FENNVILLE PUBLIC SCHOOLS

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and
additional supplementary information)

YEAR ENDED JUNE 30, 2019

Maner Costerisan
Certified Public Accountants
Business & Technology Advisors

C O N T E N T S

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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, 2019, and the related notes to the financial statements, which collectively comprise the Fennville Public Schools' 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, 2019, 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 other 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 28, 2019 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 solely 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 the effectiveness of Fennville Public Schools' 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.

Maner Costerisan PC

August 28, 2019

FENNVILLE PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION & ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2019

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.

DATE	GENERAL FUND, FUND BALANCE	CHANGE
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)
June 30, 2017	2,590,921	(159,407)
June 30, 2018	2,536,548	(54,373)
June 30, 2019	2,446,278	(90,270)

In 2018-19 the total general fund revenues were approximately $13.92 million dollars with expenditures of approximately $14.05 million dollars. In 2017-18 the total general fund revenues exceeded $13.77 million dollars with expenditures approximately $13.86 million dollars. General fund revenues increased from the 2017-18 school year due to an increase in revenues from state and federal grants. General fund expenditures increased by approximately $191,000. This increase reflects an increase in spending on instruction during the current year, including salaries and benefits for instructional staff. 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 $1,000,000 dollars during the year that was repaid in February 2019. 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 2019-20, with approximately $1,000,000 being projected to be borrowed to meet cash flow needs.

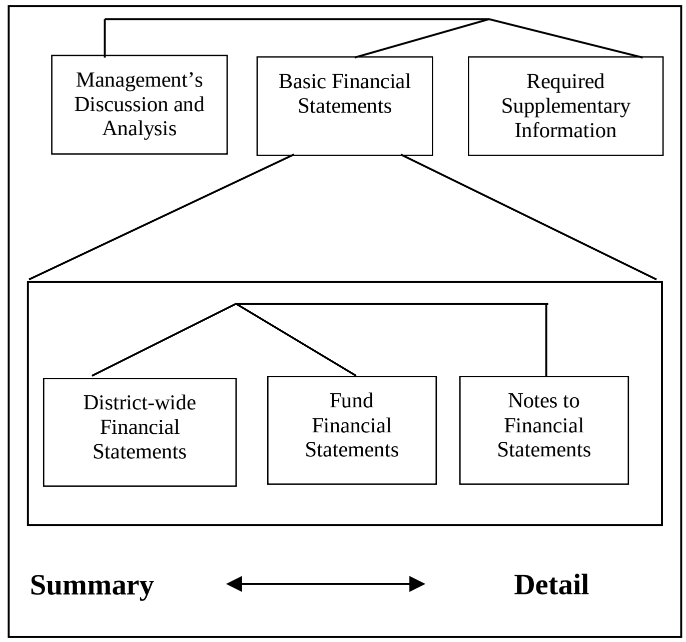
The food service department finished the fiscal year with an increase in fund balance of approximately $16,000 largely due to an increase in federal funding in the District's first fiscal year under the community eligibility provision offered by the United States Department of Agriculture. Food service finished the year with a fund balance of approximately $122,000.

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	Fund Financial Statements: 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 ($15,587,561) and on June 30, 2019 it is ($15,736,909) which represents a decrease of $149,348 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 deficit improved as of June 30, 2019.

Table A-3
Fennville Public Schools' Net Position

	2019	2018
Current assets	$ 26,744,080	$ 27,633,131
Capital assets	23,360,832	22,449,777
Total assets	50,104,912	50,082,908
Deferred outflows of resources	10,108,133	6,430,865
Long-term debt outstanding	42,157,333	43,180,969
Net pension liability	22,082,082	18,786,332
Net other postemployment benefits liability	5,889,900	6,409,259
Other liabilities	1,991,881	1,759,261
Total liabilities	72,121,196	70,135,821
Deferred inflows of resources	3,828,758	1,965,513
Net position:		
Net investment in capital assets	3,544,850	2,995,982
Restricted for debt service	872,391	752,867
Restricted for capital projects (sinking fund)	307,004	145,671
Unrestricted	(20,461,154)	(19,482,081)
Total net position	$ (15,736,909)	$ (15,587,561)

Table A-4 Changes in Fennville Public Schools' Net Position	2019	2018
Revenues:		
Program revenues:		
Charges for services	$ 295,790	$ 354,554
Federal and state categorical grants	3,537,718	3,242,422
General revenues:		
Property taxes	5,391,074	4,293,728
Investment	407,439	262,554
State aid - unrestricted	7,610,912	7,851,226
Intermediate sources	682,130	673,086
Gain on sale of capital assets	-	3,797
Other	97,640	93,445
Total revenues	18,022,703	16,774,812
Expenses:		
Instruction	9,537,722	8,737,782
Support services	5,805,066	5,797,031
Community services	213,817	214,351
Outgoing transfers and other	13,568	13,929
Food services	1,024,335	909,308
Interest on long-term debt	1,577,543	1,067,498
Total expenses	18,172,051	16,739,899
Change in net position	$ (149,348)	$ 34,913

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 $7,871 per student in 2018-19. The per student State foundation allowance increased by $240 from 2017-18. This increase followed the previous year increase in foundation allowance paid to the districts from $7,511 in 2016-17 to $7,631 in 2017-18.

b. The District’s non-homestead levy for 2018-19 was 18.0000 mills which the voters approved in May of 2018.

Student Enrollment

Student enrollment decreased from 1,343 in 2017-18 to 1,313 in 2018-19. For the 2019-20 school year it is hopeful that enrollment will be the same as 2018-19. For conservative budgeting purposes the 2019-20 budget projects a decrease in enrollment of 20 students.

GOVERNMENTAL FUNDS

Results of Operations:

For the fiscal years ended June 30, 2019 and 2018, the total fund-level results of operations were:

	2019	2018
REVENUES:		
Local sources:		
Property taxes	$ 5,392,999	$ 4,293,003
Investment earnings	407,439	262,554
Food sales, athletics, community service and transportation	253,178	327,176
Other	109,415	81,869
Total local sources	6,163,031	4,964,602
State sources	9,851,028	9,801,596
Federal sources	1,362,356	1,297,179
Intermediate sources	713,017	717,044
TOTAL REVENUES	$ 18,089,432	$ 16,780,421
EXPENDITURES:		
Current:		
Instruction	$ 8,453,804	$ 8,084,372
Supporting services	5,395,073	5,576,971
Food service activities	987,482	929,628
Community service activities	119,114	117,843
Outgoing transfers and other	13,568	13,929
Debt service:		
Principal	901,971	864,105
Interest expense	1,800,315	722,238
Other	1,732,190	1,010,561
TOTAL EXPENDITURES	$ 19,403,517	$ 17,319,647

The following summarizes the revenues and expenses by comparing fiscal year 2019 to 2018 as shown in the previous results of operations.

- Property tax revenue increased due to the additional debt levy for the 2018 building and site bonds
- State sources increased due to increases in special education foundation discretionary payments, and state funds to help fund the employee pension plan.
- Federal sources showed a slight increase due to increases in the Child Nutrition Cluster funding in the first year of the community eligibility provision.
- Expenses increased from $17.3 million in 2018 to $19.4 million in the current year, an increase of $2,035,977. Approximately $1,116,000 of the increase relates to an increase in debt service activity which is due, in most part, to the 2018 bond issuance. The remainder of the increase is mostly due to an increase in capital outlay which is included in the other section of expenditures shown in the table above.

The Fennville Public School District voters approved the 18 mill renewal in May 2018. 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 $2.6 million in revenue for the District in fiscal year 2018-19.

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
2018 - 2019	$ 2,648,310	18.0000
2017 - 2018	2,533,700	18.0000
2016 - 2017	2,457,607	18.0000
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

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 original 2018-19 budget was approved on June 18, 2018.

The 2018-19 budget was revised two times throughout the fiscal year, with the final revision approved on June 17, 2019. The final budget revision anticipated higher revenues and expenses than was expected in June 2018 when the original budget was approved. The increase in revenues was a result of receiving more state and local funding but less federal funding than anticipated. The increase in expenses was the result of additional expenses across nearly all expenditure function except for transportation and central office.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019, the District had invested $39.3 million in a broad range of capital assets.

Table A-5
Fennville Public Schools' Capital Assets

	2019			2018
	Cost	Accumulated depreciation	Net book value	Net book value
Land	$ 337,337	$ -	$ 337,337	$ 337,337
Construction in progress	1,657,144	-	1,657,144	824,337
Buildings and additions	30,890,243	11,378,571	19,511,672	19,494,004
Land improvements	1,807,227	1,109,617	697,610	787,972
Computer and office equipment	2,730,720	2,231,769	498,951	430,371
Outdoor equipment	641,935	459,533	182,402	115,956
Transportation equipment	1,215,299	739,583	475,716	459,800
Total	$ 39,279,905	$ 15,919,073	$ 23,360,832	$ 22,449,777

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. During 2016-17, the 2007 refinancing was refunded again which further reduced the debt obligation to the taxpayers. On December 18, 2017, the board of education approved the issuance $21,935,000 in building and site bonds to help fund facility and site upgrades. This issuance was approved by the voters on November 7, 2017. 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.

Table A-6
Fennville Public Schools
Outstanding Long-Term Debt

	2019	2018
General obligation bonds - net	$ 42,052,020	$ 43,032,339
Compensated absences	43,736	15,082
Notes from direct borrowings and direct placements	61,577	133,548
	$ 42,157,333	$ 43,180,969

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 transportation contract ended June 2019 and a new contract was approved August 19, 2019. This new contract changed the pay scale model from a per run pay scale to an hourly pay rate scale. The hope is moving to an hourly pay rate scale will help to recruit drivers. During 2018-19 Fennville experienced a shortage in drivers due to turn over and lack of applicants wanting to drive school busses. This driver shortage is not felt in just Fennville but in many other districts throughout the state. Moving to the new pay scale will align Fennville Public Schools to a similar pay scale other school districts use and will be less confusing in recruiting new drivers.

- The maintenance and food service contracts had openers for salary/wages which were negotiated and approved in June 2019.

- The 2019-20 General Fund budget was approved by the Board at their June meeting and reflects a decrease in student enrollment with a deficit of $125,790. It is hopeful that the student enrollment will be the same as 2018-19 of 1,313. The budget also reflects an increase in state aid of $180 per student, however as of the date of this report the state school aid budget has not been passed so the actual amount to be received beginning October 2019 is not known.

- The construction projects started during 2018-19 school year with the middle school roof and phone system upgrades being completed. The new bus garage project started in the spring of 2019 and is slated to be completed December 2019. The major renovations to the high school building will begin in the fall of 2019, this project was delayed due to sub-contractor bids being higher than anticipated so the district board decided to re-bid the project to obtain more competitive bids. The rerouting of the traffic configurations at the elementary building started in the summer of 2019 and will be completed by the fall.

- Fennville was approved by the state for the community eligibility provision for food service which makes the district 100% free lunch. While this will help the food service program funding in that families will no longer need to file applications for free or reduced lunches for their children, it may have a negative impact on federal funding. The district continues to request applications be completed by families by doing mass mailings and reminders on the district communications systems so that the district continues to receive federal funds at the same or higher levels as in the past.

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
JUNE 30, 2019

	Governmental activities
ASSETS:	
Cash and cash equivalents	$ 3,367,891
Investments	23,489
Receivables:	
Accounts receivable	40,823
Taxes receivable	564
Intergovernmental	2,016,743
Inventories	83,733
Prepaids	53,159
Restricted cash and cash equivalents - capital projects	448,406
Restricted investments - capital projects	20,709,272
Capital assets not being depreciated	1,994,481
Capital assets, net of accumulated depreciation	21,366,351
TOTAL ASSETS	50,104,912
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding	1,292,658
Related to pensions	7,572,601
Related to other postemployment benefits	1,242,874
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,108,133
LIABILITIES:	
Accounts payable	101,622
Construction payable and retainage	197,704
Due to other governmental units	104,113
Accrued interest	270,178
Accrued salaries and related items	757,071
Accrued retirement	389,240
Unearned revenue	171,953
Noncurrent liabilities:	
Due within one year	978,222
Due in more than one year	41,179,111
Net pension liability	22,082,082
Net other postemployment benefits liability	5,889,900
TOTAL LIABILITIES	72,121,196
DEFERRED INFLOWS OF RESOURCES:	
Related to pensions	1,685,016
Related to other postemployment benefits	1,324,759
Related to state aid funding for pension and other postemployment benefits	818,983
TOTAL DEFERRED INFLOWS OF RESOURCES	3,828,758
NET POSITION:	
Net investment in capital assets	3,544,850
Restricted for debt service	872,391
Restricted for capital projects (sinking fund)	307,004
Unrestricted	(20,461,154)
TOTAL NET POSITION	$ (15,736,909)

See notes to financial statements.

FENNVILLE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

Functions/programs	Expenses	Program revenues: Charges for services	Program revenues: Operating grants	Governmental activities: Net (expense) revenue and changes in net position
Governmental activities:				
Instruction	$ 9,537,722	$ -	$ 1,986,776	$ (7,550,946)
Support services	5,805,066	62,286	631,148	(5,111,632)
Community services	213,817	102,061	2,508	(109,248)
Outgoing transfers and other	13,568	-	6,259	(7,309)
Food services	1,024,335	131,443	911,027	18,135
Interest on long-term debt	1,577,543	-	-	(1,577,543)
Total governmental activities	$ 18,172,051	$ 295,790	$ 3,537,718	(14,338,543)
General revenues:				
Property taxes, levied for general purposes				2,677,963
Property taxes, levied for debt service				2,527,922
Property taxes, levied for capital projects (sinking fund)				185,189
Investment earnings				407,439
State sources				7,610,912
Intermediate sources				682,130
Other				97,640
Total general revenues				14,189,195
CHANGE IN NET POSITION				(149,348)
NET POSITION, beginning of year				(15,587,561)
NET POSITION, end of year				$ (15,736,909)

FENNVILLE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General fund	2018 Building and site fund	Debt service fund	Total nonmajor funds	Total governmental funds
ASSETS					
ASSETS:					
Cash and cash equivalents	$ 1,861,628	$ -	$ 1,142,005	$ 364,258	$ 3,367,891
Investments	23,489	-	-	-	23,489
Receivables:					
Property taxes receivable	-	-	564	-	564
Accounts receivable	30,554	-	-	10,269	40,823
Intergovernmental	1,958,193	-	-	58,550	2,016,743
Due from other funds	1,883	44,983	-	784	47,650
Inventories	77,513	-	-	6,220	83,733
Prepaids	53,159	-	-	-	53,159
Restricted cash and cash equivalents	-	448,406	-	-	448,406
Restricted investments	-	20,709,272	-	-	20,709,272
TOTAL ASSETS	$ 4,006,419	$ 21,202,661	$ 1,142,569	$ 440,081	$ 26,791,730
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	$ 99,514	$ -	$ -	$ 2,108	$ 101,622
Construction payable and retainage	-	197,704	-	-	197,704
Due to other funds	45,767	-	-	1,883	47,650
Due to other governmental units	104,113	-	-	-	104,113
Accrued salaries and related items	757,071	-	-	-	757,071
Accrued retirement	382,660	-	-	6,580	389,240
Unearned revenue	171,016	-	-	937	171,953
TOTAL LIABILITIES	1,560,141	197,704	-	11,508	1,769,353
FUND BALANCES:					
Nonspendable:					
Inventories	77,513	-	-	6,220	83,733
Prepaids	53,159	-	-	-	53,159

See notes to financial statements.

	General fund	2018 Building and site fund	Debt service fund	Total nonmajor funds	Total governmental funds
FUND BALANCES (Concluded):					
Restricted for:					
Debt service	$ -	$ -	$ 1,142,569	$ -	$ 1,142,569
Food service	-	-	-	115,349	115,349
Capital projects (2018 building and site)	-	21,004,957	-	-	21,004,957
Capital projects (sinking fund)	-	-	-	307,004	307,004
Assigned for subsequent years' expenditures - general fund	125,790	-	-	-	125,790
Unassigned	2,189,816	-	-	-	2,189,816
TOTAL FUND BALANCES	2,446,278	21,004,957	1,142,569	428,573	25,022,377
TOTAL LIABILITIES AND FUND BALANCES	$ 4,006,419	$ 21,202,661	$ 1,142,569	$ 440,081	$ 26,791,730

Total governmental fund balances		$ 25,022,377
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - deferred changes on refunding		1,292,658
Deferred outflows of resources - related to pensions		7,572,601
Deferred inflows of resources - related to pensions		(1,685,016)
Deferred outflows of resources - related to other postemployment benefits		1,242,874
Deferred inflows of resources - related to other postemployment benefits		(1,324,759)
Deferred inflows of resources - related to state aid funding for pensions and other postemployment benefits		(818,983)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	$ 39,279,905	
Accumulated depreciation is	(15,919,073)	
		23,360,832
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
General obligation bonds		(42,052,020)
Notes from direct borrowings and direct placements		(61,577)
Compensated absences		(43,736)
Accrued interest is not included as a liability in government funds, it is recorded when paid		(270,178)
Net pension liability		(22,082,082)
Net other postemployment benefits liability		(5,889,900)
Net position of governmental activities		$ (15,736,909)

See notes to financial statements.

FENNVILLE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	General fund	2018 Building and site fund	Debt service fund	Total nonmajor funds	Total governmental funds
REVENUES:					
Local sources:					
Property taxes	$ 2,674,848	$ -	$ 2,533,012	$ 185,139	$ 5,392,999
Tuition	102,061	-	-	-	102,061
Investment earnings	17,941	377,670	9,494	2,334	407,439
Food sales	-	-	-	87,376	87,376
Athletics	41,330	-	-	-	41,330
Transportation	22,411	-	-	-	22,411
Other	65,294	-	-	44,121	109,415
Total local sources	2,923,885	377,670	2,542,506	318,970	6,163,031
State sources	9,754,859	-	14,310	81,859	9,851,028
Federal sources	532,143	-	-	830,213	1,362,356
Intermediate school districts	713,017	-	-	-	713,017
Total revenues	13,923,904	377,670	2,556,816	1,231,042	18,089,432
EXPENDITURES:					
Current:					
Instruction	8,453,804	-	-	-	8,453,804
Supporting services	5,395,073	-	-	-	5,395,073
Food service activities	-	-	-	987,482	987,482
Community service activities	119,114	-	-	-	119,114
Outgoing transfers and other	13,568	-	-	-	13,568

See notes to financial statements.

	General fund	2018 Building and site fund	Debt service fund	Total nonmajor funds	Total governmental funds
EXPENDITURES (Concluded):					
Capital outlay	$ -	$ 1,685,751	$ -	$ 26,707	$ 1,712,458
Debt service:					
Principal repayment	71,971	-	830,000	-	901,971
Interest	-	-	1,800,315	-	1,800,315
Other	-	18,360	1,366	6	19,732
Total expenditures	14,053,530	1,704,111	2,631,681	1,014,195	19,403,517
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(129,626)	(1,326,441)	(74,865)	216,847	(1,314,085)
OTHER FINANCING SOURCES (USES):					
Transfers in	39,356	-	-	-	39,356
Transfers out	-	-	-	(39,356)	(39,356)
Total other financing sources (uses)	39,356	-	-	(39,356)	-
NET CHANGE IN FUND BALANCES	(90,270)	(1,326,441)	(74,865)	177,491	(1,314,085)
FUND BALANCES:					
Beginning of year	2,536,548	22,331,398	1,217,434	251,082	26,336,462
End of year	$ 2,446,278	$ 21,004,957	$ 1,142,569	$ 428,573	$ 25,022,377

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, 2019

Net change in fund balances total governmental funds	$ (1,314,085)
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	(984,727)
Capital outlay	1,895,782
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	464,567
Accrued interest payable, end of the year	(270,178)
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:	
Payments on bonded debt	830,000
Payments on notes from direct borrowings and direct placement	71,971
Amortization of deferred charges on refunding	(121,936)
Amortization of bond premium	150,319
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Unavailable revenue, beginning of the year	(1,975)
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	15,082
Accrued compensated absences, end of the year	(43,736)
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	(935,400)
Other postemployment benefits related items	159,722
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period:	
State aid funding for pension and other postemployment benefits, beginning of the year	754,229
State aid funding for pension and other postemployment benefits, end of the year	(818,983)
Change in net position of governmental activities	$ (149,348)

See notes to financial statements.

FENNVILLE PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2019

		Agency fund
ASSETS:		
Cash and cash equivalents	$	154,674
Receivable		16,472
TOTAL ASSETS	$	171,146
LIABILITIES:		
Accounts payable	$	7,144
Intergovernmental payable		495
Due to student and other groups		163,507
TOTAL LIABILITIES	$	171,146

See notes to financial statements.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 *2018 building and site fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The 2018 building and site fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

The following is a summary of the cumulative revenue, other financing sources (uses), and expenditures for the 2018 building and site fund activity:

Revenues and other financing sources	$ 24,313,981
Expenditures and other financing uses	$ 3,309,024

The above revenue figure does include the total 2018 bond proceeds and premium of $23,679,270.

The *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 Nonmajor 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. 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 the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

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.

FENNVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

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).

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 twice during the year with supplemental appropriations, the last one approved prior to the June 30, 2019 year end. The District does not consider these amendments to be significant.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 3 months or less from the date of acquisition.

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.

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

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 acquisition value at the date of donation.

Land and construction in progress, if any, are 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 plans

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Deferred outflows

In addition to assets, the statement of net 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 three items that qualify for reporting in this category. They are the deferred charge on refunding, pension and other postemployment benefits 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. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

7. Deferred inflows

In addition to liabilities, the statement of net 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 three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. 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.

9. 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.

10. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Fund balance policies (Concluded)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Revenues and Expenditures/Expenses (Concluded)

For the year ended June 30, 2019, the District levied the following amounts per $1,000 of assessed valuation:

Fund	Mills
General fund:	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property (CPP)	6.0000
Debt service fund:	
PRE, Industrial Personal Property, Non-PRE, CPP	6.7500
Capital projects sinking fund:	
PRE, Industrial Personal Property, Non-PRE, CPP	0.4931

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.

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, 2019, the District had the following investments:

Investment type	Fair value	Weighted average maturity (years)	Standard & Poor's rating	%
MILAF External Investment pool - CMC	$ 2,660	0.0027	AAAm	0.0%
MILAF External Investment pool - MAX	20,829	0.0027	AAAm	0.1%
Federated government obligations	3,895,664	0.0027	AAAm	18.8%
U.S. government bonds	16,813,608	0.6256	AAA	81.1%
Total fair value	$ 20,732,761			100.0%
Portfolio weighted average maturity		0.5078		

1 day maturity equals approximately 0.0027 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.

The federated government obligations comply with Rule 2a-7's definition of a government money market fund. Accordingly, they are not subject to the fair value disclosures.

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.

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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, 2019, $4,088,609 of the District's bank balance of $4,338,609 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The carrying value on the books for deposits at the end of the year was $3,970,971.

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.

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.

NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)

The District reports their investments according to the following levels:

	Level 2
U.S. government bonds	$ 16,813,608

At June 30, 2019, the carrying amount is as follows:

Deposits - including fiduciary funds of $154,674	$ 3,970,971
Investments	20,732,761
	$ 24,703,732

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	$ 154,674
District wide:	
Cash and cash equivalents	3,367,891
Investments	23,489
Restricted cash and cash equivalents	448,406
Restricted investments	20,709,272
	$ 24,703,732

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2019 consist of the following:

	Government wide
State aid	$ 1,711,971
Federal revenue	258,756
Other	46,016
	$ 2,016,743

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

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2018	Additions	Deletions/ reclassifications	Balance June 30, 2019
Assets not being depreciated:				
Land	$ 337,337	$ -	$ -	$ 337,337
Construction in progress	824,337	1,152,350	319,543	1,657,144
Total assets not being depreciated	1,161,674	1,152,350	319,543	1,994,481
Other capital assets:				
Building and additions	30,201,280	688,963	-	30,890,243
Land improvements	1,807,227	-	-	1,807,227
Computer and office equipment	2,569,797	196,196	35,273	2,730,720
Outdoor equipment	565,687	86,776	10,528	641,935
Transportation equipment	1,364,979	91,040	240,720	1,215,299
Subtotal	36,508,970	1,062,975	286,521	37,285,424
Accumulated depreciation:				
Building and additions	10,707,276	671,295	-	11,378,571
Land improvements	1,019,255	90,362	-	1,109,617
Computer and office equipment	2,139,426	127,616	35,273	2,231,769
Outdoor equipment	449,731	20,330	10,528	459,533
Transportation equipment	905,179	75,124	240,720	739,583
Total accumulated depreciation	15,220,867	984,727	286,521	15,919,073
Net capital assets being depreciated	21,288,103	78,248	-	21,366,351
Net governmental capital assets	$ 22,449,777	$1,230,598	$ 319,543	$ 23,360,832

Depreciation for the fiscal year ended June 30, 2019 amounted to $984,727. The District allocated depreciation to the various activities as follows:

Instruction	$ 591,096
Support services	295,259
Community services	91,738
Food service	6,634
	$ 984,727

NOTE 5 - NOTE PAYABLE

In October 2018, the District issued a note payable in the amount of $1,000,000 which had an interest rate of 2.43% and was paid off in February 2019. Proceeds of the note were used to fund school operations. The note was secured by the full faith and credit of the District as well as pledged state aid. In the event of the unavailability or insufficiency of state school aid for any reason, this note is payable from tax levies within the District's constitutional and statutory limitations or from unencumbered funds of the District. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable. Activity for the year ended June 30, 2019 is as follows:

Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
$ -	$ 1,000,000	$ 1,000,000	$ -

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2019:

	General obligation bonds	Notes from direct borrowings and direct placements	Compensated absences	Total
Balance July 1, 2018	$ 43,032,339	$ 133,548	$ 15,082	$ 43,180,969
Additions	-	-	28,654	28,654
Deletions	(980,319)	(71,971)	-	(1,052,290)
Balance June 30, 2019	42,052,020	61,577	43,736	42,157,333
Due within one year	(920,000)	(54,577)	(3,645)	(978,222)
Due in more than one year	$ 41,132,020	$ 7,000	$ 40,091	$ 41,179,111

NOTE 6 - LONG-TERM OBLIGATIONS (Continued)

Long-term obligations at June 30, 2019 are comprised of the following issues:

General obligation bonds:	
2018 Building and site bonds due in annual installments of $60,000 to $1,620,000 through May 1, 2047 with an interest from 2.25% to 5.00%.	$ 21,935,000
2017 Serial bonds due in annual installments of $35,000 to $1,540,000 through May 1, 2034 with an interest rate of 4.00%.	7,230,000
2012 Serial bonds due in annual installments of $860,000 to $1,150,000 through May 2029 with interest from 3.00% to 5.00%.	10,175,000
Plus issuance premium	2,712,020
Total general obligation bonds	42,052,020
Notes from direct borrowings and direct placements:	
Energy notes - September 2008 purchase of energy conservation materials and equipment. Loan due in monthly installments of $5,725 including interest through March 1, 2020 with an interest rate of 4.49%.	47,577
Building note - October 2015 purchase of a building. Loan due in annual installments of $7,000 through November 1, 2021 with an interest rate of 2.60%.	14,000
Total notes from direct borrowings and direct placement	61,577
Total general obligation bonds and notes from direct borrowings and direct placement	42,113,597
Compensated absences	43,736
Total general long-term obligations	$ 42,157,333

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of $61,577 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

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, 2019, $25,575,000 of bonds outstanding are considered defeased.

NOTE 6 - LONG-TERM OBLIGATIONS (Concluded)

The annual requirements to amortize long-term obligations outstanding, including interest of $25,474,936, exclusive of compensated absences payments as of June 30, 2019, are as follows:

Year ending June 30,	General obligation bonds Principal	General obligation bonds Interest	Notes from direct borrowings and direct placements Principal	Notes from direct borrowings and direct placements Interest	Compensated absences	Total
2020	$ 920,000	$ 1,620,701	$ 54,577	$ 1,121	$ -	$ 2,596,399
2021	990,000	1,584,950	7,000	91	-	2,582,041
2022	1,060,000	1,547,013	-	-	-	2,607,013
2023	1,120,000	1,515,863	-	-	-	2,635,863
2024	1,200,000	1,463,739	-	-	-	2,663,739
2025 - 2029	6,665,000	6,629,583	-	-	-	13,294,583
2030 - 2034	8,010,000	5,312,875	-	-	-	13,322,875
2035 - 2039	6,950,000	3,615,377	-	-	-	10,565,377
2040 - 2044	7,600,000	1,834,117	-	-	-	9,434,117
2045 - 2047	4,825,000	350,718	-	-	-	5,175,718
	39,340,000	25,474,936	61,577	1,212	-	64,877,725
Issuance premium	2,712,020	-	-	-	-	2,712,020
Compensated absences	-	-	-	-	43,736	43,736
	$ 42,052,020	$ 25,474,936	$ 61,577	$ 1,212	$ 43,736	$ 67,633,481

Interest expense (all funds) for the year ended June 30, 2019 was approximately $1,810,000.

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2019 are as follows:

Receivable fund		Payable fund	
General fund	$ 1,883	Food service	$ 1,883
Food service	784	General fund	784
2018 Building and site fund	44,983	General fund	44,983
	$ 47,650		$ 47,650

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.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) 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 www.michigan.gov/ors schools.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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

Benefits Provided - Overall

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

Plan name	Plan type	Plan status
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

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.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided – Pension (Concluded)

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%.

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.

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

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Reform 2012 (Concluded)

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transient date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

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 for Basic Plan members and Pension Plus members (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.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided - Other Postemployment Benefit (OPEB)

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, 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.

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 February 1, 2013.

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.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 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 Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the Defined Contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Postemployment 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.

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

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:

	Pension	Other Postemployment Benefit
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Employer Contributions (Concluded)

The District's pension contributions for the year ended June 30, 2019 were equal to the required contribution total. Pension contributions were approximately $1,993,000, with $1,959,000 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2019 were equal to the required contribution total. OPEB benefits were approximately $572,000, with $544,000 specifically for the Defined Benefit Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

Pension Liabilities

At June 30, 2019, the District reported a liability of $22,082,082 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2017 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, 2018 and 2017, the District's proportion was 0.07346% and 0.07249%.

MPSERS (Plan) Non-university employers	September 30, 2018	September 30, 2017
Total pension liability	$ 79,863,694,444	$ 72,407,218,688
Plan fiduciary net position	$ 49,801,889,205	$ 46,492,967,573
Net pension liability	$ 30,061,805,239	$ 25,914,251,115
Proportionate share	0.07346%	0.07249%
Net pension liability for the District	$ 22,082,082	$ 18,786,332

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

For the year ended June 30, 2019, the District recognized pension expense of $2,894,415.

At June 30, 2019, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual pension plan investment earnings	$ -	$ (1,509,853)
Differences between expected and actual experience	102,465	(160,467)
Changes in proportion and differences between employer contributions and proportionate share of contributions	524,181	(14,696)
Changes of assumptions	5,114,192	-
Reporting Unit's contributions subsequent to the measurement date	1,831,763	-
	$ 7,572,601	$ (1,685,016)

$1,831,763, 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 subsequent fiscal year.

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

Year ended September 30,	Amount
2019	$ 1,637,447
2020	1,250,882
2021	843,238
2022	324,255

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Liabilities

At June 30, 2019, the District reported a liability of $5,889,900 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was 0.07410% and 0.07238%.

MPSERS (Plan) Non-university employers	September 30, 2018	September 30, 2017
Total other postemployment benefits liability	$ 13,932,170,264	$ 13,920,945,991
Plan fiduciary net position	$ 5,983,218,473	$ 5,065,474,948
Net other postemployment benefits liability	$ 7,948,951,791	$ 8,855,471,043
Proportionate share	0.07410%	0.07238%
Net other postemployment benefits liability for the District	$ 5,889,900	$ 6,409,259

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of $384,260.

At June 30, 2019, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual other postemployment benefits plan investment earnings	$ -	$ (226,363)
Differences between expected and actual experience	-	(1,096,262)
Changes in proportion and differences between employer contributions and proportionate share of contributions	131,547	(2,134)
Changes of assumptions	623,743	-
Reporting Unit's contributions subsequent to the measurement date	487,584	-
	$ 1,242,874	$ (1,324,759)

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Concluded)

$487,584, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2019	$ (144,320)
2020	(144,320)
2021	(144,320)
2022	(98,452)
2023	(38,057)

Actuarial Assumptions

Investment rate of return for pension - 7.05% 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).

Investment rate of return for OPEB - 7.15% a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 2.75%.

Inflation - 3.0%.

Mortality assumptions

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for morality improvements using projection scale MP-2017 from 2006.

Active: RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for morality improvements using projection scale MP-2017 from 2006.

Disabled Retirees: RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2017. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2017 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 7.05% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.15%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Cost of living pension adjustments - 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit - 7.5% for year one and graded to 3.0% in year twelve.

Additional assumptions for other postemployment benefit only - applies to individuals hired before September 4, 2012:

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

The target asset allocation at September 30, 2018 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment category	Target allocation	Long-term expected real rate of return*
Domestic Equity Pools	28.00%	5.70%
Private Equity Pools	18.00%	9.20%
International Equity Pools	16.00%	7.20%
Fixed Income Pools	10.50%	0.50%
Real Estate and Infrastructure Pools	10.00%	3.90%
Absolute Return Pools	15.50%	5.20%
Short Term Investment Pools	2.00%	0.00%
	100.00%	

* Long term rate of return are net of administrative expenses and 2.3% inflation.

Pension discount rate - A single discount rate of 7.05% was used to measure the total pension liability (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). This discount rate was based on the long-term rate of return on pension plan investments of 7.05% (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB discount rate - A single discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Concluded)

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 a single discount rate of 7.05% (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 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:

	Pension		
	1% Decrease	Discount rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	$ 28,992,069	$ 22,082,082	$ 16,341,007

Sensitivity of the net OPEB liability to changes in the discount rate -The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 7.15%, as well as what the Reporting Unit's proportionate share of the net OPEB 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:

	Other postemployment benefits		
	1% Decrease	Discount rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	$ 7,070,705	$ 5,889,900	$ 4,896,698

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.0%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other postemployment benefits		
	1% Decrease	Current healthcare cost trend rates	1% Increase
Reporting Unit's proportionate share of the net other post-employment benefits liability	$ 4,844,378	$ 5,889,900	$ 7,089,327

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2018 Comprehensive Annual Financial Report.

Payable to the pension and OPEB plan - At year end the School District is current on all required pension and other postemployment benefit 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 from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

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, 2019 or any of the prior 3 years.

NOTE 10 - TRANSFERS

During the year the food service fund transferred $39,356 to the general fund for indirect cost reimbursement.

NOTE 11 - CONTINGENT LIABILITIES

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

NOTE 12 - COMMITEMENTS

The District has active capital projects outstanding at June 30, 2019. Approximately $21,053,000 is restricted and recorded as fund balance in the 2018 building and site fund.

NOTE 13 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement 77 (*Tax Abatements*).

The District receives reduced property tax revenues as a result of Payments in Lieu of Taxes (PILOT) granted by two townships. PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for the general fund, debt service fund, and sinking fund by municipality under these programs are as follows:

Municipality	Taxes abated
Manlius Township	$ 29,345
Saugatuck Township	379
	$ 29,724

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

There are no significant abatements made by the District.

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

FENNVILLE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2019

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local sources	$ 2,724,200	$ 2,905,975	$ 2,923,885	$ 17,910
State sources	9,667,458	9,845,391	9,754,859	(90,532)
Federal sources	566,437	534,395	532,143	(2,252)
Intermediate school districts	700,100	708,220	713,017	4,797
Total revenues	13,658,195	13,993,981	13,923,904	(70,077)
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	6,396,542	6,511,178	6,497,170	14,008
Added needs	1,766,073	1,994,382	1,956,634	37,748
Total instruction	8,162,615	8,505,560	8,453,804	51,756
Supporting services:				
Pupil	462,736	493,233	493,179	54
Instructional staff	306,859	327,301	287,170	40,131
General administration	405,610	420,005	410,086	9,919
School administration	872,776	886,193	886,280	(87)
Business	275,034	293,515	293,008	507
Operation/maintenance	1,578,602	1,629,299	1,608,824	20,475
Pupil transportation	925,235	851,153	804,580	46,573
Central	320,250	293,358	290,484	2,874
Athletics	298,541	317,054	321,462	(4,408)
Total supporting services	5,445,643	5,511,111	5,395,073	116,038
Community services	133,782	127,761	119,114	8,647
Outgoing transfers and other	15,000	13,568	13,568	-
Debt service	71,000	71,975	71,971	4
Total expenditures	13,828,040	14,229,975	14,053,530	176,445
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(169,845)	(235,994)	(129,626)	106,368
OTHER FINANCING SOURCES (USES):				
Transfers in	32,500	32,500	39,356	6,856
NET CHANGE IN FUND BALANCE	$ (137,345)	$ (203,494)	(90,270)	$ 113,224
FUND BALANCE:				
Beginning of year			2,536,548	
End of year			$ 2,446,278	

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 (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.07346%	0.07249%	0.07048%	0.06980%	0.06975%
Reporting Unit's proportionate share of net pension liability	$ 22,082,082	$ 18,786,332	$ 17,584,141	$ 17,049,773	$ 15,364,096
Reporting Unit's covered-employee payroll	$ 6,300,482	$ 6,129,596	$ 5,986,908	$ 5,823,844	$ 5,919,126
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	350.48%	306.49%	293.71%	292.76%	259.57%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	62.36%	64.21%	63.27%	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 PENSION CONTIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED
OF THE YEAR ENDED JUNE 30)

	2019	2018	2017	2016	2015
Statutorily required pension contributions	$ 1,959,015	$ 1,930,758	$ 1,682,925	$ 1,558,887	$ 1,240,979
Pension contributions in relation to statutorily required contributions	1,959,015	1,930,758	1,682,925	1,558,887	1,240,979
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll (pension)	$ 6,570,775	$ 6,233,679	$ 6,307,919	$ 5,947,143	$ 5,812,325
Pension contributions as a percentage of covered-employee payroll	29.81%	30.97%	26.68%	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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2018	2017
Reporting Unit's proportion of net other postemployment benefits liability (%)	0.07410%	0.07238%
Reporting Unit's proportionate share of net other post employment benefits liability	$ 5,889,900	$ 6,409,259
Reporting Unit's covered-employee payroll	$ 6,300,482	$ 6,129,596
Reporting Unit's proportionate share of net other postemployment benefits liability as a percentage of its covered-employee payroll	93.48%	104.56%
Plan fiduciary net position as a percentage of total other postemployment benefits liability (Non-university employers)	42.95%	36.39%

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 OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED
OF THE YEAR ENDED JUNE 30)

	2019	2018
Statutorily required other postemployment benefits contributions	$ 543,982	$ 546,701
Other postemployment benefits contributions in relation to statutorily required contributions	543,982	546,701
Contribution deficiency (excess)	$ -	$ -
Reporting Unit's covered-employee payroll (OPEB)	$ 6,570,775	$ 6,233,679
Other post employment benefit contributions as a percentage of covered-employee payroll	8.28%	8.77%

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, 2019

Pension Information

Benefit changes - there were no changes of benefit terms in 2018.

Changes of assumptions - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate for MIP and Basic plans decreased to 7.05% from 7.50%.

Projected salary increases decreased to 2.75%-11.55%, including wage inflation at 2.75% from 3.50-12.30%, including wage inflation of 3.50%.

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

OPEB Information

Benefit changes - there were no changes of benefit terms in 2018.

Changes of assumptions - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate for decreased to 7.15% from 7.50%.

Projected salary increases decreased to 2.75%-11.55%, including wage inflation at 2.75% from 3.50-12.30%, including wage inflation of 3.50%.

Healthcare cost trend rate decreased to 7.50% Year 1 graded to 3.00% Year 12 from 7.50% Year 1 graded to 3.50% Year 12.

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

ADDITIONAL SUPPLEMENTARY INFORMATION

FENNVILLE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2019

	Special revenue	Capital projects	
	Food service	**Sinking fund**	**Total nonmajor funds**
ASSETS			
ASSETS:			
Cash and cash equivalents	$ 57,259	$ 306,999	$ 364,258
Accounts receivable	10,264	5	10,269
Intergovernmental receivable	58,550	-	58,550
Due from other funds	784	-	784
Inventories	6,220	-	6,220
TOTAL ASSETS	$ 133,077	$ 307,004	$ 440,081
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 2,108	$ -	$ 2,108
Accrued retirement	6,580	-	6,580
Due to other funds	1,883	-	1,883
Unearned revenue	937	-	937
TOTAL LIABILITIES	11,508	-	11,508
FUND BALANCES:			
Nonspendable:			
Inventories	6,220	-	6,220
Restricted	115,349	307,004	422,353
TOTAL FUND BALANCES	121,569	307,004	428,573
TOTAL LIABILITIES AND FUND BALANCES	$ 133,077	$ 307,004	$ 440,081

FENNVILLE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2019

	Special revenue	Capital projects	
	Food service	**Sinking fund**	**Total nonmajor funds**
REVENUES:			
Property taxes	$ -	$ 185,139	$ 185,139
Sales	87,376	-	87,376
State aid	80,814	1,045	81,859
Federal aid	830,213	-	830,213
Investment earnings	522	1,812	2,334
Other	44,071	50	44,121
Total revenues	1,042,996	188,046	1,231,042
EXPENDITURES:			
Current:			
Salaries	284,629	-	284,629
Benefits	194,314	-	194,314
Purchased services	21,153	-	21,153
Supplies and materials	52,004	-	52,004
Food purchase	359,270	-	359,270
Donated commodities	61,826	-	61,826
Capital outlay	12,402	26,707	39,109
Other expenses	1,884	6	1,890
Total expenditures	987,482	26,713	1,014,195
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	55,514	161,333	216,847
OTHER FINANCING USES:			
Transfers out	(39,356)	-	(39,356)
NET CHANGE IN FUND BALANCES	16,158	161,333	177,491
FUND BALANCES:			
Beginning of year	105,411	145,671	251,082
End of year	$ 121,569	$ 307,004	$ 428,573

FENNVILLE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2019

$21,935,000 Building and site bonds issued February 8, 2018.

	Interest due		Debt service requirement for fiscal year	
Principal due May 1,	May 1,	November 1,	June 30,	Amount
$ 60,000	$ 481,731	$ 481,732	2020	$ 1,023,463
95,000	481,056	481,056	2021	1,057,112
130,000	479,987	479,988	2022	1,089,975
155,000	478,362	478,363	2023	1,111,725
185,000	476,425	476,426	2024	1,137,851
190,000	474,112	474,113	2025	1,138,225
200,000	470,312	470,313	2026	1,140,625
205,000	466,312	466,313	2027	1,137,625
215,000	462,212	462,213	2028	1,139,425
225,000	457,912	457,913	2029	1,140,825
165,000	452,287	452,288	2030	1,069,575
170,000	448,162	448,163	2031	1,066,325
180,000	443,912	443,913	2032	1,067,825
190,000	439,412	439,413	2033	1,068,825
195,000	434,662	434,663	2034	1,064,325
1,340,000	429,787	429,788	2035	2,199,575
1,365,000	396,287	396,288	2036	2,157,575
1,390,000	362,162	362,163	2037	2,114,325
1,415,000	327,413	327,414	2038	2,069,827
1,440,000	292,037	292,038	2039	2,024,075
1,470,000	256,037	256,038	2040	1,982,075
1,495,000	219,287	219,287	2041	1,933,574
1,520,000	181,913	181,913	2042	1,883,826
1,545,000	143,912	143,912	2043	1,832,824
1,570,000	115,909	115,909	2044	1,801,818
1,595,000	87,453	87,453	2045	1,769,906
1,610,000	58,544	58,544	2046	1,727,088
1,620,000	29,362	29,362	2047	1,678,724
$ 21,935,000	$ 9,846,959	$ 9,846,979		$ 41,628,938

The bonds were approved by the Board of Education at the December 18, 2017 meeting to be used for school building and site purposes. The bonds will carry interest rates ranging from 2.25% to 5.00%.

FENNVILLE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2019

$7,230,000 Refunding bonds issued January 12, 2017.

	Interest due		Debt service requirement for fiscal year	
Principal due May 1,	May 1,	November 1,	June 30,	Amount
$ -	$ 144,600	$ 144,600	2020	$ 289,200
-	144,600	144,600	2021	289,200
-	144,600	144,600	2022	289,200
-	144,600	144,600	2023	289,200
-	144,600	144,600	2024	289,200
-	144,600	144,600	2025	289,200
-	144,600	144,600	2026	289,200
35,000	144,600	144,600	2027	324,200
40,000	143,900	143,900	2028	327,800
45,000	143,100	143,100	2029	331,200
1,310,000	142,200	142,200	2030	1,594,400
1,365,000	116,000	116,000	2031	1,597,000
1,420,000	88,700	88,700	2032	1,597,400
1,475,000	60,300	60,300	2033	1,595,600
1,540,000	30,800	30,800	2034	1,601,600
$ 7,230,000	$ 1,881,800	$ 1,881,800		$ 10,993,600

The bonds were approved by the Board of Education at the October 17, 2016 meeting to refinance $7,745,000 of the 2007 bond issuance. The bonds will refinance the 2027 through 2034 payments. The bonds will carry interest rates at 4.00%

FENNVILLE PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2019

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

	Interest due		Debt service requirement for fiscal year	
Principal due May 1,	May 1,	November 1,	June 30,	Amount
$ 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
$ 10,175,000	$ 1,008,699	$ 1,008,699		$ 12,192,398

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 ENERGY NOTES
JUNE 30, 2019

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

Principal	Interest	Fiscal Year ending June 30,	Amount
$ 47,577	$ 848	2020	$ 48,425

FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF BUILDING NOTE
JUNE 30, 2019

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

Principal	Interest	Fiscal year ending June 30,	Amount
$ 7,000	$ 273	2020	$ 7,273
7,000	91	2021	7,091
$ 14,000	$ 364		$ 14,364

FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass-through grantor's number	Approved grant award amount	Accrued (unearned) revenue 7/1/2018	(Memo only) Prior year expenditures	Adjustments	Current year expenditures	Current year cash receipts	Accrued (unearned) revenue 6/30/2019
U.S. Department of Agriculture:									
Passed through Michigan Department of Education:									
Child Nutrition Cluster:									
Non-cash assistance (donated foods):									
National School Lunch Program	10.555	N/A	$ 61,826	$ -	$ -	$ -	$ 61,826	$ 61,826	$ -
Cash Assistance:									
National School Lunch Program	10.555	191960	504,032	-	-	-	504,032	490,197	13,835
National School Lunch Program		181960	476,511	18,664	411,094	-	65,417	84,081	-
National School Lunch Program		191980	4,363	-	-	-	4,363	4,277	86
National School Lunch Program		181980	4,714	58	4,486	-	228	286	-
			989,620	18,722	415,580	-	574,040	578,841	13,921
Total CFDA #10.555			1,051,446	18,722	415,580	-	635,866	640,667	13,921
School Breakfast Program	10.553	191970	148,755	-	-	-	148,755	144,298	4,457
School Breakfast Program		181970	133,454	5,238	116,750	-	16,704	21,942	-
Total CFDA #10.553			282,209	5,238	116,750	-	165,459	166,240	4,457
Summer Food Service Program for Children	10.559	181900	2,684	-	-	-	2,684	2,235	449
Summer Food Service Program for Children		180900	25,914	-	-	-	25,914	21,559	4,355
Summer Food Service Program for Children		171900	2,428	492	2,428	-	-	492	-
Summer Food Service Program for Children		170900	23,491	4,751	23,491	-	-	4,751	-
Total CFDA #10.559			54,517	5,243	25,919	-	28,598	29,037	4,804
Total Child Nutrition Cluster			1,388,172	29,203	558,249	-	829,923	835,944	23,182
Child Nutrition Discretionary Grants	10.579	161991	15,469	545	15,179	-	290	835	-
Total cash assistance			1,341,815	29,748	573,428	-	768,387	774,953	23,182
Total U.S. Department of Agriculture			1,403,641	29,748	573,428	-	830,213	836,779	23,182

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, 2019

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass-through grantor's number	Approved grant award amount	Accrued (unearned) revenue 7/1/2018	(Memo only) Prior year expenditures	Adjustments	Current year expenditures	Current year cash receipts	Accrued (unearned) revenue 6/30/2019
U.S. Department of Education:									
Passed through Michigan Department of Education:									
Title I Grants to Local Educational Agencies	84.010	191530-1819	$ 365,472	$ -	$ -	$ -	$ 284,926	$ 176,957	$ 107,969
Title I Grants to Local Educational Agencies		181530-1718	340,929	21,873	281,173	(80,434)	44,645	66,518	(80,434)
Total CFDA #84.010			706,401	21,873	281,173	(80,434)	329,571	243,475	27,535
Migrant Education State Grant Program	84.011	191890-1819	46,145	-	-	-	42,449	26,361	16,088
Migrant Education State Grant Program		181890-1718	40,062	-	39,869	(8,262)	-	-	(8,262)
Migrant Education State Grant Program		191830-1819	19,302	-	-	-	19,302	-	19,302
Migrant Education State Grant Program		181830-1718	69,346	15,001	15,001	-	48,748	63,749	-
Total CFDA #84.011			174,855	15,001	54,870	(8,262)	110,499	90,110	27,128
Rural Education	84.358	190660-1819	24,900	-	-	-	24,900	-	24,900
Rural Education		180660-1718	38,107	-	37,326	-	259	259	-
Total CFDA #84.358			63,007	-	37,326	-	25,159	259	24,900
English Language Acquisition State Grants	84.365	190580-1819	40,630	-	-	-	40,454	26,163	14,291
English Language Acquisition State Grants		180580-1718	55,122	8,111	37,564	(6,683)	4,788	12,899	(6,683)
Total CFDA #84.365			95,752	8,111	37,564	(6,683)	45,242	39,062	7,608
Supporting Effective Instruction State Grants	84.367	190520-1819	102,843	-	-	-	46,564	29,460	17,104
Supporting Effective Instruction State Grants		180520-1718	80,203	4,265	38,029	(8,734)	17,989	22,254	(8,734)
Total CFDA #84.367			183,046	4,265	38,029	(8,734)	64,553	51,714	8,370
Student Support and Academic Enrichment Program	84.424	190750-1819	29,265	-	-	-	27,823	16,667	11,156
Student Support and Academic Enrichment Program		180750-1718	10,000	-	3,380		110	110	-
Total CFDA #84.424			39,265	-	3,380	-	27,933	16,777	11,156
Total passed through Michigan Department of Education			1,262,326	49,250	452,342	(104,113)	602,957	441,397	106,697

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, 2019

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass-through grantor's number	Approved grant award amount	Accrued (unearned) revenue 7/1/2018	(Memo only) Prior year expenditures	Adjustments	Current year expenditures	Current year cash receipts	Accrued (unearned) revenue 6/30/2019
U.S. Department of Education:									
Passed through Allegan Area Education Service Agency:									
Special Education Cluster:									
Special Education Preschool Grants	84.173	190460-1819	$ 11,447	$ -	$ 10,053	$ -	$ 11,447	$ 11,447	$ -
Medical Assistance Program	93.778		1,145	-	618	-	1,145	1,145	-
Total passed through Allegan Area Education Service Agency			12,592	-	10,671	-	12,592	12,592	-
Passed through Western Michigan University:									
Supporting Effective Educator Development Program	84.423		24,764	4,057	4,057	-	20,707	-	24,764
Total U.S. Department of Education			1,299,682	53,307	467,070	(104,113)	636,256	453,989	131,461
TOTAL FEDERAL AWARDS			$ 2,703,323	$ 83,055	$ 1,040,498	$ (104,113)	$ 1,466,469	$ 1,290,768	$ 154,643

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, 2019

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, 2019. 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, 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, 2019:

General fund	$ 532,143
Other nonmajor governmental funds	830,213
Total federal revenue in the fund financial statements	1,362,356
Adjustments	104,113
Expenditures per schedule of expenditures of federal awards	$ 1,466,469

NOTE 4 - ADJUSTMENTS

Adjustments were made for CFDA #84.010 ($80,434), CFDA #84.011 ($8,262), CFDA #84.365 ($6,683) and CFDA #84.367 ($8,734) as a result of a Michigan Department of Education federal program audit. The amounts were determined to be unallowable and owed back. The amount of $104,113 is recorded on the financial statements as due to other governmental units.

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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, 2019, 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 28, 2019.

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.

Maner Costerisan PC

August 28, 2019

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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, 2019. 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 unmodified opinion on compliance for major federal programs. 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, 2019.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

Response to Findings

Fennville Public Schools’ response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. Fennville Public Schools’ response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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.

Maner Costerisan PC

August 28, 2019

FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

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) ?	X	Yes	____	
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)?	X	Yes	____	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies

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

FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Section III - Federal Award Findings and Question Costs

Finding 2019-001 - Significant Deficiency in Internal Control over Compliance

Federal Program: Title I, Part A - CFDA #84.010 and Title II, Part A - CFDA #84.367

Criteria: Personnel compensation requested for reimbursement under federal grants should reflect actual time worked under the program.

Condition: Personnel compensation requested for reimbursement under federal grants reflected budgeted time worked under the program instead of actual time.

Context: The District was aware that personnel compensation requested for reimbursement under federal grants should reflect actual time worked under the program. However, the budgeted hours worked under each specific grant were not reconciled and adjusted in a timely fashion throughout the year.

Questioned Costs: $0

Cause: Personnel compensation requested for reimbursement under federal grants were recorded based on budgeted hours worked under each specific grant were not reconciled and adjusted in a timely fashion throughout the year.

Recommendation: The District should compare budgeted hours charged to federal grants with actual hours worked a timely fashion throughout the award period and make the necessary adjustments to ensure that personnel compensation requested for reimbursement reflects actual time worked under the program.

Views of Responsible Official and Planned Corrective Actions: We agree with the finding and have developed procedures to strengthen internal controls over the federal grant time and effort reporting process.

FENNVILLE PUBLIC SCHOOLS
"Educational Excellence, Community Atmosphere, Global Vision"

FIVE MEMORIAL DRIVE
FENNVILLE, MICHIGAN 49408

FENNVILLE PUBLIC SCHOOLS
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2019

Fennville Public Schools respectfully submits the following corrective action plan for the year ended June 30, 2019

Auditor: Maner Costerisan
2425 E. Grand River Avenue, Suite 1
Lansing, MI 48912

Audit Period: Year ended June 30, 2019

District responsible individual to implement this plan: Lisa Bradley

The finding from the June 30, 2019 schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

Finding – Federal Award Programs Audits

Finding 2019-001 – Significant Deficiency in Internal Control over Compliance

Recommendation: The District should compare budgeted hours charged to federal grants with actual hours worked a timely fashion throughout the award period and make the necessary adjustments to ensure that personnel compensation requested for reimbursement reflects actual time worked under the program.

Action to be taken: Implement system to ensure documentation budget to actual comparisons will be done quarterly as well as any required adjustments and/or amendments are being made in a timely fashion.

FENNVILLE PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

There were no audit findings required to be reported on this schedule for the previous year.

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August 28, 2019

To the Board of Education
Fennville Public Schools

We have audited the financial statements of Fennville Public Schools for the year ended June 30, 2019, and have issued our report thereon dated August 28, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

<u>Our Responsibility under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)</u>

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

As part of obtaining reasonable assurance about whether Fennville Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with the Uniform Guidance, we examined, on a test basis, evidence about Fennville Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Fennville Public Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Fennville Public Schools' compliance with those requirements.

Our responsibility for the supplementary information accompanying the financial statement, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

<u>Planned Scope and Timing of the Audit</u>

We performed the audit according to the planned scope and timing previously communicated to you.

<u>Significant Audit Findings</u>

1. Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Fennville Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.

Management’s estimate in calculating the liability for employee compensated absences:

We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management’s determination of the estimated life span of the capital assets:

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

2. Difficulties Encountered in Performing the Audit

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

3. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. We did not detect any corrected or uncorrected misstatements.

4. Disagreements with Management

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

5. Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 28, 2019.

6. Management Consultations with Other Independent Accountants

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

7. Other Audit Findings or Issues

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

8. Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

A separate management letter was not issued.

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

Very truly yours,

Maner Costerisan PC