

Springport
Public Schools



For the
Year Ended
June 30, 2016

Financial
Statements

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SPRINGPORT PUBLIC SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 19, 2016

Board of Education
Springport Public Schools
Springport, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rehmann Lobson LLC

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management's Discussion and Analysis

As management of Springport Public Schools, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year that ended June 30, 2016.

Financial Highlights

· Total net position	\$ (8,370,815)
· Change in total net position	205,150
· Fund balances, governmental funds	2,235,078
· Change in fund balances, governmental funds	96,030
· Unassigned fund balance, general fund	1,271,383
· Change in fund balance, general fund	(65,512)
· Installment debt outstanding	11,776,411
· Change in installment debt	(215,611)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components:

1. *Government-wide Financial Statements*
2. *Fund Financial Statements*
3. *Notes to the Financial Statements*

This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

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

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

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

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Management's Discussion and Analysis

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, supporting services, community services, athletics, and food service. The District had no business-type activities as of and for the year ending June 30, 2016.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into two categories: *governmental funds* and *fiduciary funds*.

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

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

The District maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of fund revenues, expenditures, and changes in fund balances for the general fund and the 2006 QZAB debt fund, which are the District's major funds. Data from the six other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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Management's Discussion and Analysis

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MPERS pension plan immediately following the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$8,370,815 at the close of the most recent fiscal year.

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

	Net Position	
	2016	2015
Assets		
Current and other assets	\$ 3,467,946	\$ 3,267,914
Capital assets, net	13,193,734	13,866,042
Total assets	<u>16,661,680</u>	<u>17,133,956</u>
Deferred outflows of resources	<u>2,278,899</u>	<u>2,158,880</u>
Liabilities		
Long-term liabilities	12,992,001	14,152,054
Current and other liabilities	14,276,419	12,472,932
Total liabilities	<u>27,268,420</u>	<u>26,624,986</u>
Deferred inflows of resources	<u>42,974</u>	<u>1,243,815</u>
Net position		
Net investment in capital assets	773,598	1,171,774
Restricted	872,071	686,378
Unrestricted (deficit)	(10,016,484)	(10,434,117)
Total net position	<u>\$ (8,370,815)</u>	<u>\$ (8,575,965)</u>

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Management's Discussion and Analysis

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used.

The results of this year's operations for the District as a whole are reported in the statement of activities, which shows the change in net position for the fiscal year 2016.

Governmental Activities

Net position increased \$205,150. The key elements of this increase included: An increase in property tax revenue due to the addition of the Enbridge Energy pipeline. The District also obtained additional grant funding and maintained an appropriate level of staffing based on student count.

	Change in Net Position	
	2016	2015
Revenues		
Program revenues:		
Charges for services	\$ 228,633	\$ 208,828
Operating grants and contributions	2,285,423	2,164,611
General revenues:		
Property taxes	2,889,267	2,421,636
Unrestricted state aid	5,536,823	5,994,476
Grants and contributions not restricted to specific programs	49,055	67,334
Unrestricted investment earnings	16,798	20,101
Total revenues	11,005,999	10,876,986
Expenses		
Instruction	5,643,633	5,333,352
Supporting services	3,012,055	2,773,729
Community services	5,183	3,290
Athletics	278,220	243,437
Food service	652,432	585,344
Interest on long-term debt	436,722	509,049
Unallocated depreciation	772,604	790,389
Total expenses	10,800,849	10,238,590
Change in net position	205,150	638,396
Net position:		
Beginning of year	(8,575,965)	1,845,175
Restatement for implementation of GASB 68	-	(11,059,536)
End of year	\$ (8,370,815)	\$ (8,575,965)

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Management's Discussion and Analysis

Financial Analysis of the Government's Funds

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,235,078. Approximately 56.9% of this total amount (\$1,271,383) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable or restricted to indicate that it is not available for new spending because the underlying assets are included in inventory or receivables and are not available for current expenditure, or it is constrained by externally imposed restrictions, or it is constrained by the intent of the Board.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,271,383 while the total fund balance was \$1,289,854. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent approximately 14.4% and 14.6%, respectively, of total general fund expenditures.

The fund balance of the District's general fund decreased \$65,512 during the current fiscal year. This is attributable to a decline in student enrollment, and the District awarded step increases and raises of .5% to staff not on steps.

The 2006 QZAB debt fund has total fund balance of \$442,060, which is considered to be entirely restricted.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted at year end. A statement showing the District's original and final budget amounts compared with amounts actually paid and received is provided with the governmental fund section in these financial statements.

The original budget is adopted by the school board before the start of the District's fiscal year and the final amended budget is adopted at the end of the fiscal year. The difference between the two relates to adjustments made in salaries, benefits, and general expenditures throughout the course of the year. Once the adjustments are known, the budget is adjusted accordingly.

Capital Assets and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2016, amounted to \$13,193,734 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, equipment and furniture, and vehicles.

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Management's Discussion and Analysis

The major capital asset events during the year were as follows:

- Installment Purchase of 2016 Holland Bus
- Renovation of the baseball field concession

	Capital Assets (Net of Depreciation)	
	2016	2015
Land	\$ 50,248	\$ 50,248
Land improvements	3,684	4,144
Buildings and improvements	11,628,497	12,013,881
Equipment and furniture	1,213,476	1,495,393
Vehicles	297,829	302,376
Total capital assets, net	<u>\$ 13,193,734</u>	<u>\$ 13,866,042</u>

Additional information regarding the District's capital assets can be found in Note 6 to the financial statements.

Long-term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of \$12,992,001.

	Long-term Debt	
	2016	2015
General obligation bonds	\$ 11,776,411	\$ 11,992,022
School bond loan fund	-	840,677
Unamortized premium	1,080,253	1,178,458
Compensated absences	135,337	140,897
Total	<u>\$ 12,992,001</u>	<u>\$ 14,152,054</u>

Additional information regarding the District's long-term debt can be found in Note 10 to the financial statements.

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2016-2017 fiscal year:

- The foundation allowance was budgeted at \$7,511 per pupil
- Anticipated increase in Special Education funding
- Anticipated student enrollment decrease of 20 students
- An increase of 13% in health insurance costs
- Five contracts are going to be negotiated for potential step increases for fiscal year 2016-2017

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Management's Discussion and Analysis

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, P.O. Box 100, Springport, MI 49284.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Statement of Net Position

June 30, 2016

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,081,978
Receivables	1,357,850
Prepays and inventory	28,118
Capital assets not being depreciated	50,248
Capital assets being depreciated, net	<u>13,143,486</u>
Total assets	<u>16,661,680</u>
Deferred outflows of resources	
Deferred charges on refunding	436,528
Deferred pension amounts	<u>1,842,371</u>
Total deferred outflows of resources	<u>2,278,899</u>
Liabilities	
Accounts payable, accrued liabilities and notes payable	1,215,987
Unearned revenue	86,332
Long-term debt:	
Due within one year	1,075,606
Due in more than one year	11,916,395
Net pension liability	<u>12,974,100</u>
Total liabilities	<u>27,268,420</u>
Deferred inflows of resources	
Deferred pension amounts	<u>42,974</u>
Net position	
Net investment in capital assets	773,598
Restricted for:	
Food service	92,810
Debt service	779,261
Unrestricted (deficit)	<u>(10,016,484)</u>
Total net position	<u><u>\$ (8,370,815)</u></u>

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

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Statement of Activities

For the Year Ended June 30, 2016

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 5,643,633	\$ -	\$ 1,686,158	\$ (3,957,475)
Supporting services	3,012,055	-	78,334	(2,933,721)
Community services	5,183	-	-	(5,183)
Athletics	278,220	102,289	-	(175,931)
Food service	652,432	126,344	520,931	(5,157)
Interest on long-term debt	436,722	-	-	(436,722)
Unallocated depreciation	772,604	-	-	(772,604)
Total governmental activities	\$ 10,800,849	\$ 228,633	\$ 2,285,423	(8,286,793)
General revenues				
Property taxes				2,889,267
Unrestricted state aid				5,536,823
Grants and contributions not restricted to specific programs				49,055
Unrestricted investment earnings				16,798
Total general revenues				8,491,943
Change in net position				205,150
Net position, beginning of year				(8,575,965)
Net position, end of year				\$ (8,370,815)

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

FUND FINANCIAL STATEMENTS

SPRINGPORT PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2016

	General Fund	2006 QZAB Debt Fund	Nonmajor Funds	Totals
Assets				
Cash and cash equivalents	\$ 1,148,036	\$ 442,060	\$ 491,882	\$ 2,081,978
Accounts receivable	2,447	-	4,581	7,028
Due from other governments	1,338,968	-	11,854	1,350,822
Due from other funds	43	-	-	43
Inventory	16,836	-	9,647	26,483
Prepays	1,635	-	-	1,635
Total assets	\$ 2,507,965	\$ 442,060	\$ 517,964	\$ 3,467,989
Liabilities				
Accounts payable	\$ 61,991	\$ -	\$ -	\$ 61,991
Salaries and retirement payable	987,949	-	7,128	995,077
Due to other funds	-	-	43	43
State aid note payable	85,766	-	-	85,766
Unearned revenue	82,405	-	3,927	86,332
Total liabilities	1,218,111	-	11,098	1,229,209
Deferred inflows of resources				
Unavailable revenue	-	-	3,702	3,702
Fund balances				
Nonspendable:				
Inventory	16,836	-	9,647	26,483
Prepays	1,635	-	-	1,635
Restricted:				
Food service	-	-	83,163	83,163
Debt service	-	442,060	410,354	852,414
Unassigned	1,271,383	-	-	1,271,383
Total fund balances	1,289,854	442,060	503,164	2,235,078
Total liabilities, deferred inflows of resources and fund balances	\$ 2,507,965	\$ 442,060	\$ 517,964	\$ 3,467,989

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

SPRINGPORT PUBLIC SCHOOLS

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2016

Fund balances - total governmental funds	\$ 2,235,078
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	
Capital assets, net of accumulated depreciation	13,193,734
Certain liabilities, such as bonds payable, are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Bonds and notes payable	(11,776,411)
Unamortized bond premium	(1,080,253)
Unamortized loss on bond refunding	436,528
Accrued interest on bonds payable	(73,153)
Compensated absences	(135,337)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets are offset by deferred inflows of resources in the governmental funds and, therefore, are not included in fund balance.	
Long-term receivables	3,702
Certain pension-related amounts, such as the net pension liability and deferred amounts, are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(12,974,100)
Deferred outflows related to the net pension liability	1,842,371
Deferred inflows related to the net pension liability	(42,974)
Net position of governmental activities	<u>\$ (8,370,815)</u>

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

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Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2016

	General Fund	2006 QZAB Debt Fund	Nonmajor Funds	Totals
Revenues				
Local sources:				
Property taxes	\$ 1,214,660	\$ 43,769	\$ 1,630,838	\$ 2,889,267
Interest	6,891	5,321	4,586	16,798
Food sales	-	-	126,994	126,994
Athletics	102,289	-	-	102,289
Other local revenues	79,975	-	-	79,975
Transfers from other governments	410,302	-	-	410,302
State sources	6,631,523	-	23,159	6,654,682
Federal sources	228,570	-	497,772	726,342
Total revenues	8,674,210	49,090	2,283,349	11,006,649
Expenditures				
Current:				
Instruction	5,391,197	-	-	5,391,197
Supporting services	2,933,655	-	-	2,933,655
Athletics	274,708	-	-	274,708
Food service	-	-	640,456	640,456
Community services	5,183	-	-	5,183
Debt service:				
Principal repayment	131,461	-	1,014,584	1,146,045
Interest and fiscal charges	3,899	-	491,588	495,487
Capital outlay	89,738	-	-	89,738
Total expenditures	8,829,841	-	2,146,628	10,976,469
Revenues over (under) expenditures	(155,631)	49,090	136,721	30,180
Other financing sources (uses)				
Issuance of long-term debt	65,850	-	-	65,850
Transfers in	25,000	-	153,372	178,372
Transfers out	(731)	-	(177,641)	(178,372)
Total other financing sources (uses)	90,119	-	(24,269)	65,850
Net change in fund balances	(65,512)	49,090	112,452	96,030
Fund balances, beginning of year	1,355,366	392,970	390,712	2,139,048
Fund balances, end of year	\$ 1,289,854	\$ 442,060	\$ 503,164	\$ 2,235,078

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

SPRINGPORT PUBLIC SCHOOLS

Reconciliation

Net Change in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds	\$ 96,030
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital assets purchased	100,296
Depreciation expense	(772,604)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Proceeds from issuance of long-term debt	(65,850)
Principal payments on long-term liabilities	1,146,045
Amortization of bond premium	98,205
Amortization of deferred loss on refunding	(39,684)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.	
Net change in unavailable revenue	(650)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Change in the net pension liability and related deferred amounts	(362,442)
Change in accrued interest payable on bonds	244
Change in the accrual for compensated absences	5,560
Change in net position of governmental activities	<u>\$ 205,150</u>

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

SPRINGPORT PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenues				
Local sources:				
Property taxes	\$ 889,127	\$ 1,214,660	\$ 1,214,660	\$ -
Interest	10,000	5,500	6,891	1,391
Athletics	68,219	102,289	102,289	-
Other local revenues	87,200	67,443	79,975	12,532
Transfers from other governments:				
Special education - ISD	257,000	257,400	257,400	-
Other grants	154,700	154,426	152,902	(1,524)
Total revenues from local sources	<u>1,466,246</u>	<u>1,801,718</u>	<u>1,814,117</u>	<u>12,399</u>
State sources:				
State school aid - unrestricted	5,795,103	5,542,836	5,536,823	(6,013)
At risk	250,000	235,288	231,973	(3,315)
Other	750,730	866,085	862,727	(3,358)
Total revenues from state sources	<u>6,795,833</u>	<u>6,644,209</u>	<u>6,631,523</u>	<u>(12,686)</u>
Federal sources:				
Title I	164,532	178,674	178,674	-
Title II-A	40,461	38,707	39,241	534
Medicaid outreach	1,500	1,968	1,968	-
Nutrition (SNAP)	81,406	6,205	6,205	-
Education for Homeless Children	3,000	2,482	2,482	-
Total revenues from federal sources	<u>290,899</u>	<u>228,036</u>	<u>228,570</u>	<u>534</u>
Total revenues	<u>8,552,978</u>	<u>8,673,963</u>	<u>8,674,210</u>	<u>247</u>
Expenditures				
Instruction:				
Basic programs:				
Elementary	1,961,896	1,882,814	1,883,500	686
Middle school	967,438	937,259	934,798	(2,461)
High school	1,156,036	1,172,561	1,171,888	(673)
Pre-Kindergarten	113,289	106,647	106,078	(569)
Added needs:				
Special education	712,567	704,215	701,508	(2,707)
Compensatory education	449,732	442,055	434,269	(7,786)
Career/tech prep	158,076	160,156	159,156	(1,000)
Total instruction	<u>5,519,034</u>	<u>5,405,707</u>	<u>5,391,197</u>	<u>(14,510)</u>

continued...

SPRINGPORT PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Expenditures (continued)				
Supporting Services:				
Guidance services	\$ 139,557	\$ 142,000	\$ 139,854	\$ (2,146)
Pupil support services	100,887	103,255	102,831	(424)
Instructional staff	18,678	26,179	25,802	(377)
Library	53,952	56,430	55,327	(1,103)
Technology and media	178,000	183,397	183,283	(114)
Career prep	9,000	9,000	9,000	-
General administration:				
Board of education	43,968	44,400	43,476	(924)
Executive administration	206,914	224,055	223,985	(70)
School administration	540,256	569,001	562,373	(6,628)
Business services	152,337	127,623	127,261	(362)
Operations and maintenance	930,425	967,926	961,916	(6,010)
Pupil transportation	492,150	489,002	472,121	(16,881)
Staff/personnel services	3,541	4,563	4,184	(379)
Pupil accounting	24,034	19,457	18,815	(642)
Food services	4,000	3,109	3,427	318
Total supporting services	<u>2,897,699</u>	<u>2,969,397</u>	<u>2,933,655</u>	<u>(35,742)</u>
Athletics	<u>256,387</u>	<u>274,788</u>	<u>274,708</u>	<u>(80)</u>
Community services	<u>6,500</u>	<u>4,756</u>	<u>5,183</u>	<u>427</u>
Debt service:				
Principal repayment	122,000	122,938	131,461	8,523
Interest and fiscal charges	-	-	3,899	3,899
Total debt service	<u>122,000</u>	<u>122,938</u>	<u>135,360</u>	<u>12,422</u>
Capital outlay	<u>-</u>	<u>23,888</u>	<u>89,738</u>	<u>65,850</u>
Total expenditures	<u>8,801,620</u>	<u>8,801,474</u>	<u>8,829,841</u>	<u>28,367</u>
Revenues under expenditures	<u>(248,642)</u>	<u>(127,511)</u>	<u>(155,631)</u>	<u>(28,120)</u>
Other financing sources (uses)				
Issuance of long-term debt	-	-	65,850	65,850
Transfers in	15,200	25,000	25,000	-
Transfers out	-	-	(731)	731
Total other financing sources	<u>15,200</u>	<u>25,000</u>	<u>90,119</u>	<u>65,119</u>
Net change in fund balance	<u>(233,442)</u>	<u>(102,511)</u>	<u>(65,512)</u>	<u>36,999</u>
Fund balance, beginning of year	<u>1,355,366</u>	<u>1,355,366</u>	<u>1,355,366</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,121,924</u>	<u>\$ 1,252,855</u>	<u>\$ 1,289,854</u>	<u>\$ 36,999</u>

concluded.

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

SPRINGPORT PUBLIC SCHOOLS

Statement of Fiduciary Assets and Liabilities - Agency Fund

June 30, 2016

	Student Activities Fund
Assets	
Cash and cash equivalents	<u>\$ 58,519</u>
Liabilities	
Due to student groups and activities	<u>\$ 58,519</u>

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

NOTES TO FINANCIAL STATEMENTS

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Springport Public Schools (the “District”) has followed the guidelines of the Governmental Accounting Standards Board and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants that use one year. 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, are recorded only when payment is due.

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

Property taxes received, intergovernmental revenue, and interest revenue earned within the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *general fund* is used to account for all financial resources of the District, except those accounted for and reported in another fund.

The *2006 QZAB debt fund* is used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest on the 2006 QZAB bonds.

The District reports the following fund types:

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

Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

The *agency fund* accounts for assets held for other groups and organizations and is custodial in nature.

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

Cash and Cash Equivalents

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

Receivables and Payables

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

Inventory and Prepaid Items

Inventory is valued at the lower of cost (first in, first out) or market. Inventory in the general fund and special revenue funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

Capital Assets

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

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

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

Asset	Years
Land improvements	20
Buildings and improvements	10-50
Equipment and furniture	5-20
Vehicles	8

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District reports a deferred outflow of resources for its deferred charge on refunding 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. The District also reports deferred outflows of resources related to the net pension liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick days. The amount is based on years of service and the number of sick days accumulated. The employee must be employed by the District for 10 years and retire under the Michigan Public School Employees Retirement System to receive their payout.

Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

In the fund financial statements, governmental fund types generally recognize bond premiums and discounts 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.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources are related to pension costs.

Fund Equity

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually require to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education has delegated the authority to assign fund balance to the Superintendent or his designee. *Unassigned fund balance* is the residual classification for the general fund. The District reported no assigned fund balances.

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

Interfund Transactions

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

Use of Estimates

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

2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted and as amended by the Board of Education. The budgets for the general and special revenue funds are adopted on an activity basis.

3. EXCESS OF EXPENDITURES OVER BUDGET

During the year ended June 30, 2016, the District incurred certain expenditures in excess of the amounts appropriated as follows:

	Final Budget	Actual	Over Budget
General fund			
Basic programs-			
Elementary	\$ 1,882,814	\$ 1,883,500	\$ 686
Supporting Services-			
Food services	3,109	3,427	318
Community services	4,756	5,183	427
Debt service:			
Principal repayment	122,938	131,461	8,523
Interest and fiscal charges	-	3,899	3,899
Capital outlay	23,888	89,738	65,850
Transfers out	-	731	(731)

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

4. DEPOSITS AND INVESTMENTS

A reconciliation of cash and cash equivalents as shown on the Statement of Net Position and Statement of Fiduciary Assets and Liabilities is as follows:

Statement of Net Position	
Cash and cash equivalents	\$ 2,081,978
Statement of Fiduciary Assets and Liabilities	
Agency Fund-	
Cash and cash equivalents	<u>58,519</u>
Total	<u>\$ 2,140,497</u>
Deposits	
Bank deposits (checking accounts and savings accounts)	\$ 2,138,972
Cash on hand	<u>1,525</u>
Total	<u>\$ 2,140,497</u>

Statutory Authority

State statutes authorize the District to invest in:

- (a) Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- (b) Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- (e) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (f) Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the listing of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District had no investments at June 30, 2016.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The District had no investments at June 30, 2016.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$1,669,882 of the District's bank balance of \$2,177,972 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. The District had no investments at June 30, 2016.

5. RECEIVABLES

Receivables as of year-end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General Fund	Nonmajor Funds	Total
Accounts receivable	\$ 2,447	\$ 4,581	\$ 7,028
Due from other governments	1,338,968	11,854	1,350,822
	<u>\$ 1,341,415</u>	<u>\$ 16,435</u>	<u>\$ 1,357,850</u>

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets not being depreciated-				
Land	\$ 50,248	\$ -	\$ -	\$ 50,248
Capital assets being depreciated:				
Land improvements	9,207	-	-	9,207
Buildings and improvements	21,886,672	23,888	-	21,910,560
Equipment and furniture	5,781,231	10,558	-	5,791,789
Vehicles	1,126,818	65,850	-	1,192,668
Total capital assets being depreciated	28,803,928	100,296	-	28,904,224
Less accumulated depreciation for:				
Land improvements	(5,063)	(460)	-	(5,523)
Buildings and improvements	(9,872,791)	(409,272)	-	(10,282,063)
Equipment and furniture	(4,285,838)	(292,475)	-	(4,578,313)
Vehicles	(824,442)	(70,397)	-	(894,839)
Total accumulated depreciation	(14,988,134)	(772,604)	-	(15,760,738)
Total capital assets being depreciated, net	13,815,794	(672,308)	-	13,143,486
Governmental activities capital assets, net	\$ 13,866,042	\$ (672,308)	\$ -	\$ 13,193,734

Depreciation expense of \$772,604 was reported as unallocated depreciation and not charged to specific functions.

7. PAYABLES

Accounts payable and accrued liabilities as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General	Nonmajor Funds	Total
Fund Financial Statements:			
Accounts payable	\$ 61,991	\$ -	\$ 61,991
Salaries and retirement payable	987,949	7,128	995,077
State aid note payable	85,766	-	85,766
	<u>\$ 1,135,706</u>	<u>\$ 7,128</u>	1,142,834
Government-wide Financial Statements-			
Accrued interest on long-term debt			<u>73,153</u>
			<u>\$ 1,215,987</u>

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

8. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

At June 30, 2016, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General fund	\$ 43	\$ -
Nonmajor governmental funds	-	43
	<u>\$ 43</u>	<u>\$ 43</u>

The District often reports interfund balances between many of its funds. These interfund balances resulted primarily 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.

For the year ended June 30, 2016, interfund transfers consisted of the following:

	Transfers out	Transfers in
General fund	\$ 731	\$ 25,000
Nonmajor governmental funds	177,641	153,372
	<u>\$ 178,372</u>	<u>\$ 178,372</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

9. STATE AID ANTICIPATION NOTES

During the year, the District financed some of its operations through the issuance of State Aid Anticipation Notes. These notes were issued for terms of less than one year, and accordingly, are recorded as liabilities of the respective funds from which they were issued. At year end, notes consisted of \$409,811 with interest at 0.76% and \$193,081 with interest at 0.64% with final payments due on July 20, 2016. Short-term note activity for the year ended June 30, 2016, was as follows:

General fund:	
State Aid Anticipation Notes:	
Beginning balance	\$ 221,172
Additions	602,892
Reductions	<u>(738,298)</u>
Ending balance	<u>\$ 85,766</u>

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

10. LONG-TERM DEBT

Bonds and notes payable. At the end of the current fiscal year, the District had total bonds and notes payable outstanding of \$11,776,411. Remaining payments for all bonded indebtedness vary from \$12,430 to \$675,000 through 2027, and include interest at 2.5-4%.

Changes in Long-term Debt. Long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonds payable:					
2005 School Building and Site bonds	\$ 600,000	\$ -	\$ -	\$ 600,000	\$ -
2006 School Building and Site bonds	1,845,000	-	-	1,845,000	350,000
2011 energy conservation improvement bonds	546,668	-	(68,333)	478,335	68,333
2015 general obligation refunding bonds	8,820,000	-	(150,000)	8,670,000	500,000
Notes payable:					
2013 Installment loan	101,979	-	(48,333)	53,646	17,882
2014 Installment loan	78,375	-	(14,795)	63,580	15,222
2016 Installment loan	-	65,850	-	65,850	12,430
Subtotal - bonds and notes payable	11,992,022	65,850	(281,461)	11,776,411	963,867
School Bond Loan fund Unamortized bond premium	840,677	23,907	(864,584)	-	-
Compensated absences	1,178,458	-	(98,205)	1,080,253	98,205
	140,897	8,530	(14,090)	135,337	13,534
Total	\$ 14,152,054	\$ 98,287	\$ (1,258,340)	\$ 12,992,001	\$ 1,075,606

Compensated absences are generally liquidated by the general fund.

Annual debt service requirements to maturity for bonds and notes payable are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 963,867	\$ 467,048	\$ 1,430,915
2018	1,014,668	432,248	1,446,916
2019	1,650,489	395,426	2,045,915
2020	1,058,453	316,717	1,375,170
2021	1,077,264	277,447	1,354,711
2022-2026	5,586,670	746,488	6,333,158
2027	425,000	17,000	442,000
	\$ 11,776,411	\$ 2,652,374	\$ 14,428,785

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

Other long-term debt is related to amounts due to the School Bond Loan Fund. Debt service requirements are determined by the District based on the amount of taxes received in excess of amounts needed to retire the general obligation bonds. Changes to the School Bond Loan Fund for the year ended June 30, 2016, are as follows:

	Principal	Interest	Total
Beginning balance	\$ 836,921	\$ 3,756	\$ 840,677
Additions	-	23,907	23,907
Deletions	<u>(836,921)</u>	<u>(27,663)</u>	<u>(864,584)</u>
Ending balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

11. NET INVESTMENT IN CAPITAL ASSETS

As of June 30, 2016, the composition of net investment in capital assets was comprised of the following:

	Governmental Activities
Capital assets:	
Capital assets not being depreciated	\$ 50,248
Capital assets being depreciated, net	<u>13,143,486</u>
	<u>13,193,734</u>
Related debt:	
Bonds payable	11,776,411
Unamortized bond premium	1,080,253
Unamortized deferred loss on bond refunding	<u>(436,528)</u>
	<u>12,420,136</u>
Net investment in capital assets	<u>\$ 773,598</u>

12. RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

13. PROPERTY TAXES

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the following year. Taxes are levied on December 1 by township governments whose boundaries include property within the District and are due on February 14. Delinquent real taxes are advanced to the District by the Revolving Tax Funds of the counties involved.

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

14. RETIREMENT PLAN

Plan Description

The Michigan Public School Employees' Retirement System (the "System" or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the "State") originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

The System's financial statements are available at www.michigan.gov/mpsers-cafr.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. 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.

DB member plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions and Funded Status

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21-year period for the 2015 fiscal year.

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

The table below summarizes pension contribution rates in effect for fiscal year 2015.

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

The District's contribution to MPSERS under all pension plans for the year ended June 30, 2016 was \$1,208,116.

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

At June 30, 2016, the District reported a liability of \$12,974,100 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2014. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, the District's proportion was 0.05312%, which was an increase 0.00204% from its proportion measured as of September 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$1,199,197. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 42,974	\$ (42,974)
Changes in assumptions	319,450	-	319,450
Net difference between projected and actual earnings on pension plan investments	66,222	-	66,222
Changes in proportion and differences between employer contributions and proportionate share of contributions	381,177	-	381,177
	<u>766,849</u>	<u>42,974</u>	<u>723,875</u>
District contributions subsequent to the measurement date	<u>1,075,522</u>	<u>-</u>	<u>1,075,522</u>
Total	<u>\$ 1,842,371</u>	<u>\$ 42,974</u>	<u>\$ 1,799,397</u>

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

\$1,075,522 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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 June 30,	Amount
2017	\$ 139,014
2018	139,014
2019	121,679
2020	<u>324,168</u>
Total	<u>\$ 723,875</u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	3.5%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	8.0%
Pension Plus plan (hybrid)	7.5%
Projected salary increases	3.5% - 12.3%, including wage inflation at 3.5%
Cost of living adjustments	3% annual non-compounded for MIP members
Mortality	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2014, and rolled forward using generally accepted actuarial procedures, including the experience study.

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.90%	1.64%
Alternative investment pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.90%	0.09%
Real estate and infrastructure pools	10.00%	4.30%	0.43%
Absolute return pools	15.50%	6.00%	0.93%
Short-term investment pools	2.00%	0.00%	0.00%
	<u>100.00%</u>		5.90%
Inflation			<u>2.10%</u>
Investment rate of return			<u>8.00%</u>

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

Sensitivity of District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
District's proportionate share of the net pension liability	\$ 16,726,941	\$ 12,974,100	\$ 9,810,302

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2016, the District reported a payable of \$175,894 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2016.

Other Postemployment Benefits

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the *Premium Subsidy* plan, a defined benefit postemployment healthcare plan, which is funded by employers on a prefunded basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 2.71% to 6.83% of covered payroll. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that covers up to 80% of cost.

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

The District's contributions to MPSERS for other postemployment benefits amounted to \$433,226 for the year ended June 30, 2016.

SPRINGPORT PUBLIC SCHOOLS

Notes to Financial Statements

15. SUBSEQUENT EVENTS

On August 22, 2016, the District borrowed \$239,852 and \$360,148 in State Aid Anticipation Notes. The notes bear interest at 1.00% and 0.76%, respectively, and are due July 20, 2017.



REQUIRED SUPPLEMENTARY INFORMATION

SPRINGPORT PUBLIC SCHOOLS

Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30,	
	2015	2016
District's proportionate share of the net pension liability	\$ 11,251,114	\$ 12,974,100
District's proportion of the net pension liability	0.05108%	0.05312%
District's covered-employee payroll	\$ 3,893,235	\$ 4,423,486
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	288.99%	293.30%
Plan fiduciary net position as a percentage of the total pension liability	66.20%	63.17%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

SPRINGPORT PUBLIC SCHOOLS

Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of District Contributions

	Year Ended June 30,	
	2015	2016
Contractually required contribution	\$ 1,008,489	\$ 1,208,116
Contributions in relation to the contractually required contribution	<u>(1,008,489)</u>	<u>(1,208,116)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,943,657	\$ 4,424,153
Contributions as a percentage of covered employee payroll	25.6%	27.3%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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COMBINING FUND FINANCIAL STATEMENTS

SPRINGPORT PUBLIC SCHOOLS

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2016

	Special Revenue		Totals
	School Lunch Fund	Debt Service Funds	
Assets			
Cash and cash equivalents	\$ 81,528	\$ 410,354	\$ 491,882
Accounts receivable	4,581	-	4,581
Due from other governments	11,854	-	11,854
Inventory	9,647	-	9,647
Total assets	\$ 107,610	\$ 410,354	\$ 517,964
Liabilities			
Salaries and retirement payable	\$ 7,128	\$ -	\$ 7,128
Due to other funds	43	-	43
Unearned revenue	3,927	-	3,927
Total liabilities	11,098	-	11,098
Deferred inflows of resources			
Unavailable revenue	3,702	-	3,702
Fund balances			
Nonspendable	9,647	-	9,647
Restricted	83,163	410,354	493,517
Total fund balances	92,810	410,354	503,164
Total liabilities, deferred inflows of resources and fund balances	\$ 107,610	\$ 410,354	\$ 517,964

SPRINGPORT PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue		
	School Lunch Fund	Debt Service Funds	Totals
Revenues			
Local sources:			
Property taxes	\$ -	\$ 1,630,838	\$ 1,630,838
Interest	1,467	3,119	4,586
Food sales	126,994	-	126,994
State sources	23,159	-	23,159
Federal sources	497,772	-	497,772
Total revenues	649,392	1,633,957	2,283,349
Expenditures			
Current-			
Food service	640,456	-	640,456
Debt service:			
Principal repayment	-	1,014,584	1,014,584
Interest and fiscal charges	-	491,588	491,588
Total expenditures	640,456	1,506,172	2,146,628
Revenues over (under) expenditures	8,936	127,785	136,721
Other financing sources (uses)			
Transfers in	731	152,641	153,372
Transfers out	(25,000)	(152,641)	(177,641)
Total other financing sources (uses)	(24,269)	-	(24,269)
Net change in fund balances	(15,333)	127,785	112,452
Fund balances, beginning of year	108,143	282,569	390,712
Fund balances, end of year	<u>\$ 92,810</u>	<u>\$ 410,354</u>	<u>\$ 503,164</u>

SPRINGPORT PUBLIC SCHOOLS

Combining Balance Sheet

Nonmajor Debt Service Funds

June 30, 2016

	2015 Series A Refunding Debt Fund	2015 Series B Refunding Debt Fund	2006 Debt Fund	1997/2005 Refunding Debt Fund
Assets				
Cash and cash equivalents	\$ 220,836	\$ 20,809	\$ 168,709	\$ -
Fund balance				
Restricted	\$ 220,836	\$ 20,809	\$ 168,709	\$ -



1994/2003 Refunding Debt Fund	Totals
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<u>\$ -</u>	<u>\$ 410,354</u>
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<u>\$ -</u>	<u>\$ 410,354</u>
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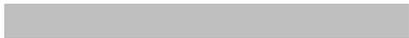
SPRINGPORT PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Debt Service Funds

For the Year Ended June 30, 2016

	2015 Series A Refunding Debt Fund	2015 Series B Refunding Debt Fund	2006 Debt Fund	1997/2005 Refunding Debt Fund
Revenues				
Local sources:				
Property taxes	\$ 665,330	\$ 203,550	\$ 761,075	\$ 634
Interest	1,752	695	242	359
Total revenues	667,082	204,245	761,317	993
Expenditures				
Debt service:				
Principal repayment	364,584	-	650,000	-
Interest and fiscal charges	234,303	183,436	73,849	-
Total expenditures	598,887	183,436	723,849	-
Revenues over (under) expenditures	68,195	20,809	37,468	993
Other financing sources (uses)				
Transfers in	152,641	-	-	-
Transfers out	-	-	-	(124,058)
Total other financing sources (uses)	152,641	-	-	(124,058)
Net change in fund balances	220,836	20,809	37,468	(123,065)
Fund balances, beginning of year	-	-	131,241	123,065
Fund balances, end of year	\$ 220,836	\$ 20,809	\$ 168,709	\$ -



1994/2003 Refunding Debt Fund	Totals
\$ 249	\$ 1,630,838
71	3,119
<u>320</u>	<u>1,633,957</u>
-	1,014,584
-	<u>491,588</u>
-	<u>1,506,172</u>
<u>320</u>	<u>127,785</u>
-	152,641
<u>(28,583)</u>	<u>(152,641)</u>
<u>(28,583)</u>	-
(28,263)	127,785
<u>28,263</u>	<u>282,569</u>
<u>\$ -</u>	<u>\$ 410,354</u>

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Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

October 19, 2016

Board of Education
Springport Public Schools
Springport, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Springport Public Schools* (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 19, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Rehmann Lobson LLC