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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Fennville Public Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fennville Public Schools, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fennville Public Schools as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fennville Public Schools basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The additional supplementary 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2016 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 control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fennville Public Schools' internal control over financial reporting and compliance.

Maney Costeiran PC

August 15, 2016

**FENNVILLE PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

Fennville Public Schools, a K-12 school district located in Allegan County, Michigan.

FINANCIAL HIGHLIGHTS

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

<u>DATE</u>	<u>GENERAL FUND, FUND BALANCE</u>	<u>CHANGE</u>
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	1,463,183	491,442
June 30, 2011	1,803,110	339,927
June 30, 2012	2,773,951	970,841
June 30, 2013	3,017,763	243,812
June 30, 2014	3,267,248	249,485
June 30, 2015	2,911,963	(355,285)
June 30, 2016	2,750,328	(161,635)

In 2015-16 the total general fund revenues exceeded \$13.08 million dollars with expenditures approximately \$13.32 million dollars. In 2014-15 the total general fund revenues exceeded \$12.41 million dollars with expenditures approximately \$12.80 million dollars. General fund revenues increased from the 2014-15 school year due entirely to an increase in revenues from state grants, federal revenues, and property tax revenues. General fund expenditures increased by approximately \$909,000. This increase reflects the cost of needed updates to the District's building and the addition of employees during the current year. The State Legislature also allocated additional funds to school districts to put more funds into the school employee pension plan to address the underfunded balance of the retirement fund which also increased expenses and revenues.

The District continues to participate in short-term borrowing and borrowed \$800,000 dollars during the year that was repaid in March 2016. 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 2016-17, with approximately \$1,000,000 being borrowed to meet cash flow needs.

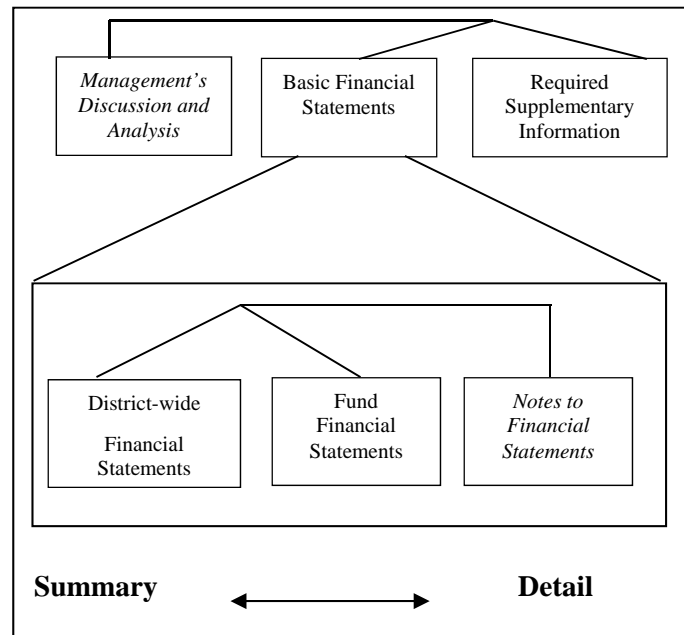
The food service department finished the fiscal year with an increase of approximately \$7,000 largely due to an increase in other revenues. Food service finished the year with a fund balance of approximately \$146,000.

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 position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net position * Statement of changes in fiduciary net position
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, deferred outflows of resources, deferred inflows of resources, 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 position of the district-wide financial statements. The difference between the District’s assets, deferred outflows of resources, deferred inflows of resources and liabilities (net position) 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 position at the beginning of the fiscal year was (\$9,277,832) and on June 30, 2016 it is (\$9,329,240) which represents a decrease of \$51,408 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 position - The District's combined net position (deficit) increased as of June 30, 2016.

	2016	2015
Current assets	\$ 4,757,553	\$ 4,943,248
Capital assets	22,825,977	23,129,949
Total assets	<u>27,583,530</u>	<u>28,073,197</u>
Deferred outflows of resources	<u>3,357,028</u>	<u>3,227,734</u>
Long-term debt outstanding	21,236,643	22,142,138
Net pension liability	17,049,773	15,364,096
Other liabilities	<u>1,452,413</u>	<u>1,374,022</u>
Total liabilities	<u>39,738,829</u>	<u>38,880,256</u>
Deferred inflows of resources	<u>530,969</u>	<u>1,698,507</u>
Net position:		
Net investment in capital assets	3,034,663	2,546,503
Restricted for debt service	362,823	397,097
Restricted for capital projects (sinking fund)	45,401	120,641
Unrestricted	<u>(12,772,127)</u>	<u>(12,342,073)</u>
Total net position	<u><u>\$ (9,329,240)</u></u>	<u><u>\$ (9,277,832)</u></u>

	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 315,325	\$ 243,090
Federal and state categorical grants	2,112,295	2,244,662
General revenues:		
Property taxes	4,092,320	3,979,835
Investment	1,637	2,393
State aid - unrestricted	7,972,282	7,882,492
Intermediate sources	603,911	435,377
Other	109,668	109,325
Total revenues	15,207,438	14,897,174
Expenses:		
Instruction	7,987,466	7,872,752
Support services	5,285,375	4,996,843
Community services	175,889	167,512
Outgoing transfers and other	82,063	74,395
Food services	860,617	828,021
Interest on long-term debt	867,436	887,232
Total expenses	15,258,846	14,826,755
Change in net position	\$ (51,408)	\$ 70,419

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 \$7,391 per student in 2015-2016. The per student State foundation allowance increased by \$265 from 2014-15. This increase followed the previous year increase in foundation allowance paid to the districts from \$7,026 in 2013-14 to \$7,126 in 2014-15.
- b. The District's non-homestead levy for 2015-16 was 18.0000 mills which the voters approved in May of 2015.

Student Enrollment

Student enrollment increased from 1,356 in 2014-15 to 1,360 in 2015-16. A decrease of pupils is expected in the fall of 2016.

GOVERNMENTAL FUNDS

Results of Operations:

For the fiscal years ended June 30, 2016 and 2015, the district-wide results of operations were:

	2016	2015
REVENUES:		
Local sources:		
Property taxes	\$ 4,092,287	\$ 3,979,835
Investment earnings	1,637	2,393
Food sales, athletics, community service and transportation	291,206	248,406
Other	83,793	73,612
Total local sources	4,468,923	4,304,246
State sources	9,216,973	8,905,435
Federal sources	1,332,760	1,221,719
Intermediate sources	653,938	465,774
TOTAL REVENUES	\$ 15,672,594	\$ 14,897,174
EXPENDITURES:		
Current:		
Instruction	\$ 7,501,964	\$ 7,295,714
Supporting services	5,496,492	5,206,008
Food service activities	858,114	819,445
Community service activities	93,434	79,190
Outgoing transfers and other	48,063	74,395
Debt service:		
Principal	887,436	856,744
Interest expense	809,629	831,080
Other	280,645	98,352
TOTAL EXPENDITURES	\$ 15,975,777	\$ 15,260,928

The following summarizes the revenues and expenses by comparing fiscal year 2016 to 2015 as shown in the previous results of operations.

- Property tax revenue increased due to taxable values increasing by approximately \$7.2 million.
- State sources increased due to one-time funding pots given to districts that achieve certain requirements in the previous year.
- Federal sources showed an increase due to increases in Title II and Summer Migrant allocation funding.
- Intermediate sources increased over the previous year as the result of an increase in special education reimbursement from AAESA during the current 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 startup costs. The District charges an indirect cost to recover some of the cleaning and utility costs paid by the general fund.

The Fennville Public School District voters approved the 18 mill renewal in May 2015. 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 2015-16.

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

Fiscal year	Levy	Mills
2015 - 2016	\$ 2,400,365	18.0000
2014 - 2015	2,336,483	18.0000
2013 - 2014	2,337,769	18.0000
2012 - 2013	2,324,439	18.0000
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

GENERAL FUND AND BUDGET HIGHLIGHTS

Original vs. Final Budget:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The 2015-16 budget was approved on June 15, 2015.

The 2015-16 budget was revised two times throughout the fiscal year, with the final revision approved on June 20, 2016. The final budget revision anticipated higher revenues and expenses than was expected in June 2015 when the original budget was approved. The increase in revenues was a result of receiving more federal funding than anticipated. The increase in expenses was the result of the additional retirement expense that reflects the additional funding from the State to address the underfunded pension plan as well as investing in the District's building and infrastructure and teacher pay increases.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2016, the District had invested \$36 million in a broad range of capital assets.

	2016			2015
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 337,337	\$ -	\$ 337,337	\$ 337,337
Construction in progress	214,362	-	214,362	-
Buildings and additions	29,755,060	9,476,773	20,278,287	20,803,109
Land improvements	1,799,227	838,931	960,296	1,015,202
Computer and office	2,377,983	1,868,981	509,002	491,144
Outdoor equipment	565,687	409,766	155,921	170,414
Transportation equipment	1,199,022	828,250	370,772	312,743
Total	\$ 36,248,678	\$ 13,422,701	\$ 22,825,977	\$ 23,129,949

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 6 for more information.

	2016	2015
General obligation bonds - net	\$ 20,882,239	\$ 21,671,272
Compensated absences	17,978	22,004
Other loans	336,426	448,862
	\$ 21,236,643	\$ 22,142,138

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 State increased the foundation allowance but discontinued a few categoricals that will result in a net increase of \$265 per student. At Risk funding also increased but at this time it unclear what the new requirements are for those funds.
- The District's bid for a Sinking Fund was approved by voters in May 2013 for .5 mill for 10 years. The District received \$169,675 in tax revenues during 2015-16 which was used to replace doors, plans to improve the High School building entrance for secured access to the building and painting student lockers.
- The teacher's contract ended June 30, 2016, negotiations for a new contract began in the Spring of 2016. The teachers received a 1.0% increase for 2015-16 and have increased the number of student days from 173 to 175 to comply with the State mandated number of student days. For the 2016-17 school year, the number of student days will increase to 180 days.
- A student enrollment decrease is anticipated for the upcoming school year, which will play a role in the District's balancing of their budget. The District's budget has planned for a decrease of 30 students for 2016-17.

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 POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>Governmental activities</u>
ASSETS:	
Cash and cash equivalents	\$ 2,696,611
Investments	22,495
Receivables:	
Accounts receivable	39,897
Taxes receivable	1,065
Intergovernmental	1,848,103
Inventories	106,821
Prepays	42,561
Capital assets not being depreciated	551,699
Capital assets, net of accumulated depreciation	<u>22,274,278</u>
TOTAL ASSETS	<u>27,583,530</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding	1,427,351
Related to pensions	<u>1,929,677</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,357,028</u>
LIABILITIES:	
Accounts payable	132,681
Accrued interest	131,912
Accrued salaries and related items	848,028
Accrued retirement	308,510
Unearned revenue	31,282
Noncurrent liabilities:	
Due within one year	898,743
Due in more than one year	20,337,900
Net pension liability	<u>17,049,773</u>
TOTAL LIABILITIES	<u>39,738,829</u>
DEFERRED INFLOWS OF RESOURCES:	
Related to pensions	65,813
Related to state aid funding for pensions	<u>465,156</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>530,969</u>
NET POSITION:	
Net investment in capital assets	3,034,663
Restricted for debt service	362,823
Restricted for capital projects (sinking fund)	45,401
Unrestricted	<u>(12,772,127)</u>
TOTAL NET POSITION	<u><u>\$ (9,329,240)</u></u>

See notes to financial statements.

**FENNVILLE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

<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 position</u>
Governmental activities:				
Instruction	\$ 7,987,466	\$ -	\$ 1,137,607	\$ (6,849,859)
Support services	5,285,375	61,420	267,013	(4,956,942)
Community services	175,889	42,244	4,238	(129,407)
Outgoing transfers and other	82,063	-	11,416	(70,647)
Food services	860,617	211,661	692,021	43,065
Interest on long-term debt	867,436	-	-	(867,436)
Total governmental activities	<u>\$ 15,258,846</u>	<u>\$ 315,325</u>	<u>\$ 2,112,295</u>	<u>(12,831,226)</u>
General revenues:				
Property taxes, levied for general purposes				2,416,381
Property taxes, levied for debt service				1,506,231
Property taxes, levied for capital projects sinking fund				169,708
Investment earnings				1,637
State sources				7,972,282
Intermediate sources				603,911
Other				109,668
Total general revenues				<u>12,779,818</u>
CHANGE IN NET POSITION				(51,408)
NET POSITION, beginning of year				<u>(9,277,832)</u>
NET POSITION, end of year				<u>\$ (9,329,240)</u>

**FENNVILLE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	ASSETS	General Fund	2005 Debt service	Total nonmajor funds	Total governmental funds
ASSETS:					
Cash and cash equivalents		\$ 1,948,950	\$ 494,735	\$ 252,926	\$ 2,696,611
Investments		22,495	-	-	22,495
Receivables:					
Property taxes receivable		1,065	-	-	1,065
Accounts receivable		33,088	-	6,809	39,897
Intergovernmental		1,813,651	-	34,452	1,848,103
Due from other funds		-	-	1,020	1,020
Inventories		100,446	-	6,375	106,821
Prepays		42,561	-	-	42,561
TOTAL ASSETS		\$ 3,962,256	\$ 494,735	\$ 301,582	\$ 4,758,573
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable		\$ 33,827	\$ -	\$ 98,854	\$ 132,681
Due to other funds		1,020	-	-	1,020
Accrued salaries and related items		848,028	-	-	848,028
Accrued retirement		303,002	-	5,508	308,510
Unearned revenue		26,051	-	5,231	31,282
TOTAL LIABILITIES		1,211,928	-	109,593	1,321,521
FUND BALANCES:					
Nonspendable:					
Inventories		100,446	-	6,375	106,821
Prepays		42,561	-	-	42,561

See notes to financial statements.

	<u>General Fund</u>	<u>2005 Debt service</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
FUND BALANCES (Concluded):				
Restricted for:				
Debt service	\$ -	\$ 494,735	\$ -	\$ 494,735
Food service	-	-	82,388	82,388
Capital projects	-	-	45,401	45,401
Assigned for subsequent years' expenditures	346,751	-	57,825	404,576
Unassigned	2,260,570	-	-	2,260,570
	<u>2,750,328</u>	<u>494,735</u>	<u>191,989</u>	<u>3,437,052</u>
TOTAL FUND BALANCES	<u>2,750,328</u>	<u>494,735</u>	<u>191,989</u>	<u>3,437,052</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,962,256</u>	<u>\$ 494,735</u>	<u>\$ 301,582</u>	<u>\$ 4,758,573</u>
Total governmental fund balances				\$ 3,437,052
Amounts reported for governmental activities in the statement of net position are different because:				
Deferred outflows of resources - deferred changes on refunding				1,427,351
Deferred outflows of resources - related to pensions				1,929,677
Deferred inflows of resources - related to pensions				(65,813)
Deferred inflows of resources - related to state aid funding for pensions				(465,156)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:				
The cost of the capital assets is			\$ 36,248,678	
Accumulated depreciation is			<u>(13,422,701)</u>	
				22,825,977
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Bonds payable				(20,882,239)
Other long-term debt				(336,426)
Compensated absences				(17,978)
Accrued interest is not included as a liability in government funds, it is recorded when paid				(131,912)
Net pension liability				<u>(17,049,773)</u>
Net position of governmental activities				<u>\$ (9,329,240)</u>

See notes to financial statements.

FENNVILLE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>2005 Debt service</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
REVENUES:				
Local sources:				
Property taxes	\$ 2,411,119	\$ 1,511,493	\$ 169,675	\$ 4,092,287
Tuition	42,244	-	-	42,244
Investment earnings	1,129	365	143	1,637
Food sales	-	-	167,410	167,410
Athletics	46,238	-	-	46,238
Transportation	35,314	-	-	35,314
Other	38,060	-	45,733	83,793
Total local sources	2,574,104	1,511,858	382,961	4,468,923
State sources	9,142,026	-	74,947	9,216,973
Federal sources	715,686	-	617,074	1,332,760
Intermediate school districts	653,938	-	-	653,938
Total revenues	13,085,754	1,511,858	1,074,982	15,672,594
EXPENDITURES:				
Current:				
Instruction	7,501,964	-	-	7,501,964
Supporting services	5,496,492	-	-	5,496,492
Food service activities	-	-	858,114	858,114
Community service activities	93,434	-	-	93,434
Outgoing transfers and other	48,063	-	-	48,063

See notes to financial statements.

	<u>General Fund</u>	<u>2005 Debt service</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
EXPENDITURES (Concluded):				
Capital outlay	\$ 35,000	\$ -	\$ 244,906	\$ 279,906
Debt service:				
Principal repayment	147,436	740,000	-	887,436
Interest	-	809,629	-	809,629
Other	-	600	139	739
Total expenditures	<u>13,322,389</u>	<u>1,550,229</u>	<u>1,103,159</u>	<u>15,975,777</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(236,635)</u>	<u>(38,371)</u>	<u>(28,177)</u>	<u>(303,183)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from other long-term debt	35,000	-	-	35,000
Transfers in	40,000	-	-	40,000
Transfers out	-	-	(40,000)	(40,000)
Total other financing sources (uses)	<u>75,000</u>	<u>-</u>	<u>(40,000)</u>	<u>35,000</u>
NET CHANGE IN FUND BALANCES	<u>(161,635)</u>	<u>(38,371)</u>	<u>(68,177)</u>	<u>(268,183)</u>
FUND BALANCES:				
Beginning of year	<u>2,911,963</u>	<u>533,106</u>	<u>260,166</u>	<u>3,705,235</u>
End of year	<u>\$ 2,750,328</u>	<u>\$ 494,735</u>	<u>\$ 191,989</u>	<u>\$ 3,437,052</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, 2016**

Net change in fund balances total governmental funds	\$ (268,183)
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	(949,294)
Capital outlay	645,322
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	136,009
Accrued interest payable, end of the year	(131,912)
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 position. Also, governmental funds report the effect of 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:	
Proceeds from other long-term debt	(35,000)
Payments on bonded debt	740,000
Payments on other long-term debt	147,436
Amortization of deferred charges on refunding	(109,337)
Amortization of bond premium	53,389
Amortization of bond discount	(4,356)
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	22,004
Accrued compensated absences, end of the year	(17,978)
Some revenues and expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Pension related items	185,648
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period.	
State aid funding for pension	(465,156)
Change in net position of governmental activities	\$ (51,408)

**FENNVILLE PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2016**

	<u>Agency fund</u>
ASSETS:	
Cash and cash equivalents	\$ 133,059
LIABILITIES:	
Accounts payable	\$ 3,624
Due to student and other groups	<u>129,435</u>
	<u>\$ 133,059</u>

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

B. Reporting Entity

The Fennville Public Schools (the “District”) is governed by the Fennville Public Schools 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 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 (GASB) Statements.

C. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District’s funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Concluded)

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.

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 *capital projects sinking fund* accounts for the receipt of property taxes levied for sinking fund and subsequent expenditures of those funds. The fund has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

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).

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 expenses. 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.

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.

The 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 generally 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end).

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

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 current year ended, the foundation allowance was based on pupil membership counts.

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 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 to August. Thus, the unpaid portion at June 30 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. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

F. Budgetary Information

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information (Concluded)

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, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for 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. The budget was amended during the year with supplemental appropriations, the last one approved prior to year end June 30, 2016. The District does not consider these amendments to be significant.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

2. Investments

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. 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.

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. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

3. Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated fair value at the date of donation.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

4. Capital assets (Concluded)

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 capital assets.

Land is not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Building and additions	20 - 50 years
Land improvements	5 - 20 years
Computer and office equipment	5 - 10 years
Outdoor equipment	5 - 20 years
Transportation equipment	10 years

5. Defined benefit plan

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

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance
(Continued)**

6. Deferred outflows/inflows of resources

Deferred outflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are the deferred charge on refunding and pension related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows are recognized for pension related items. These amounts are expensed in the plan years in which they apply.

Deferred inflows

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two items that qualifies for reporting in this category. The first is the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary. The second is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period.

7. Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Concluded)

8. Fund balance flow assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board of education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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.

For the year ended June 30, 2016, 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	4.45
Capital projects sinking fund:	
PRE and Non-PRE	0.50

3. Compensated absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee leaves, resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Revenues and Expenditures/Expenses (Concluded)

4. 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 position. Bond premiums and discounts 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. Bond issuance costs are reported as expenditures in the year in which they are incurred.

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.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2016, the District had the following investments:

<u>Investment Type</u>	<u>Fair value</u>	<u>Weighted average maturity (years)</u>	<u>Standard & Poor's Rating</u>	<u>%</u>
MILAF External Investment pool - CMF	\$ 2,558	0.0027	AA+	11.4%
MILAF External Investment pool - MAX	19,937	0.0027	AA+	88.6%
Total fair value	<u>\$ 22,495</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 funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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.

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, 2016, \$2,919,964 of the District's bank balance of \$3,169,964 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 \$2,829,670.

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.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Fair value measurement. The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District does not have any investments subject to the fair value measurement.

At June 30, 2016, the carrying amount is as follows:

Deposits - including fiduciary funds of \$133,059	\$ 2,829,670
Investments	<u>22,495</u>
	<u>\$ 2,852,165</u>

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)

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	\$ 133,059
District wide:	
Current assets:	
Cash and cash equivalents	2,696,611
Investments	22,495
	\$ 2,852,165

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2016 consist of the following:

	Government wide
State aid	\$ 1,677,892
Federal revenue	170,211
	\$ 1,848,103

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

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Assets not being depreciated:				
Land	\$ 337,337	\$ -	\$ -	\$ 337,337
Construction in progress	-	214,362	-	214,362
Total assets not being depreciated	<u>337,337</u>	<u>214,362</u>	<u>-</u>	<u>551,699</u>
Other capital assets:				
Building and additions	29,617,468	137,592	-	29,755,060
Land improvements	1,764,486	34,741	-	1,799,227
Computer and office equipment	2,535,661	134,470	292,148	2,377,983
Outdoor equipment	567,328	5,290	6,931	565,687
Transportation equipment	1,331,251	118,867	251,096	1,199,022
Subtotal	<u>35,816,194</u>	<u>430,960</u>	<u>550,175</u>	<u>35,696,979</u>
Accumulated depreciation:				
Building and additions	8,814,359	662,414	-	9,476,773
Land improvements	749,284	89,647	-	838,931
Computer and office equipment	2,044,517	116,612	292,148	1,868,981
Outdoor equipment	396,914	19,783	6,931	409,766
Transportation equipment	1,018,508	60,838	251,096	828,250
Total accumulated depreciation	<u>13,023,582</u>	<u>949,294</u>	<u>550,175</u>	<u>13,422,701</u>
Net capital assets being depreciated	<u>22,792,612</u>	<u>(518,334)</u>	<u>-</u>	<u>22,274,278</u>
Net governmental capital assets	<u>\$ 23,129,949</u>	<u>\$ (303,972)</u>	<u>\$ -</u>	<u>\$ 22,825,977</u>

Depreciation for the fiscal year ended June 30, 2016 amounted to \$949,294. The District allocated depreciation to the various activities as follows:

Instruction	\$ 617,969
Support services	235,228
Community services	91,737
Food service	4,360
	<u>\$ 949,294</u>

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - NOTE PAYABLE

During the current year the District was issued a state aid note in the amount of \$800,000 which had an interest rate of .688%. The note was secured by the full faith and credit of the District as well as pledged as state aid. The District paid of the note in June 2016.

Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
\$ 105,075	\$ 800,000	\$ 905,075	\$ -

NOTE 6 - 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.

The following is a summary of long-term obligations for the District for the year ended June 30, 2016:

	General obligation bonds	Other long- term debt	Compensated absences	Total
Balance July 1, 2015	\$ 21,671,272	\$ 448,862	\$ 22,004	\$ 22,142,138
Additions	4,356	35,000	-	39,356
Deletions	(793,389)	(147,436)	(4,026)	(944,851)
Balance June 30, 2016	20,882,239	336,426	17,978	21,236,643
Due within one year	(765,000)	(132,351)	(1,392)	(898,743)
Due in more than one year	\$ 20,117,239	\$ 204,075	\$ 16,586	\$ 20,337,900

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT (Continued)

Bonds payable at June 30, 2016 is comprised of the following issues:

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
2012 serial bonds due in annual installments of \$765,000 to \$1,150,000 through May 2029 with interest from 3.00% to 5.00%.	12,565,000
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%.	17,852
Roof replacement - March 2007 replacement of the high school roof. Loan due in annual installment of \$49,522 through May 10, 2017 with an interest rate of 2.79%.	49,522
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%.	234,052
Building note - October 2015 purchase of a building. Loan due in annual installments of \$7,000 through November 1, 2020 with an interest rate of 2.60%.	35,000
Less: issuance discount	(77,331)
Add: issuance premium	649,570
Total bonded debt and other long-term obligations	21,218,665
Compensated absences	17,978
Total general long-term debt	\$ 21,236,643

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, 2016, \$20,085,000 of bonds outstanding are considered defeased.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT (Concluded)

The annual requirements to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2016, including interest of \$8,535,034 are as follows:

Year ending June 30,	Principal	Interest	Total
2017	\$ 897,351	\$ 801,682	\$ 1,699,033
2018	862,624	765,544	1,628,168
2019	900,403	730,783	1,631,186
2020	919,048	694,410	1,613,458
2021	902,000	657,524	1,559,524
2022 - 2026	5,060,000	2,718,515	7,778,515
2027 - 2031	6,350,000	1,762,326	8,112,326
2032 - 2034	4,755,000	404,250	5,159,250
	20,646,426	8,535,034	29,181,460
Issuance discount	(77,331)	-	(77,331)
Issuance premium	649,570	-	649,570
Compensated absences	17,978	-	17,978
	<u>\$ 21,236,643</u>	<u>\$ 8,535,034</u>	<u>\$ 29,771,677</u>

Interest expense (all funds) for the year ended June 30, 2016 was approximately \$867,000.

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2016 are as follows:

Receivable fund	Payable fund
Food Service <u>\$ 1,020</u>	General Fund <u>\$ 1,020</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 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at <http://michigan.gov/mpsers-cafr>.

Benefits Provided

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

<u>Plan name</u>	<u>Plan Type</u>	<u>Plan status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% -7.0%.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund. Members who elected under option 1 to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP).

Regular Retirement (no reduction factor for age)

Eligibility - Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, any age with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus (PPP) members, age 60 with 10 years of credited service.

Annual Amount - Total credited service as of the Transition Date times 1.5% of final average compensation.

Pension Plus

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 - Credited Service after the Transition Date times 1.5% times FAC.

Option 2 - Credited Service after the Transition Date (until total service reaches 30 years) times 1.5% times FAC, PLUS Credited Service after the Transition Date and over 30 years times 1.25% times FAC.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Option 3 - Credited Service after the Transition Date times 1.25% times FAC.

Option 4 - None (Member will receive benefit through a Defined Contribution plan). As a DC participant they receive a 4% employer contribution to a tax - deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the Transition Date.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7%. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

March 10, 2015 - September 30, 2015	18.76% - 23.07%
October 1, 2015 - September 30, 2016	14.56% - 18.95%

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

The District's pension contributions for the year ended June 30, 2016 were equal to the required contribution total. Pension contributions were approximately \$1,607,000 with \$1,559,000 specifically for the Defined Benefit Plan. These amounts include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate. (69.45% for pension and 35.05% for OPEB).

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

Pension Liabilities

At June 30, 2016, the District reported a liability of \$17,049,773 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2014 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2015 and 2014, the District's proportion was 0.06980 and 0.06975 percent.

<u>MPSERS (Plan) net pension liability</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Total pension liability	\$ 66,312,041,902	\$ 65,160,887,182
Plan fiduciary net position	\$ 41,887,015,147	\$ 43,134,384,072
Net pension liability	\$ 24,425,026,755	\$ 22,026,503,110
Proportionate share	0.06980%	0.06975%
Net pension liability for the District	\$ 17,049,773	\$ 15,364,096

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

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

For the year ended June 30, 2016, the District recognized pension expense of \$908,083. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate. These amounts have been recorded as a deferred outflow as of June 30, 2016.

At June 30, 2016, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 87,025	\$ -
Differences between expected and actual experience		(56,474)
Changes in proportion and differences between employer contributions and proportionate share	9,648	(9,339)
Changes of assumptions	419,802	
Reporting unit's contributions subsequent to the measurement date	<u>1,413,202</u>	<u>-</u>
	<u>\$ 1,929,677</u>	<u>\$ (65,813)</u>

\$1,413,202, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

<u>Year ended June 30,</u>	<u>Amount</u>
2017	\$ (47,928)
2018	(47,928)
2019	(25,164)
2020	(329,642)

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Actuarial Assumptions

Investment rate of return - 8.0% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus plan).

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation - 2.5%

Mortality assumptions - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2020 using projection scale AA for men and women were used.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2014. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

The long-term expected rate of return on pension plan investments - The rate was **8% (7%** Pension Plus Plan) net of investment and administrative expenses was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment category</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Domestic Equity Pools	28.00%	5.90%
Alternate Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.90%
Real Estate and Infrastructure Pools	10.00%	4.30%
Absolute Return Pools	15.50%	6.00%
Short Term Investment Pools	2.00%	0.00%
	<u>100.00%</u>	

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

Discount rate - The discount rate used to measure the total pension liability was 8% (7% for Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the Reporting Unit's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent (7% for Pension Plus Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Lower (6.0% - 7.0%)</u>	<u>Discount rate (7.0% - 8.0%)</u>	<u>1% Higher (8.0% - 9.0%)</u>
Reporting unit's proportionate share of the net pension liability	<u>\$ 21,981,528</u>	<u>\$ 17,049,773</u>	<u>\$ 12,892,101</u>

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2015 Comprehensive Annual Financial Report.

Payable to the Pension Plan - At year end the School District is current on all required pension plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

Benefit Provisions - Other Postemployment

Introduction

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. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after December 1, 2012.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Concluded)

Retiree Healthcare Reform of 2012 (Concluded)

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

Employer Contributions

The employer contribution rate ranged from 5.52% - 6.45% of covered payroll for the period October 1, 2013 to March 9, 2015, 2.2% to 2.71% of covered payroll for the period from March 10, 2015 to September 30, 2015, and from 6.4% to 6.83% of covered payroll for the period from October 1, 2015 through June 30, 2016 dependent upon the employee's date of hire and plan election.

The District postemployment healthcare contributions to MPSERS for the years ended June 30, 2016, 2015 and 2014 were approximately \$611,000, \$762,000 and \$381,000.

NOTE 9 - 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, 2016 or any of the prior three years.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - TRANSFERS

During the year the food service fund transferred \$40,000 to the general fund for indirect cost reimbursement.

NOTE 11 - SUBSEQUENT EVENTS

Subsequent to year end, the District borrowed \$1,000,000 to meet future cash flow needs.

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued by the GASB in June 2015 and will be effective for the District's 2018 fiscal year. The Statement requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB 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 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, was issued by the GASB in August 2015 and will be effective for the District's 2017 year end. The Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements in the footnotes of the financial statements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatements recipients.
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

This Statement will improve the user's ability on how tax abatements affect the reporting unit's financial positions and results of operations, including their ability to raise resources in the future.

REQUIRED SUPPLEMENTARY INFORMATION

**FENNVILLE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2016**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
REVENUES:				
Local sources	\$ 2,453,284	\$ 2,555,865	\$ 2,574,104	\$ 18,239
State sources	8,699,140	9,176,959	9,142,026	(34,933)
Federal sources	801,696	770,849	715,686	(55,163)
Intermediate school districts	555,551	706,176	653,938	(52,238)
Total revenues	<u>12,509,671</u>	<u>13,209,849</u>	<u>13,085,754</u>	<u>(124,095)</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	6,073,463	6,063,077	5,955,394	107,683
Added needs	1,578,691	1,592,691	1,546,570	46,121
Total instruction	<u>7,652,154</u>	<u>7,655,768</u>	<u>7,501,964</u>	<u>153,804</u>
Supporting services:				
Pupil	368,919	445,365	446,340	(975)
Instructional staff	332,600	320,105	308,396	11,709
General administration	448,839	412,863	395,563	17,300
School administration	785,755	825,731	816,833	8,898
Business	258,307	276,177	276,076	101
Operation/maintenance	1,625,953	1,665,876	1,678,121	(12,245)
Pupil transportation	862,583	920,123	890,935	29,188
Central	353,311	388,863	378,545	10,318
Athletics	277,511	308,427	305,683	2,744
Total supporting services	<u>5,313,778</u>	<u>5,563,530</u>	<u>5,496,492</u>	<u>67,038</u>
Capital outlay	-	35,000	35,000	-
Community services	86,284	106,410	93,434	12,976
Outgoing transfers and other	31,437	48,063	48,063	-
Debt service	147,431	147,744	147,436	308
Total expenditures	<u>13,231,084</u>	<u>13,556,515</u>	<u>13,322,389</u>	<u>234,126</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(721,413)</u>	<u>(346,666)</u>	<u>(236,635)</u>	<u>110,031</u>
OTHER FINANCING SOURCES:				
Proceeds from other long-term debt	-	-	35,000	35,000
Transfers in	32,500	32,500	40,000	7,500
Total other financing sources	<u>32,500</u>	<u>32,500</u>	<u>75,000</u>	<u>42,500</u>
NET CHANGE IN FUND BALANCE	<u>\$ (688,913)</u>	<u>\$ (314,166)</u>	<u>(161,635)</u>	<u>\$ 152,531</u>
FUND BALANCE:				
Beginning of year			<u>2,911,963</u>	
End of year			<u>\$ 2,750,328</u>	

**FENNVILLE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 9/30 OF EACH FISCAL YEAR)**

	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.06980%	0.06975%
Reporting unit's proportionate share of net pension liability	\$ 17,049,773	\$ 15,364,096
Reporting unit's covered-employee payroll	\$ 5,823,844	\$ 5,919,126
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	292.76%	259.57%
Plan fiduciary net position as a percentage of total pension liability	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**FENNVILLE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 6/30 OF EACH FISCAL YEAR)**

	<u>2015</u>	<u>2014</u>
Statutorily required contributions	\$ 1,558,887	\$ 1,240,979
Contributions in relation to statutorily required contributions	<u>1,558,887</u>	<u>1,240,979</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ 5,947,143	\$ 5,812,325
Contributions as a percentage of covered-employee payroll	26.21%	21.35%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**FENNVILLE PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016**

Changes of benefit terms: There were no changes of benefit terms in 2015.

Changes of assumptions: There were no changes of benefit assumptions in 2015.

ADDITIONAL SUPPLEMENTARY INFORMATION

**FENNVILLE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2016**

	Special revenue	Capital projects	Total nonmajor funds
ASSETS	Food service	Sinking fund	Total nonmajor funds
ASSETS:			
Cash and cash equivalents	\$ 109,023	\$ 143,903	\$ 252,926
Accounts receivable	6,809	-	6,809
Intergovernmental receivable	34,452	-	34,452
Due from other funds	1,020	-	1,020
Inventories	6,375	-	6,375
	TOTAL ASSETS	\$ 143,903	\$ 301,582
	\$ 157,679	\$ 143,903	\$ 301,582
 LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 352	\$ 98,502	\$ 98,854
Accrued retirement	5,508	-	5,508
Unearned revenue	5,231	-	5,231
	TOTAL LIABILITIES	98,502	109,593
	11,091	98,502	109,593
 FUND BALANCES:			
Nonspendable:			
Inventories	6,375	-	6,375
Restricted	82,388	45,401	127,789
Assigned for subsequent years' expenditures	57,825	-	57,825
	TOTAL FUND BALANCES	45,401	191,989
	146,588	45,401	191,989
	\$ 157,679	\$ 143,903	\$ 301,582

**FENNVILLE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2016**

	<u>Special revenue</u>	<u>Capital projects</u>	<u>Total nonmajor funds</u>
	<u>Food service</u>	<u>Sinking fund</u>	
REVENUES:			
Property taxes	\$ -	\$ 169,675	\$ 169,675
Sales	167,410	-	167,410
State aid	74,947	-	74,947
Federal aid	617,074	-	617,074
Investment earnings	46	97	143
Other	45,700	33	45,733
Total revenues	<u>905,177</u>	<u>169,805</u>	<u>1,074,982</u>
EXPENDITURES:			
Current:			
Salaries	260,518	-	260,518
Benefits	172,157	-	172,157
Purchased services	14,483	-	14,483
Supplies and materials	30,034	-	30,034
Food purchase	317,127	-	317,127
Donated commodities	47,947	-	47,947
Capital outlay	13,963	244,906	258,869
Other expenses	1,885	139	2,024
Total expenditures	<u>858,114</u>	<u>245,045</u>	<u>1,103,159</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>47,063</u>	<u>(75,240)</u>	<u>(28,177)</u>
OTHER FINANCING SOURCES (USES):			
Transfers out	(40,000)	-	(40,000)
NET CHANGE IN FUND BALANCES	7,063	(75,240)	(68,177)
FUND BALANCES:			
Beginning of year	<u>139,525</u>	<u>120,641</u>	<u>260,166</u>
End of year	<u>\$ 146,588</u>	<u>\$ 45,401</u>	<u>\$ 191,989</u>

**FENNVILLE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2016**

\$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	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>\$ 2,594,172</u>	<u>\$ 2,594,172</u>		<u>\$ 12,933,344</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
BONDED DEBT
JUNE 30, 2016**

\$14,095,000 Refunding bonds issued August 28, 2012

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 765,000	\$ 231,819	\$ 231,819	2017	\$ 1,228,638
795,000	216,519	216,519	2018	1,228,038
830,000	200,619	200,619	2019	1,231,238
860,000	184,019	184,019	2020	1,228,038
895,000	166,819	166,819	2021	1,228,638
930,000	148,919	148,919	2022	1,227,838
965,000	134,969	134,969	2023	1,234,938
1,015,000	110,844	110,844	2024	1,236,688
1,060,000	85,469	85,469	2025	1,230,938
1,090,000	69,569	69,569	2026	1,229,138
1,090,000	53,219	53,219	2027	1,196,438
1,120,000	36,188	36,188	2028	1,192,376
1,150,000	18,684	18,684	2029	1,187,368
<u>\$ 12,565,000</u>	<u>\$ 1,657,656</u>	<u>\$ 1,657,656</u>		<u>\$ 15,880,312</u>

The bonds were approved by the board of education at the May 21, 2012 meeting to refinance \$14,095,000 of the 2004 bond issuance. The bonds will refinance the 2013 through 2029 payments. The bonds will carry interest rates from 3.00% to 5.00%.

**FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF LAND PURCHASE
JUNE 30, 2016**

\$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>
<u>\$ 17,852</u>	<u>\$ 308</u>	2017	<u>\$ 18,160</u>

**FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF ROOF REPLACEMENT LOAN
JUNE 30, 2016**

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

Principal	Interest	June 30,	Amount
\$ 49,522	\$ 2,391	2017	\$ 51,913

**FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF ENERGY NOTES
JUNE 30, 2016**

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

<u>Principal</u>	<u>Interest</u>	<u>June 30,</u>	<u>Amount</u>
\$ 57,977	\$ 10,731	2017	\$ 68,708
60,624	8,074	2018	68,698
63,403	5,295	2019	68,698
<u>52,048</u>	<u>2,304</u>	2020	<u>54,352</u>
<u><u>\$ 234,052</u></u>	<u><u>\$ 26,404</u></u>		<u><u>\$ 260,456</u></u>

**FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF BUILDING NOTE
JUNE 30, 2016**

\$35,000 for the purchase of land and building

<u>Principal</u>	<u>Interest</u>	<u>June 30,</u>	<u>Amount</u>
\$ 7,000	\$ 819	2017	\$ 7,819
7,000	637	2018	7,637
7,000	455	2019	7,455
7,000	273	2020	7,273
<u>7,000</u>	<u>91</u>	2021	<u>7,091</u>
<u>\$ 35,000</u>	<u>\$ 2,275</u>		<u>\$ 37,275</u>

**FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Approved grant award amount	Accrued (unearned) revenue 7/1/2015	(Memo only) Prior year expenditures	Adjustments	Current year expenditures	Current year cash receipts	Accrued (unearned) revenue 6/30/2016	Current year cash transferred to subrecipient
U.S. Department of Agriculture:										
Passed through Michigan Department of Education:										
Child Nutrition Cluster:										
Non-cash assistance (donated foods):										
National School Lunch Program - Non-bonus	10.555	N/A	\$ 47,947	\$ -	\$ -	\$ -	\$ 47,947	\$ 47,947	\$ -	\$ -
Cash Assistance:										
School Breakfast Program	10.553	161970	106,897	-	-	-	111,621	106,897	4,724	-
School Breakfast Program		151970	11,546	-	108,539	-	11,546	11,546	-	-
			118,443	-	108,539	-	123,167	118,443	4,724	-
National School Lunch Program - Section 11	10.555	161960	359,650	-	-	-	373,356	359,650	13,706	-
National School Lunch Program - Section 11		151960	43,162	-	366,171	-	43,162	43,162	-	-
National School Lunch Program - Snacks		161980	1,483	-	-	-	1,528	1,483	45	-
National School Lunch Program - Snacks		151980	30	-	1,900	-	30	30	-	-
			404,325	-	368,071	-	418,076	404,325	13,751	-
Summer Food Service Program For Children	10.559	151900	2,353	-	-	-	2,353	2,353	-	-
Summer Food Service Program For Children		150900	25,531	-	-	-	25,531	20,802	4,729	-
Summer Food Service Program For Children		140900	22,793	1,991	22,793	-	-	1,991	-	-
			50,677	1,991	22,793	-	27,884	25,146	4,729	-
Total cash assistance			573,445	1,991	499,403	-	569,127	547,914	23,204	-
Total Child Nutrition Cluster			621,392	1,991	499,403	-	617,074	595,861	23,204	-
Total U.S. Department of Agriculture			621,392	1,991	499,403	-	617,074	595,861	23,204	-

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, 2016**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Approved grant award amount	Accrued (unearned) revenue 7/1/2015	(Memo only) Prior year expenditures	Adjustments	Current year expenditures	Current year cash receipts	Accrued (unearned) revenue 6/30/2016	Current year cash transferred to subrecipient
<u>U.S. Department of Education:</u>										
Passed through Michigan Department of Education:										
E.C.I.A. Title I	84.010	161530-1516	\$ 455,195	\$ -	\$ -	\$ -	\$ 342,403	\$ 260,468	\$ 81,935	\$ 11,416
E.C.I.A. Title I		151530-1415	413,410	84,531	323,780	-	59,224	143,755	-	-
			<u>868,605</u>	<u>84,531</u>	<u>323,780</u>	<u>-</u>	<u>401,627</u>	<u>404,223</u>	<u>81,935</u>	<u>11,416</u>
Migrant Summer Formula	84.011	161830-1516	120,039	-	-	-	40,629	-	40,629	-
Migrant Summer Formula		151830-1415	69,854	5,306	5,306	-	60,958	66,264	-	-
Migrant Regular Formula		161890-1516	42,069	-	-	-	31,576	29,522	2,054	-
Migrant Regular Formula		151890-1415	53,076	10,493	45,305	-	794	11,287	-	-
			<u>285,038</u>	<u>15,799</u>	<u>50,611</u>	<u>-</u>	<u>133,957</u>	<u>107,073</u>	<u>42,683</u>	<u>-</u>
Title VI, part B, Rural Education	84.358	160660-1516	45,898	-	-	-	44,741	42,918	1,823	-
		150660-1415	28,168	175	7,995	(5)	-	170	-	-
			<u>74,066</u>	<u>175</u>	<u>7,995</u>	<u>(5)</u>	<u>44,741</u>	<u>43,088</u>	<u>1,823</u>	<u>-</u>
English Language Acquisition	84.365A	160580-1516	43,500	-	-	-	14,057	9,164	4,893	-
English Language Acquisition		150580-1415	50,870	6,704	29,523	-	6,693	13,397	-	-
			<u>94,370</u>	<u>6,704</u>	<u>29,523</u>	<u>-</u>	<u>20,750</u>	<u>22,561</u>	<u>4,893</u>	<u>-</u>
Title IIA, Improving Teacher Quality	84.367	160520-1516	113,045	-	-	-	61,141	45,468	15,673	-
Title IIA, Improving Teacher Quality		150520-1415	132,135	22,290	40,400	-	43,029	65,319	-	-
			<u>245,180</u>	<u>22,290</u>	<u>40,400</u>	<u>-</u>	<u>104,170</u>	<u>110,787</u>	<u>15,673</u>	<u>-</u>
Total passed through Michigan Department of Education			<u>1,567,259</u>	<u>129,499</u>	<u>452,309</u>	<u>(5)</u>	<u>705,245</u>	<u>687,732</u>	<u>147,007</u>	<u>11,416</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, 2016**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Approved grant award amount	Accrued (unearned) revenue 7/1/2015	(Memo only) Prior year expenditures	Adjustments	Current year expenditures	Current year cash receipts	Accrued (unearned) revenue 6/30/2016	Current year cash transferred to subrecipient
Passed through Allegan Area Education Service Agency: Preschool - IDEA Preschool	84.173A		\$ 9,664	\$ -	\$ -	\$ -	\$ 9,664	\$ 9,664	\$ -	\$ -
Medicaid - Administration Outreach Program	93.778		777	-	2,169	-	777	777	-	-
Total passed through Allegan Area Education Service Agency			10,441	-	2,169	-	10,441	10,441	-	-
Total U.S. Department of Education			1,577,700	129,499	454,478	(5)	715,686	698,173	147,007	11,416
TOTAL FEDERAL AWARDS			\$ 2,199,092	\$ 131,490	\$ 953,881	\$ (5)	\$ 1,332,760	\$ 1,294,034	\$ 170,211	\$ 11,416

The accompanying notes are an integral part of this schedule.

FENNVILLE PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Fennville Public Schools under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Fennville Public Schools, it is not intended to and does not present the financial position or changes in net position of Fennville Public Schools.

The District qualifies for low-risk auditee status. Management has utilized the Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and in OMB Circular A-87, *Cost Principles for States, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Fennville Public Schools has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the following funds in the financial statements June 30, 2016:

General fund	\$ 715,686
Other nonmajor governmental funds	<u>617,074</u>
	<u><u>\$ 1,332,760</u></u>

**FENNVILLE PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 4 - SUBRECIPIENTS PASS THROUGH AMOUNTS

Of the federal expenditures presented in the schedule of expenditures of federal awards, Fennville Public Schools provided federal awards to subrecipients reported below.

	Federal CFDA number	Pass- through grantor's number	Subrecipient award/ contract amount	Subrecipient current year expenditures	Current year cash transferred to subrecipient
<u>U.S. Department of Education:</u>					
Passed through the Michigan Department of Education:					
E.C.I.A Title I - Passed through to:					
Glenn Public School	84.010	161530-1516	<u>\$ 11,416</u>	<u>\$ 11,416</u>	<u>\$ 11,416</u>

**INDEPENDENT AUDITOR'S 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, 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, 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, 2016, and the related notes to the financial statements, which collectively comprise the Fennville Public Schools' basic financial statements and have issued our report thereon dated August 15, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Maney Costeiran PC

August 15, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education
Fennville Public Schools

Report on Compliance for Each Major Federal Program

We have audited Fennville Public Schools' compliance with the types of compliance requirements described in the *OMB 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, 2016. Fennville Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Fennville Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Fennville Public Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Fennville Public Schools complied, in all material respects, with the types of 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, 2016.

Report on Internal Control over Compliance

Management of Fennville Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fennville Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Manes Costeiran PC

August 15, 2016

**FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

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 auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	E.C.I.A Title I

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Question Costs

None

**FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

There were no audit findings required to be reported on this schedule for the year ended June 30, 2015.