,898	2015	323,795
-	161,898	161,897	2016	323,795
-	161,897	161,898	2017	323,795
-	161,898	161,897	2018	323,795
-	161,897	161,898	2019	323,795
-	161,898	161,897	2020	323,795
-	161,897	161,898	2021	323,795
-	161,898	161,897	2022	323,795
-	161,897	161,898	2023	323,795
-	161,898	161,897	2024	323,795
-	161,897	161,898	2025	323,795
-	161,898	161,897	2026	323,795
35,000	161,897	161,898	2027	358,795
40,000	161,172	161,171	2028	362,343
45,000	160,341	160,342	2029	365,683
1,405,000	159,408	159,408	2030	1,723,816
1,465,000	130,254	130,253	2031	1,725,507
1,525,000	99,855	99,855	2032	1,724,710
1,590,000	67,830	67,830	2033	1,725,660
1,640,000	34,440	34,440	2034	1,708,880
<u>\$ 7,745,000</u>	<u>\$ 3,241,762</u>	<u>\$ 3,241,762</u>		<u>\$ 14,228,524</u>

The bonds were approved by the board of education at the December 6, 2006 meeting to refinance \$7,740,000 of the 2004 bond issuance. The bonds will refinance the 2029 through 2034 payments. The bonds will carry interest rates from 4.00% to 4.20%.

**FENNVILLE PUBLIC SCHOOLS  
SCHEDULE OF LAND PURCHASE  
JUNE 30, 2012**

\$268,000 for purchase of 33.5 acres of land, loan dated January 14, 2007

<u>Principal</u>	<u>Interest</u>	<u>June 30,</u>	<u>Amount</u>
\$ 28,037	\$ 7,667	2013	\$ 35,704
29,766	5,938	2014	35,704
31,602	4,102	2015	35,704
33,551	2,153	2016	35,704
<u>17,543</u>	<u>308</u>	2017	<u>17,851</u>
<u><u>\$ 140,499</u></u>	<u><u>\$ 20,168</u></u>		<u><u>\$ 160,667</u></u>

**FENNVILLE PUBLIC SCHOOLS  
SCHEDULE OF ROOF REPLACEMENT LOAN  
JUNE 30, 2012**

\$650,000 for the replacement of the high school roof, loan dated March 10, 2007.

<u>Principal</u>	<u>Interest</u>	<u>June 30,</u>	<u>Amount</u>
\$ 68,425	\$ 14,460	2013	\$ 82,885
71,596	11,288	2014	82,884
74,915	7,969	2015	82,884
78,387	4,496	2016	82,883
56,291	996	2017	57,287
<u>\$ 349,614</u>	<u>\$ 39,209</u>		<u>\$ 388,823</u>

**FENNVILLE PUBLIC SCHOOLS  
SCHEDULE OF ENERGY NOTES  
JUNE 30, 2012**

\$637,000 for the purchase of energy conservation materials and equipment

<u>Principal</u>	<u>Interest</u>	<u>June 30,</u>	<u>Amount</u>
\$ 48,454	\$ 20,245	2013	\$ 68,699
50,674	18,024	2014	68,698
52,997	15,701	2015	68,698
55,426	13,274	2016	68,700
57,977	10,731	2017	68,708
60,624	8,074	2018	68,698
63,403	5,295	2019	68,698
61,096	2,304	2020	63,400
<u>\$ 450,651</u>	<u>\$ 93,648</u>		<u>\$ 544,299</u>

**FENNVILLE PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Approved grant award amount	Accrued (deferred) revenue July 1, 2011	(Memo only) Prior year expenditures	Adjustments	Current year expenditures	Current year cash receipts	Accrued (deferred) revenue June 30, 2012
<u>U.S. Department of Agriculture:</u>									
Passed through Michigan Department of Education:									
Child Nutrition Cluster:									
Non-cash assistance (donated foods):									
National School Program - Non-bonus	10.555		\$ 38,440	\$ -	\$ -	\$ -	\$ 38,440	\$ 38,440	\$ -
National School Program - Bonus			3,312	-	-	-	3,312	3,312	-
			<u>41,752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,752</u>	<u>41,752</u>	<u>-</u>
National School Lunch Program - Breakfast	10.553	121970	121,692	-	-	-	121,692	121,692	-
National School Lunch Program - Breakfast		111970	14,173	-	-	-	14,173	14,173	-
			<u>135,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,865</u>	<u>135,865</u>	<u>-</u>
National School Lunch Program - Section 11	10.555	121960	383,338	-	-	-	383,338	383,338	-
National School Lunch Program - Section 11		111960	50,842	-	-	-	50,842	50,842	-
National School Lunch Program - Snacks		121980	1,715	-	-	-	1,715	1,715	-
National School Lunch Program - Snacks		111980	269	-	-	-	269	269	-
			<u>436,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>436,164</u>	<u>436,164</u>	<u>-</u>
National School Lunch Program - Special Milk Program	10.556	112940	122	-	-	-	122	122	-
National School Lunch Program - Special Milk Program		111940	26	-	-	-	26	26	-
			<u>148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148</u>	<u>148</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.

**FENNVILLE PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Approved grant award amount	Accrued (deferred) revenue July 1, 2011	(Memo only) Prior year expenditures	Adjustments	Current year expenditures	Current year cash receipts	Accrued (deferred) revenue June 30, 2012
<u>U.S. Department of Agriculture (Concluded):</u>									
Passed through Michigan Department of Education:									
Child Nutrition Cluster:									
Summer Food Service Program For Children	10.559	111900	\$ 2,393	\$ -	\$ -	\$ -	\$ 2,393	\$ 2,393	\$ -
Summer Food Service Program For Children		110900	22,764	-	-	-	22,764	22,764	-
			<u>25,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,157</u>	<u>25,157</u>	<u>-</u>
Total cash assistance			<u>597,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>597,334</u>	<u>597,334</u>	<u>-</u>
Total Child Nutrition Cluster			<u>639,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>639,086</u>	<u>639,086</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>639,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>639,086</u>	<u>639,086</u>	<u>-</u>
<u>U.S. Department of Education:</u>									
Passed through Michigan Department of Education:									
E.C.I.A. Title I	84.010	121530-1112	389,011	-	-	-	222,654	188,172	34,482
E.C.I.A. Title I		111530-1011	373,035	52,066	286,648	-	58,678	110,744	-
			<u>762,046</u>	<u>52,066</u>	<u>286,648</u>	<u>-</u>	<u>281,332</u>	<u>298,916</u>	<u>34,482</u>
Migrant Summer Formula	84.011	121830-1122	109,454	-	-	-	26,940	5,440	21,500
Migrant Summer Formula		111830-1011	95,387	22,098	22,098	-	66,387	88,485	-
Migrant Regular Formula		121890-1112	88,723	-	-	-	81,814	77,130	4,684
Migrant Regular Formula		111890-1011	94,412	7,877	94,412	-	-	7,877	-
			<u>387,976</u>	<u>29,975</u>	<u>116,510</u>	<u>-</u>	<u>175,141</u>	<u>178,932</u>	<u>26,184</u>

The accompanying notes are an integral part of this schedule.

**FENNVILLE PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Approved grant award amount	Accrued (deferred) revenue July 1, 2011	(Memo only) Prior year expenditures	Adjustments	Current year expenditures	Current year cash receipts	Accrued (deferred) revenue June 30, 2012
Passed through Michigan Department of Education (Concluded):									
English Language Acquisition	84.365A	120580-1112	\$ 51,913	\$ -	\$ -	\$ -	\$ 33,853	\$ 31,949	\$ 1,904
English Language Acquisition		110580-1011	62,168	10,576	50,916	-	72	10,648	-
			<u>114,081</u>	<u>10,576</u>	<u>50,916</u>	<u>-</u>	<u>33,925</u>	<u>42,597</u>	<u>1,904</u>
Title IIA, Improving Teacher Quality	84.367	120520-1112	152,629	-	-	-	21,981	6,532	15,449
Title IIA, Improving Teacher Quality		110520-1011	163,621	4	47,995	-	55,414	55,418	-
			<u>316,250</u>	<u>4</u>	<u>47,995</u>	<u>-</u>	<u>77,395</u>	<u>61,950</u>	<u>15,449</u>
ARRA Title II, Part D	84.386	114295-1011	1,380	1,035	1,035	-	345	1,380	-
ARRA State Fiscal Stabilization Fund	84.394	112525	172,189	46,973	172,189	-	-	46,973	-
Education Jobs Fund	84.410	112545-1011	328,661	-	-	-	328,661	328,661	-
Total passed through Michigan Department of Education			<u>2,082,583</u>	<u>140,629</u>	<u>675,293</u>	<u>-</u>	<u>896,799</u>	<u>959,409</u>	<u>78,019</u>
Passed through Allegan Area Education Service Agency:									
Special Education Cluster:									
Pre School Incentive	84.173	060660/1	10,856	-	-	-	10,856	10,856	-
ARRA IDEA Flowthrough			<u>101,608</u>	<u>21,535</u>	<u>75,987</u>	<u>-</u>	<u>16,726</u>	<u>38,261</u>	<u>-</u>
Total Special Education Cluster:			<u>112,464</u>	<u>21,535</u>	<u>75,987</u>	<u>-</u>	<u>27,582</u>	<u>49,117</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.



**FENNVILLE PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Approved grant award amount	Accrued (deferred) revenue revenue	(Memo only) Prior year expenditures	Adjustments	Current year expenditures	Current year cash receipts	Accrued (deferred) revenue June 30, 2012
Passed through Allegan Area Education Service Agency (Concluded): Medicaid - Administration Outreach Program	93.778		\$ 1,410	\$ -	\$ -	\$ -	\$ 1,410	\$ 1,410	\$ -
Total passed through Allegan Area Education Service Agency			113,874	21,535	75,987	-	28,992	50,527	-
<u>U.S. Department of Education:</u>									
Passed through Outlook Academy: Prevention / Intervention Cluster: Prevention / Intervention Grant	84.013		15,890	-	-	-	15,890	15,890	-
Total passed through Outlook Academy			15,890	-	-	-	15,890	15,890	-
Total U.S. Department of Education			2,212,347	162,164	751,280	-	941,681	1,025,826	78,019
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ 2,851,433</b>	<b>\$ 162,164</b>	<b>\$ 751,280</b>	<b>\$ -</b>	<b>\$ 1,580,767</b>	<b>\$ 1,664,912</b>	<b>\$ 78,019</b>

The accompanying notes are an integral part of this schedule.

**FENNVILLE PUBLIC SCHOOLS  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Fennville Public Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. Child Nutrition Cluster (CFDA #10.553, 10.555, 10.556, and 10.559) and the Education Jobs Fund (CFDA #84.410) were audited as major programs representing 61% of expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Management has utilized the Cash Management System (CMS) Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 941,681
Other nonmajor governmental funds	<u>639,086</u>
	<u><u>\$ 1,580,767</u></u>

6. Federal Donated Foods (Commodities)

Entitlement Donated Foods	<u><u>\$ 41,752</u></u>
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
Fennville Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fennville Public Schools as of and for the year ended June 30, 2012 which collectively comprise Fennville Public Schools' basic financial statements and have issued our report thereon dated September 24, 2012. 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.

Internal Control Over Financial Reporting

Management of Fennville Public Schools is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Fennville Public Schools internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fennville Public Schools internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fennville Public Schools internal control over financial reporting.

*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 District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fennville Public Schools' financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Maney Costeiran PC*

September 24, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Fennville Public Schools

Compliance

We have audited Fennville Public Schools' compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Fennville Public Schools' major federal programs for the year ended June 30, 2012. Fennville Public Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Fennville Public Schools' management. Our responsibility is to express an opinion on Fennville Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fennville Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Fennville Public Schools' compliance with those requirements.

In our opinion, Fennville Public Schools complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

Management of Fennville Public Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Fennville Public Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fennville Public Schools' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Maney Costerian PC*

September 24, 2012

**FENNVILLE PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Section I - Summary of Auditors' Results**

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***Financial Statements***

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

➤ Material weakness(es) identified ?        Yes   X   No

➤ Significant deficiency(ies) identified that are not considered to be material weakness(es) ?        Yes   X   None reported

Noncompliance material to financial statements noted?        Yes   X   No

***Federal Awards***

Internal control over major programs:

➤ Material weakness(es) identified:        Yes   X   No

➤ Significant deficiency(ies) identified that are not considered to be material weakness(es) ?        Yes   X   None reported

Type of auditors' report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Sections 510(a) of Circular A-133?        Yes   X   No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, 10.556, & 10.559 84.410	Child Nutrition Cluster Education Jobs Fund

Dollar threshold used to distinguish between type A and type B programs:   \$ 300,000  

Auditee qualified as low-risk auditee?   X   Yes        No

**Section II - Financial Statement Findings**

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None

**Section III - Federal Award Findings and Question Costs**

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None

**FENNVILLE PUBLIC SCHOOLS  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012**

There were no audit findings required to be reported on this schedule for the year ended June 30, 2011.



September 24, 2012

To the Board of Education  
Fennville Public Schools

We have audited the financial statements of Fennville Public Schools for the year ended June 30, 2012, and have issued our report thereon dated September 24, 2012. 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 OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion 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.

In planning and performing our audit, we considered Fennville Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirement that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Fennville Public Schools' financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Fennville Public Schools' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Fennville Public Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Fennville Public Schools' compliance with those requirements.

## Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

## Significant Audit Findings

### *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 Fennville Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the Organization 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.

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:

Estimates have been used in calculating the liability for employee compensated absences. The estimated liability is approximately \$29,000. In addition, certain amounts included in capital assets have been based on an outside appraisal company.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We did not identify any sensitive disclosures.

### *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, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*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 auditors' 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 management representation letter September 24, 2012.

*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 District's financial statements or a determination of the type of auditors' 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 Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Other Information in Documents Containing Audited Financial Statements*

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriated 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.

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

Very truly yours,

*Manes Costeiron PC*