
Bridgman Public School District
Berrien County, Michigan

Financial Report
June 30, 2016



St. Joseph, MI

BRIDGMAN PUBLIC SCHOOL DISTRICT
Bridgman, Michigan
June 30, 2016

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BRIDGMAN PUBLIC SCHOOL DISTRICT
Bridgman, Michigan
June 30, 2016

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BRIDGMAN PUBLIC SCHOOL DISTRICT
Bridgman, Michigan
June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Bridgman Public School District
Bridgman, Michigan

Report to the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bridgman Public School District (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.

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*, 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 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 Bridgman Public School District as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, the budgetary comparison information on page 37, the Schedule of Bridgman Public School District's Proportionate Share of the Net Pension Liability on page 38, and the Schedule of Bridgman Public School District's Contributions on page 39 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 Bridgman Public School District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor 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 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 nonmajor 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 10, 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.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
October 10, 2016

Bridgman Public School District is a K-12 school district located in Berrien County, Michigan. The Management's Discussion and Analysis, a requirement of the Governmental Accounting Standards Board ("GASB") Statement No. 34 ("GASB 34"), is intended to be discussion and analysis of the financial results for the fiscal year ended June 30, 2016 of the management of Bridgman Public School District (the "School District" or "District").

Generally accepted accounting principles ("GAAP") and GASB 34 require the reporting of two types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

District-Wide Financial Statements

The District-wide financial statements are full accrual basis statements. They report all of the District's assets, deferred outflows, liabilities and deferred inflows, short-term and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Service Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Position of the District-wide financial statements.

Fund Financial Statements

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, the School District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Capital Projects 2010 QSCB Fund, Capital Projects 2010 BAB Fund, 2012 Capital Projects Fund, Debt Service Fund, Debt Service Fund – 2012 Building and Site Bonds, Debt Service Fund – QSCB and 2015 Refunding Bonds, Sinking Fund, and the Special Revenue Funds which are comprised of: Food Services and Recreation Funds.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No capital asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

The School District as Trustee — Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position. These are excluded activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Agency Fund is an unbudgeted fund that accounts for the activities of student groups and other types of clearing accounts.

Summary of Net Position

The District had a net deficit of \$3,403,297 and \$4,077,315 as of June 30, 2016 and 2015, respectively. The net position of the District as of June 30, 2016 and 2015 is summarized in the table below:

	June 30, 2016	June 30, 2015
Assets		
Cash and cash equivalents	\$ 3,363,502	\$ 3,022,113
Receivables	393,249	378,882
Net capital assets	23,490,129	24,532,331
Other assets	158,180	150,225
Total Assets	<u>\$ 27,405,060</u>	<u>\$ 28,083,551</u>
Deferred Outflows of Resources		
Deferred outflows of resources from pensions	\$ 2,415,019	\$ 907,381
Deferred interest charges on bond issuance	186,055	-
Total Deferred Outflows of Resources	<u>\$ 2,601,074</u>	<u>\$ 907,381</u>
Liabilities		
Current liabilities	\$ 2,664,508	\$ 2,466,016
Noncurrent liabilities	30,699,198	29,760,613
Total Liabilities	<u>\$ 33,363,706</u>	<u>\$ 32,226,629</u>
Deferred Inflows of Resources		
Deferred inflows of resources from pensions	<u>\$ 45,725</u>	<u>\$ 841,618</u>
Net Position (Deficit)		
Net investment in capital assets	\$ 5,214,551	\$ 4,711,835
Restricted	1,159,626	1,299,711
Unrestricted	(9,777,474)	(10,088,861)
Total Net Position (Deficit)	<u>\$ (3,403,297)</u>	<u>\$ (4,077,315)</u>

Analysis of Financial Position

During fiscal year ended June 30, 2016, the District's net position increased by \$674,018. A few of the significant factors affecting net position during the year are discussed below:

A. General Fund Operations

The District's revenues and net transfers from General Fund operations exceeded expenditures by \$341,893 for the fiscal year ended June 30, 2016. See the section entitled Results of Operations, below, for further discussion of General Fund operations.

Analysis of Financial Position (Concluded)

B. Net Investment in Capital Assets

The District's net investment in capital assets decreased by \$1,042,202 during the year. The net activity for the year is summarized in the following table:

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Assets not being depreciated	\$ 151,100	\$ -	\$ -	\$ 151,100
Assets being depreciated	36,401,870	57,677	-	36,459,547
Less: Accumulated depreciation	<u>(12,020,639)</u>	<u>(1,099,879)</u>	<u>-</u>	<u>(13,120,518)</u>
Net capital assets	<u>\$ 24,532,331</u>	<u>\$ (1,042,202)</u>	<u>\$ -</u>	<u>\$ 23,490,129</u>

Current year capital additions of \$57,677 relate primarily to spending from the Sinking Fund. These assets relate to asphalt repairs and work on the courtyard.

C. Long-Term Debt

During fiscal 2007, the District issued \$1,805,000 of general obligation – limited tax School Building and Site bonds. The proceeds were primarily used for the remodeling, re-equipping, and improvement of existing District sites. During the current fiscal year, the District made principal payments totaling \$165,000 related to these bonds.

During fiscal 2012, the District issued \$1,770,000 of general obligation – unlimited tax School Building and Site bonds. The proceeds are to be used for partially remodeling, furnishing and refurbishing, equipping and re-equipping school facilities, and developing and improving sites. The District made \$170,000 of principal payments on these bonds in the current fiscal year.

During fiscal 2010, the District issued \$15,000,000 of general obligation – unlimited tax School Building and Site Bonds, Series A (Qualified School Construction Bonds) and \$7,000,000 of general obligation – unlimited tax School Building and Site Bonds, Series B (Build America Bonds). The proceeds of both bond issuances are for the purpose of acquiring, installing and equipping instructional technology for school facilities; equipping and remodeling school facilities; construction and improvement of athletic facilities; developing and improving sites, and paying the costs of issuing the bonds. During the current fiscal year, the District made \$1,150,000 of principal payments on the Qualified School Construction Bonds. In the current fiscal year, the District paid to a debt escrow agent the entire balance of the Build America Bond, \$3,675,000, in the process of refinancing that bond.

During the current fiscal year, bonds totaling \$3,605,000 were issued and recorded in the Debt Service – QSCB and 2015 Refunding Bonds Fund. The refunding was done for an estimated present value savings of \$156,237.

Results of Operations

The District-wide results of operations for the fiscal years ended June 30, 2016 and 2015 are summarized in the table below:

	<u>2016</u>	<u>2015</u>
Revenues		
General Revenues		
Property taxes levied for general operations	\$ 8,806,216	\$ 8,289,901
Property taxes levied for recreational purposes	639,272	614,501
Property taxes levied for debt service purposes	1,544,516	1,484,667
Property taxes levied for capital project purposes	130,891	125,819
State aid not restricted to specific purposes	113,954	16,540
Other general revenues	96,105	84,576
Total general revenues	<u>\$ 11,330,954</u>	<u>\$ 10,616,004</u>
Operating Grants		
Federal	\$ 405,366	\$ 366,851
Federal QSCB and BAB bond interest subsidy	701,858	810,645
State of Michigan	1,246,695	1,044,869
Other operating grants	163,494	248,011
Total operating grants	<u>\$ 2,517,413</u>	<u>\$ 2,470,376</u>
Charges for Services		
Food services	\$ 262,051	\$ 246,397
Athletics	95,115	87,862
Recreation	41,071	50,603
Total charges for services	<u>\$ 398,237</u>	<u>\$ 384,862</u>
Total revenues	<u>\$ 14,246,604</u>	<u>\$ 13,471,242</u>
Expenses		
Instruction and instructional support	\$ 6,930,119	\$ 6,522,098
Support services	3,145,663	2,744,395
Food services	457,684	441,676
Recreation	600,703	436,331
Athletics	412,473	347,990
Interest on long-term debt	926,065	1,128,838
Depreciation (unallocated)	1,099,879	1,103,232
Total expenses	<u>\$ 13,572,586</u>	<u>\$ 12,724,560</u>
Change in Net Position	\$ 674,018	\$ 746,682
Beginning Net Position	(4,077,315)	(4,823,997)
Ending Net Position	<u>\$ (3,403,297)</u>	<u>\$ (4,077,315)</u>

State of Michigan Unrestricted Aid (Net State Foundation Grant)**A. The State of Michigan unrestricted aid is determined by the following variables:**

1. State of Michigan State Aid Act per student foundation allowance,
2. Student Enrollment - Blended at 90 percent of current year fall count and 10 percent of prior year winter count, and
3. The District's non-homestead levy.

The District moved out of formula during the 2014-2015 fiscal year, and remained out of formula in the current year. This means that the District's non-homestead levy exceeded the total foundation granted by the State. As such, there are no State Foundation Grant funds provided by the State.

Student Enrollment

The District's student enrollment for the fall count of 2015-2016 was 932 students. The District's enrollment increased by 4 students from the prior year's student count. The following summarizes fall student enrollments for the past five years:

<u>Fiscal Year</u>	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2015-2016	932	4
2014-2015	928	(43)
2013-2014	971	(12)
2012-2013	983	(5)
2011-2012	988	(1)

Subsequent to year end June 30, 2016, preliminary student enrollments for 2016-2017 indicate enrollments will remain consistent with the fiscal 2016.

B. Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes)

The District levies 8.376 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property levy for the 2015-2016 fiscal year was \$8,806,216. The non-homestead tax levy increased by 6.2 percent over the prior year.

B. Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes), Concluded

The following summarizes the District's non-homestead levy over the past five years:

<u>Fiscal Year</u>	<u>Non-Homestead Tax Levy</u>	<u>% Change from Prior Year</u>
2015-2016	\$ 8,806,216	6.2%
2014-2015	8,289,901	11.6%
2013-2014	7,428,288	5.4%
2012-2013	7,050,067	5.9%
2011-2012	6,658,406	5.6%

Five Year Average Increase 6.94%

C. Debt Service Fund

The District's debt service fund levy is based on the taxable valuation of all properties – homestead and non-homestead. It is used to pay principal and interest on bond obligations of the District.

For 2015-2016, the District's debt millage levies totaled 1.18 mills that generated revenue of \$1,544,516.

D. Sinking Fund

The District's Sinking Fund is to be used for capital repairs. The sinking fund levy is determined by the difference of 1.28 mills and the debt levy. For 2015-2016, this was .1 mills and resulted in Sinking Fund revenue of \$130,891. The maximum Sinking Fund levy is .5 mills.

E. Recreation Fund

The District's recreation fund levies are based on the taxable valuation of all properties – homestead and non-homestead. The recreation fund levy is used to maintain community pool and other recreation facilities within the District.

For 2014-2015, the District's recreation millage levy was decreased from .5 mills to .4884 mills due to a Headlee rollback. The levy will remain at this rate until voted back or further reduced by another rollback. For 2015-2016, the millage was .4884 mills and generated revenue of \$639,272.

F. Food Sales to Students & Adults (School Lunch Program)

The District's food and milk sales to students and adults increased modestly, increasing by \$15,654 to \$262,051 from the prior school year. School breakfast, lunch, and milk prices did not change from the prior year. The total revenues and transfers in from Food Services operations exceeded total expenditures and transfers out for the year by \$31,185.

General Fund Expenditures Budget Vs. Actual—Five Year History

<u>Fiscal Year</u>	<u>Expenditures</u>			<u>Variance:</u>	<u>Variance:</u>
	<u>Preliminary Budget</u>	<u>Expenditures Final Budget</u>	<u>Expenditures Final Audit</u>	<u>Audit vs. Prelim. Budget</u>	<u>Audit vs. Final Budget</u>
2015-2016	\$ 10,275,886	\$ 10,557,317	\$ 10,497,375	-2.16%	0.57%
2014-2015	9,270,737	9,923,778	9,892,535	-6.71%	0.31%
2013-2014	8,833,457	8,869,915	9,158,115	-3.68%	-3.25%
2012-2013	8,967,093	8,997,005	9,079,994	-1.26%	-0.92%
2011-2012	8,793,589	8,955,086	8,827,795	-0.39%	1.42%
Five Year Average (-Over/Under) Budget				-2.84%	-0.37%

General Fund Revenues Budget Vs. Actual—Five Year History

<u>Fiscal Year</u>	<u>Revenues</u>			<u>Variance:</u>	<u>Variance:</u>
	<u>Preliminary Budget</u>	<u>Revenues Final Budget</u>	<u>Revenues Final Audit</u>	<u>Audit vs. Prelim. Budget</u>	<u>Audit vs. Final Budget</u>
2015-2016	\$ 10,330,420	\$ 10,876,402	\$ 10,839,268	4.93%	-0.34%
2014-2015	9,405,074	10,099,649	10,073,594	7.11%	-0.26%
2013-2014	8,748,797	8,771,540	8,945,185	2.24%	1.98%
2012-2013	8,772,595	8,855,564	8,907,655	1.54%	0.59%
2011-2012	8,512,463	8,880,556	8,891,707	4.46%	0.13%
Five Year Average (Over/-Under) Budget				4.06%	0.42%

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.

As a matter of practice, the District may amend its budget during the school year. For the 2015-2016 year, the District amended its original budget in January 2016, February 2016, and finally in June 2016.

Contacting the District's Financial Management

The financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, please contact the Business Office at Bridgman Public School District.

BRIDGMAN PUBLIC SCHOOL DISTRICTSTATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 3,363,502
Due from other governmental units	393,249
Inventories	41,631
Prepaid expenditures	116,549
Total current assets	<u>\$ 3,914,931</u>
Noncurrent assets	
Capital assets not being depreciated	\$ 151,100
Capital assets being depreciated	36,459,547
Less: accumulated depreciation	<u>(13,120,518)</u>
Net capital assets	<u>\$ 23,490,129</u>
Total Assets	<u>\$ 27,405,060</u>
 Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	\$ 2,415,019
Deferred interest charges on bond issuance	186,055
Total Deferred Outflows of Resources	<u>\$ 2,601,074</u>
 Liabilities	
Current liabilities	
Accounts payable	\$ 185,199
Accrued payroll and other liabilities	738,904
Accrued interest	155,240
Provision for uncollectible taxes	18,000
Long-term debt, due within one year	1,567,165
Total current liabilities	<u>\$ 2,664,508</u>
Noncurrent liabilities	
Long-term debt, due in more than one year	\$ 16,894,468
Net pension liability	13,804,730
Total noncurrent liabilities	<u>\$ 30,699,198</u>
Total Liabilities	<u>\$ 33,363,706</u>
 Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	<u>\$ 45,725</u>
 Net Position (Deficit)	
Net investment in capital assets	\$ 5,214,551
Restricted for:	
Capital projects	196,691
Recreation	152,264
Debt service	810,671
Unrestricted	<u>(9,777,474)</u>
Total Net Position (Deficit)	<u>\$ (3,403,297)</u>

See accompanying notes to the financial statements.

BRIDGMAN PUBLIC SCHOOL DISTRICTSTATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants/ Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Primary government - Governmental activities:				
Instruction	\$ 6,930,119	\$ -	\$ 1,499,685	\$ (5,430,434)
Support services	3,145,663	-	64,572	(3,081,091)
Food services	457,684	262,051	251,298	55,665
Recreation	600,703	41,071	-	(559,632)
Athletics	412,473	95,115	-	(317,358)
Interest on long-term debt	926,065	-	701,858	(224,207)
Depreciation (unallocated)	1,099,879	-	-	(1,099,879)
	<u>\$ 13,572,586</u>	<u>\$ 398,237</u>	<u>\$ 2,517,413</u>	<u>\$ (10,656,936)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				\$ 8,806,216
Property taxes, levied for recreational purposes				639,272
Property taxes, levied for debt service purposes				1,544,516
Property taxes, levied for capital project purposes				130,891
State aid not restricted to specific purposes				113,954
Interest and investment earnings				22,820
Other				73,285
Total general revenues				<u>\$ 11,330,954</u>
Change in Net Position				\$ 674,018
Net Position (Deficit) - beginning of year				<u>(4,077,315)</u>
Net Position (Deficit) - end of year				<u>\$ (3,403,297)</u>

See accompanying notes to the financial statements.

BRIDGMAN PUBLIC SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General Fund</u>	<u>Debt Service Fund - QSCB and 2015 Refunding Bonds</u>	<u>Other Non-major Governmental Funds</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 1,960,687	\$ 778,869	\$ 623,946	\$ 3,363,502
Due from other governmental units	281,210	-	2,927	284,137
Due from other governmental funds	148,549	15,160	106	163,815
Inventories	30,965	-	10,666	41,631
Prepaid expenditures	116,549	-	-	116,549
Total Assets	<u>\$ 2,537,960</u>	<u>\$ 794,029</u>	<u>\$ 637,645</u>	<u>\$ 3,969,634</u>
Liabilities				
Accounts payable	\$ 114,854	\$ -	\$ 70,345	\$ 185,199
Accrued salaries and other liabilities	738,904	-	-	738,904
Provision for uncollectible taxes	18,000	-	-	18,000
Due to other governmental funds	106	106	163,603	163,815
Total Liabilities	<u>\$ 871,864</u>	<u>\$ 106</u>	<u>\$ 233,948</u>	<u>\$ 1,105,918</u>
Fund Balances				
Non-spendable - inventories	\$ 30,965	\$ -	\$ 10,666	\$ 41,631
Non-spendable - prepaid items	116,549	-	-	116,549
Restricted for capital projects	-	-	196,691	196,691
Restricted for debt retirement	-	793,923	16,748	810,671
Restricted for food service	-	-	27,328	27,328
Restricted for recreation	-	-	152,264	152,264
Unassigned	1,518,582	-	-	1,518,582
Total Fund Balances	<u>\$ 1,666,096</u>	<u>\$ 793,923</u>	<u>\$ 403,697</u>	<u>\$ 2,863,716</u>
Total Liabilities and Fund Balances	<u>\$ 2,537,960</u>	<u>\$ 794,029</u>	<u>\$ 637,645</u>	<u>\$ 3,969,634</u>

See accompanying notes to the financial statements.

BRIDGMAN PUBLIC SCHOOL DISTRICT**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2016**

Total Fund Balances - Governmental Funds **\$ 2,863,716**

Amounts reported for governmental activities in the statement
of net position are different because:

Accrued federal receivable for interest subsidy related to the 2010 QSCB bond
issuance that will be received after 60 days but earned by June 30, 2016. 109,112

Capital assets used in governmental activities are not financial
resources and are not reported in the funds.

Cost of the capital assets 36,610,647
Accumulated depreciation (13,120,518)

Deferred outflows of resources related to pension contributions made after
measurement date. 1,122,287

Deferred outflows of resources related to pensions 1,292,732

Long-term liabilities are not due and payable in the current
period and are not reported in the funds.

Bonds payable (18,255,000)
Unamortized premiums (206,633)

Net pension liability (13,804,730)

Accrued interest on long-term debt is not included as a liability in
governmental funds, it is recorded when paid. (155,240)

Deferred interest charges from bond refundings are not capitalized in the
governmental funds. 186,055

Deferred inflows of resources related to pension changes in assumptions and
in differences between projected and actual earnings on pension plan investments. (45,725)

Total Net Position (Deficit) - Governmental Activities **\$ (3,403,297)**

See accompanying notes to the financial statements.

BRIDGMAN PUBLIC SCHOOL DISTRICT

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

	<u>General Fund</u>	<u>Debt Service Fund - QSCB and 2015 Refunding Bonds</u>	<u>Other Non-major Governmental Funds</u>	<u>Total</u>
Revenues				
Property taxes	\$ 8,806,216	\$ 1,336,033	\$ 978,646	\$ 11,120,895
Local sources	167,077	-	303,122	470,199
State sources	1,343,268	-	17,381	1,360,649
Federal sources	171,449	721,918	233,917	1,127,284
Intermediate sources	164,817	-	-	164,817
Earnings on investments	21,441	869	510	22,820
Total Revenues	<u>\$ 10,674,268</u>	<u>\$ 2,058,820</u>	<u>\$ 1,533,576</u>	<u>\$ 14,266,664</u>
Expenditures				
Instruction and instructional support services	\$ 6,845,669	\$ -	\$ -	\$ 6,845,669
Supporting services	3,468,862	-	457,164	3,926,026
Recreation	-	-	600,703	600,703
Debt service				
Principal	-	1,150,000	335,000	1,485,000
Interest	-	892,887	61,443	954,330
Intergovernmental payments	22,457	-	-	22,457
Capital outlay	-	-	57,677	57,677
Total Expenditures	<u>\$ 10,336,988</u>	<u>\$ 2,042,887</u>	<u>\$ 1,511,987</u>	<u>\$ 13,891,862</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 337,280</u>	<u>\$ 15,933</u>	<u>\$ 21,589</u>	<u>\$ 374,802</u>
Other Financing Sources (Uses)				
Operating transfers in	\$ 165,000	\$ -	\$ 160,387	\$ 325,387
Operating transfers out	(160,387)	-	(165,000)	(325,387)
Proceeds from refinancing debt	-	3,605,000	-	3,605,000
Premium from debt	-	208,302	-	208,302
Payment to debt escrow agent - principal	-	(3,675,000)	-	(3,675,000)
Payment to debt escrow agent - bond cost	-	(273,302)	-	(273,302)
Total Other Financing Sources (Uses)	<u>\$ 4,613</u>	<u>\$ (135,000)</u>	<u>\$ (4,613)</u>	<u>\$ (135,000)</u>
Net Change in Fund Balances	\$ 341,893	\$ (119,067)	\$ 16,976	\$ 239,802
Fund Balances - Beginning of year	1,324,203	912,990	386,721	2,623,914
Fund Balances - End of year	<u>\$ 1,666,096</u>	<u>\$ 793,923</u>	<u>\$ 403,697</u>	<u>\$ 2,863,716</u>

See accompanying notes to the financial statements.

BRIDGMAN PUBLIC SCHOOL DISTRICT**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balances - Total Governmental Funds	\$ 239,802
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	(1,099,879)
Capital outlay	57,677
Accrued federal receivable for interest subsidy related to the 2010 QSCB bond issuance that will be received after 60 days but earned by June 30, 2016.	(20,060)
Repayment of bond principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	5,160,000
Bond proceeds are reported as other financing source revenue in the governmental funds, but are reported as long-term liabilities in the statement of net position.	(3,605,000)
Bond premiums are reported as other financing source revenue in the governmental funds, but are recorded as liabilities in the statement of net position.	(208,302)
Change in pension expense related to pension plan	(74,332)
Amortization expense for bond premium	12,165
Current year increase in the deferred interest charges associated with the issuance of the 2015 refunding bonds	195,847
Current year use of deferred interest charges associated with the issuance of the 2015 refunding bonds	(9,792)
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.	<u>25,892</u>
Change in Net Position (Deficit) of Governmental Activities	<u><u>\$ 674,018</u></u>

See accompanying notes to the financial statements.

BRIDGMAN PUBLIC SCHOOL DISTRICT

FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

	<u>Agency Fund- Student Activities</u>
Assets	
Cash and cash equivalents	\$ 108,059
Liabilities	
Due to student groups	\$ 108,059

See accompanying notes to the financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Bridgman Public School District (the “School District”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units and with the rules prescribed in the accounting manual by the Michigan Department of Education. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (“GASB”) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District’s reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

District-Wide and Fund Financial Statements

The District-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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. All of the School District’s government-wide activities are considered governmental activities.

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

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

District-Wide Statements – The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

District-Wide Statements (concluded) – Revenue is 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 revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of inter-fund activity has been eliminated from the district-wide financial statements.

Fund Based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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. 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 severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

The General Fund is the School District's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in other funds.

Debt Service Fund - QSCB and 2015 Refunding Bonds is the fund that accounts for the accumulation of resources for, and the payments of, the long-term debt principal, interest, and other related costs of the 2010 QSCB bond and 2015 Refunding Bonds issued.

Additionally, the School District reports the following fund types:

The Special Revenue Funds are funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The Special Revenue Funds maintained by the School District are the Recreation and Food Services Funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Concluded)**

Capital Projects Funds are used to account for financial resources that are restricted for capital outlays, including the acquisition or construction of capital facilities and other capital assets. As of June 30, 2016, the capital projects funds maintained by the School District are the Sinking Fund, the 2012 Capital Projects Fund, the Capital Projects 2010 BAB Fund, and the Capital Projects 2010 QSCB Fund.

Debt Service Funds are used to account for the accumulation of resources for, and the payments of, the long-term debt principal, interest, and other related costs. As of June 30, 2016, the debt service funds maintained by the School District are the Debt Service Fund – 2012 Building and Site Bonds, and the Debt Service Fund.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net position and results of operations are not included in the district-wide statements. Agency Funds are custodial in nature and do not involve measurement of results of operations.

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

Property tax and other trade receivables are shown for the School District. An allowance for uncollectible amounts is determined annually and is recorded as a liability on the statement of net position. For the School District, taxpayers in the city of Bridgman and Lake Charter, Baroda, and Lincoln Townships, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 for 100 percent of the taxes which are due September 15. The final collection date is February 28, after which uncollected taxes are added to the Berrien County delinquent tax rolls.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (Continued)**

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The School 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 categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Inventories – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 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 market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The School District does not have infrastructure type assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years
Land Improvements	10-20 years

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (Continued)**

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.

Compensated Absences – Employees are allowed to accrue varying amounts of sick leave each year depending on employee classification. However, no liability for unused sick leave is accrued as such amounts cannot be reasonably estimated as compensation for future absences are contingent upon absences being caused by future illness. Vacation accruals have been recorded in the financial statements for those employees who earn and are allowed to accrue and be paid for unused vacation upon termination.

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 a future period(s) and will not be recognized as an inflow of sources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, for long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available.

Fund Equity – In accordance with the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District report fund balance using the following classifications: non spendable, restricted, committed, assigned and unassigned.

The following are definitions for the five fund balance classifications:

Non-spendable fund balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. As of June 30, 2016, the following fund balances were classified as non-spendable: \$41,631 for inventories and \$116,549 for prepaid items.

Restricted fund balance – includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively, restrictions may be changed or lifted only with the consent of resource providers. As of June 30, 2016, the following fund balances have been restricted: \$196,691 for capital projects, \$810,671 for debt retirement, \$27,328 for food services, and \$152,264 for recreation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (Concluded)**

Committed fund balance – includes amounts that can be used only for specific purposes determined by a formal action of the government’s highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed constraint originally. As of June 30, 2016, none of the School District’s governmental fund balance was classified as committed.

Assigned fund balance – includes amounts that are constrained by the government’s intent to be used for a specific purpose, but are neither restricted nor committed. As of June 30, 2016, none of the School District’s governmental fund balances was classified as assigned.

Unassigned fund balance – is the residual classification for General Fund. This classification represents governmental fund balances that have not been assigned to other funds or that have not been restricted, committed, or assigned to specific purposes within the respective governmental fund balances. As of June 30, 2016, \$1,518,582 of the governmental fund balances was classified as unassigned.

The School District board has adopted a formal fund balance policy. When multiple components of fund balance are available for the same expenditure (for example, a project has both restricted and unrestricted funds available for it), spending will occur in this order – restricted, committed, assigned and unassigned.

Comparative Data – Comparative data is not included in the School District’s financial statements.

Estimates – The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, deferred outflows, liabilities, deferred inflows, revenues and expenses.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles and state law for the general fund. All annual appropriations lapse at fiscal year-end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year-end; the commitments will be re-appropriated and honored during the subsequent year. There were no encumbrances at year end.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONCLUDED)

Excess of Expenditures Over Appropriations in Budgeted Funds – The School District had expenditures that exceeded appropriations in the following budgeted functions:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<i>General Fund</i>			
Supporting services			
Instructional staff	\$ 337,064	\$ 342,903	\$ 5,839
General administration	238,285	241,888	3,603
School administration	643,059	644,446	1,387
Athletics	383,610	411,432	27,822
Transportation	251,993	255,090	3,097

Net Deficit – As of June 30, 2016, the District-Wide Statement of Net Position had a cumulative net deficit of \$3,403,297.

NOTE 3. DEPOSITS AND INVESTMENTS

At year-end, the School District’s deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total Primary Government</u>
Cash and cash equivalents	<u>\$ 3,363,502</u>	<u>\$ 108,059</u>	<u>\$ 3,471,561</u>

Bank Deposits: All cash of the School District is on deposit with financial institutions which provide FDIC insurance coverage.

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. As of June 30, 2016, \$2,818,220 of the School District’s bank balances of \$3,568,220 was exposed to custodial credit risk, because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the School District’s name.

NOTE 3. DEPOSITS AND INVESTMENTS (CONCLUDED)

Investments: Michigan law permits investments in: 1) Bonds and other obligations of the United States Governments, 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively, 3) Certain commercial paper, 4) United States Government repurchase agreements, 5) Banker's acceptance of the United States Bank, and 6) Certain mutual funds. The School District has put further restrictions on those investments through its current policy. As of June 30, 2016, the School District had no investments.

Interest Rate Risk: In accordance with its investment policy, the School 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 School 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 ("NRSRO's"). As of June 30, 2016, the School District had no investments.

Concentration of Credit Risk: The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School 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. As of June 30, 2016, the School District had no investments.

Custodial Credit Risk – Investments: For an Investment, this is the risk that in the event of bank failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2016, the School District had no investments.

NOTE 4. RECEIVABLES AND PAYABLES

Receivables as of year-end for the School District's individual major funds, and the non-major funds and fiduciary funds in the aggregate, including any allowance for uncollectible amounts are as follows:

	General Fund	Nonmajor Funds	Total
Receivables:			
Intergovernmental	\$ 281,210	\$ 2,927	\$ 284,137

Payables as of year-end for the School District's individual major funds, and the non-major and fiduciary funds in the aggregate, are as follows:

	General Fund	Nonmajor and Other Funds	Total
Payables:			
Trade	\$ 114,854	\$ 70,345	\$ 185,199

NOTE 5. CAPITAL ASSETS

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Assets not being depreciated:				
Land	\$ 151,100	\$ -	\$ -	\$ 151,100
Subtotal	\$ 151,100	\$ -	\$ -	\$ 151,100
Capital assets being depreciated:				
Building and building improvements	\$ 28,940,209	\$ 6,762	\$ -	\$ 28,946,971
Land improvements	3,385,171	38,858	-	3,424,029
Buses and other vehicles	1,224,412	-	-	1,224,412
Furniture and equipment	2,852,078	12,057	-	2,864,135
Subtotal	\$ 36,401,870	\$ 57,677	\$ -	\$ 36,459,547
Accumulated depreciation:				
Building and building improvements	\$ 9,223,036	\$ 665,222	\$ -	\$ 9,888,258
Land improvements	796,160	149,576	-	945,736
Buses and other vehicles	1,042,321	48,489	-	1,090,810
Furniture and equipment	959,122	236,592	-	1,195,714
Subtotal	\$ 12,020,639	\$ 1,099,879	\$ -	\$ 13,120,518
Net capital assets being depreciated	\$ 24,381,231			\$ 23,339,029
Net capital assets	\$ 24,532,331			\$ 23,490,129

Depreciation expense of \$1,099,879 was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Transfers were made from the general fund to the debt service fund to fund interest and principal payments on long-term debt. The recreation fund transfers monies to the general fund to offset costs incurred by the general fund. The food services fund transfers allocations of indirect costs to the general fund.

The amount due from the recreation fund to the general fund exists due to a temporary loan to that fund. The other amounts due between funds all arise from tax allocations.

The composition of interfund balances is as follows:

Due To/From Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Recreation Fund	\$ 148,443
	Debt Service Fund - QSCB and 2015	
General Fund	Refunding Bond	106
Debt Service Fund - QSCB and 2015	Debt Service Fund - 2012 Building and	
Refunding Bond	Site Bonds	15,160
Debt Service Fund - 2012 Building and		
Site Bonds	General Fund	106

Interfund Transfers:

Transfer In:	Transfer Out:	Amount
Debt Service Fund	General Fund	\$ 160,387
General Fund	Food Services Fund	25,000
General Fund	Recreation Fund	140,000

NOTE 7. LONG-TERM DEBT

The School District has issued bonds to provide for the improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
Bonds	\$ 19,810,000	\$3,605,000	\$(5,160,000)	\$ 18,255,000	\$ 1,555,000
Unamortized premiums	10,496	208,302	(12,165)	206,633	12,165
Total Long-Term Debt	\$ 19,820,496	\$3,813,302	\$(5,172,165)	\$ 18,461,633	\$ 1,567,165

NOTE 7. LONG-TERM DEBT (CONTINUED)

Governmental Activities:

General obligation bonds consist of:

\$1,770,000 - 2012 School Building and Site Bonds (general obligation - unlimited tax); payable in annual installments of \$100,000 to \$315,000 beginning May 1, 2012 through May 1, 2021; interest from 1.25% to 2.25%.	\$ 1,400,000
\$15,000,000 - 2010 School Building and Site Bonds, Series A, QSCB, (general obligation - unlimited tax); payable in installments of \$1,150,000 to \$1,175,000 beginning May 1, 2015 though May 1, 2027; interest from 3.8% to 6.50%	12,700,000
\$1,805,000 - 2007 School Building and Site Bonds (general obligation - limited tax); payable in annual installments of \$100,000 to \$190,000 beginning May 1, 2008 through May 1, 2019; interest at 4.00%.	550,000
\$3,605,000 - 2015 Refunding Bonds (general obligation - unlimited tax); payable in installments of \$72,100 to \$594,200 beginning May 1, 2016 though May 1, 2035; interest at 4.0%	<u>3,605,000</u>
	<u><u>\$ 18,255,000</u></u>

Annual debt service requirements to maturity for the bond and unamortized premiums are as follows:

	<i>Governmental Activities:</i>		
	Principal	Interest	Total
2017	\$ 1,555,000	\$ 931,438	\$ 2,486,438
2018	1,605,000	864,063	2,469,063
2019	1,625,000	786,264	2,411,264
2020	1,450,000	720,764	2,170,764
2021	1,465,000	651,914	2,116,914
2022-2026	5,775,000	2,204,652	7,979,652
2027-2031	2,975,000	689,376	3,664,376
2032-2035	1,805,000	180,800	1,985,800
Unamortized premiums	206,633	-	206,633
	<u>\$ 18,461,633</u>	<u>\$ 7,029,271</u>	<u>\$ 25,490,904</u>

NOTE 7. LONG-TERM DEBT (CONCLUDED)

Interest expense of \$926,065 was not charged to activities as the School District considers its debt impacts multiple activities and allocation is not practical. Future interest payments listed in the above schedules are presented gross, and have not been offset by the interest subsidy anticipated to be received by the federal government for the Qualified School Construction Bonds. The Qualified School Construction Bonds issued by the School District is a federal funded program that is not subject to Uniform Guidance audit requirements and are not required to be included in the Schedule of Expenditures of Federal Awards.

Defeased Debt – During the current year, the School District has defeased \$3,675,000 of unlimited tax refunding bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future interest and principal payments totaling \$6,299,786. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. As of June 30, 2016, the amount of defeased debt outstanding, but removed from the School District's financial statements, is \$3,675,000. The final payment date for the 2015 refunding bonds is May 1, 2035.

NOTE 8. RISK MANAGEMENT

The School 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 School District has purchased commercial insurance for health claims, workers' compensation and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9. PROVISION FOR UNCOLLECTIBLE PROPERTY TAXES

The Berrien County Treasurer's office assumes the responsibility of collecting delinquent real and personal property taxes. The County advances real property taxes in anticipation of collection, but it remits delinquent personal property taxes as it receives payment.

The Bridgman Public School District has been advised that it is responsible for repayment to the County, plus interest, of any uncollectible real property taxes.

Accordingly, a provision of \$18,000 for uncollectible real property taxes has been established to provide for such a repayment to the County.

NOTE 10. CAPITAL PROJECTS BOND EXPENDITURES

The 2012 Capital Projects Fund, the Capital Projects 2010 QSCB Fund, and the Capital Projects 2010 BAB Fund include 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 Section 1351a of the revised school code.

NOTE 10. CAPITAL PROJECTS BOND EXPENDITURES (CONCLUDED)

Beginning with the year of bond issuance, the School District reported the annual construction activity in the 2012 Capital Projects Fund, Capital Projects 2010 QSCB Fund, and Capital Projects 2010 BAB Fund. The projects for which the 2010 School Building and Site Bonds, Series A and B, were issued were considered complete on September 6, 2012, and the cumulative expenditures recognized for the construction period were \$15,045,202 and \$7,023,869, respectively. The project for which the 2012 School Building and Site Bonds were issued was considered complete on February 12, 2014, and the cumulative expenditures recognized for the project period were \$1,756,723.

NOTE 11. SINKING FUND EXPENDITURES

The Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of Section 1212 of the Revised School Code.

NOTE 12. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Plan Description – The School District is a participating employer in the Michigan Public School Employees' Retirement System (“MPERS” or “System”), a cost-sharing multi-employer plan, of which substantially all of the School District’s employees are covered. MPERS’s pension plan was established by the State of Michigan to provide retirement, survivor and disability benefits to public school employees. In addition, MPERS’s health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees’ Retirement Act. Financial statements, required supplementary information, and full actuarial assumptions of the MPERS plan are included in the MPERS’s comprehensive annual financial report. Copies of the report can be obtained by writing to 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

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 are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. 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.

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. 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.

NOTE 12. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Member Contributions – Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when 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. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987, through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

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

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

Employer Contributions – Each School District or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits.

NOTE 12. MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

Contributions – The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided." Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature. Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability.

Normal cost is funded on a current basis. For retirement and OPEB benefits, 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. The schedule below summarizes pension contribution rates in effect for fiscal year 2015.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0-4.0%	22.52-23.07%
Member Investment Plan	3.0-7.0%	22.52-23.07%
Pension Plus	3.0-6.4%	21.99%
Defined Contribution	0.00%	17.72-18.76%

Proportionate Share of Reporting Unit’s Net Pension Liability – At June 30, 2016, the School District reported a liability of \$13,804,730 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 30, 2014. The School 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. At September 30, 2015, the School District’s proportion was 0.05652 percent, which was an increase of 0.00464 percent from its proportion measured as of September 30, 2014.

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:

NOTE 12. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.9%
% Alternative Investment Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	0.9%
Real Estate and Infrastructure Pools	10.0%	4.3%
Absolute Return Pools	15.5%	6.0%
Short Term Investment Pools	2.0%	0.0%
TOTAL	100.0%	

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

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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the School 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 School 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 point higher:

1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%
\$ 17,797,835	\$ 13,804,730	\$ 10,438,378

NOTE 12. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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.

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.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2014, rolled forward
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):	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Healthcare Cost Trend Rate:	8.5% Year 1 graded to 3.5% Year 12

Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. 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.

NOTE 12. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The 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.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.7158
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report (www.michigan.gov/mpsers-cafr)

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2016, the School District recognized total pension expense of \$1,404,260. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 45,725
Changes of assumptions	339,902	-
Net difference between projected and actual earnings on pension plan investments	70,462	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	882,368	-
School District contributions subsequent to the measurement date*	1,122,287	-
Total	<u>\$ 2,415,019</u>	<u>\$ 45,725</u>

*This amount, reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Year Ending June 30	Amount:
2016	\$ 276,202
2017	276,202
2018	257,772
2019	436,831
	<u>\$ 1,247,007</u>

Payables to the Pension Plan – As of June 30, 2016, the School District has payables to the MPSERS pension plan of \$77,504 for the outstanding amount of contributions due to the pension plan required for the year ended June 30, 2016.

NOTE 12. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONCLUDED)

MPSERS Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR.

Post-Employment Benefits Other than Pensions - Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverage's contribute an amount equivalent to the monthly cost for Part B Medicare and 20 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for post-employment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above. The School District's contribution rates vary depending on which plan the employee is enrolled in. For the period of July 1, 2014 to September 30, 2014 the contribution rates ranged from 5.52% to 6.45% of covered payroll. For the period of October 1, 2014 to September 30, 2015, the contribution rates ranged from 2.20% to 2.71% of covered payroll. The School District's contributions to the MPSERS plan for retiree healthcare benefits for the years ended June 30, 2016, 2015, and 2014 were \$279,217, \$196,691, and \$348,334, respectively.

NOTE 13. OTHER BENEFITS

In addition to the pension benefits described in Note 12, the School District also provides 403(b) tax deferred annuity plans. All employees are eligible to participate in the plans and are fully vested immediately for all contributions.

The School District is also able to offer a tax deferred "buy-in" program for years of service for all eligible employees in the state-provided pension plan. The percentage rate for the employee's contribution was calculated based on the previous year's salary and age.

NOTE 14. SUMMARY OF FEDERAL REVENUES RECEIVED

Financial Statement Reporting Units:	
General Fund	\$ 171,449
Debt Service Fund - QSCB and 2015 Refunding Bond	721,918
Non-major Fund - Food Services Fund	233,917
Total Federal Revenues reported in Financial Statement Audit	<u>\$ 1,127,284</u>
Less Federal Revenues that are excluded from Uniform Guidance consideration:	
Federal interest subsidy in debt service fund	(721,918)
Total Uniform Guidance regulated Federal Revenue*	<u><u>\$ 405,366</u></u>

* Since the federal funding received and expended is below the \$750,000 threshold for purposes of 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"), the School District did not have a single audit for the year ended June 30, 2016.

NOTE 15. SUBSEQUENT EVENTS

The School District has evaluated subsequent events through October 10, 2016, the date of the financial statements were available to be issued. No events or transactions occurred during this period which require recognition or disclosure in the financial statements.

NOTE 16. UPCOMING PRONOUNCEMENTS

In March 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. The Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted for the 2017-2018 fiscal year.

In June 2016, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions ("OPEB") to their employees. This pronouncement applies to post-retirement health care provided to School District employees that is provided through MPSERS. This OPEB standard will require the School District to recognize on the face of the financial statements (district-wide statements) its proportionate share of the net OPEB liability related to its participation in the MPSERS plan. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The provisions of this statement are effective for School District's financial statements for the year ending June 30, 2018. The School District is currently evaluating what impact the standard will have on its financial statements once adopted.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement requires a brief description of the tax being abated; the authority under which tax abatements are provided; the mechanism by which taxes are being abated; provisions for recapturing abated taxes; gross dollar amount of taxes abated during the period; and commitments made by the government, other than to abate taxes, as part of the tax abatement agreement. The School District is currently evaluating the impact of this standard will have on the financial statements when adopted during the School District's 2016-2017 fiscal year.

**REQUIRED SUPPLEMENTARY
INFORMATION**

BRIDGMAN PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY SCHEDULE
BUDGETARY COMPARISON SCHEDULE — GENERAL FUND
YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual
Revenues			
Property taxes	\$ 8,807,140	\$ 8,804,154	\$ 8,806,216
Local sources	153,500	191,210	167,077
State sources	905,864	1,338,910	1,343,268
Federal sources	153,893	196,464	171,449
Intermediate sources	130,023	160,644	164,817
Earnings on investments	5,000	20,020	21,441
Total Revenues	<u>\$ 10,155,420</u>	<u>\$ 10,711,402</u>	<u>\$ 10,674,268</u>
Expenditures			
Instruction			
Basic programs	\$ 5,438,488	\$ 5,456,158	\$ 5,417,707
Added needs	1,356,158	1,330,674	1,302,606
Adult and continuing education	108,588	125,555	125,356
Supporting services			
Pupil	291,069	365,357	361,494
Instructional staff	347,178	337,064	342,903
General administration	228,926	238,285	241,888
School administration	644,812	643,059	644,446
Business services	313,366	336,741	324,267
Athletics	331,971	383,610	411,432
Operations and maintenance	766,660	902,600	887,342
Transportation	237,477	251,993	255,090
Debt service	-	-	-
Capital outlay	-	-	-
Intergovernmental payments	48,672	25,834	22,457
Total Expenditures	<u>\$ 10,113,365</u>	<u>\$ 10,396,930</u>	<u>\$ 10,336,988</u>
Excess of Revenues over Expenditures	<u>\$ 42,055</u>	<u>\$ 314,472</u>	<u>\$ 337,280</u>
Other Financing Sources (Uses)			
Operating transfers in	\$ 175,000	\$ 165,000	\$ 165,000
Operating transfers out	(162,521)	(160,387)	(160,387)
Total Other Financing Sources (Uses)	<u>\$ 12,479</u>	<u>\$ 4,613</u>	<u>\$ 4,613</u>
Net Change in Fund Balances	\$ 54,534	\$ 319,085	\$ 341,893
Fund Balances - Beginning of year	1,324,203	1,324,203	1,324,203
Fund Balances - End of year	<u>\$ 1,378,737</u>	<u>\$ 1,643,288</u>	<u>\$ 1,666,096</u>

BRIDGMAN PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BRIDGMAN PUBLIC SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30

	<u>2015</u>		<u>2014</u>
School District's proportion of net pension liability	0.05652%		0.05188%
School District's proportionate share of net pension liability	\$ 13,804,730	\$	11,426,867
School District's covered-employee payroll	\$ 4,874,967	\$	4,630,281
School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	283.18%		246.79%
Plan fiduciary net position as a percentage of total pension liability	63.17%		66.20%

BRIDGMAN PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BRIDGMAN PUBLIC SCHOOL DISTRICT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2014</u>
Statutorily required contributions	\$ 1,314,076	\$ 1,022,706
Contributions in relation to statutorily required contributions	<u>1,314,076</u>	<u>1,022,706</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 4,896,859	\$ 4,868,348
Contributions as a percentage of covered-employee payroll	26.84%	21.01%

BRIDGMAN PUBLIC SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION RELATED SCHEDULES
YEAR ENDED JUNE 30, 2016

Changes of benefit terms: There were no changes of benefit terms in the Plan year ended September 30, 2015.

Changes of assumptions: There were no changes of benefit assumptions in the Plan year ended September 30, 2015.

**OTHER SUPPLEMENTARY
INFORMATION**

BRIDGMAN PUBLIC SCHOOL DISTRICT

COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2016

	<u>Special Revenue Funds</u>			<u>Capital Projects Funds</u>			<u>Debt Service Funds</u>		<u>Total Non-Major Governmental Funds</u>
	<u>Recreation Fund</u>	<u>Food Services Fund</u>	<u>Sinking Fund</u>	<u>2012 Capital Projects Fund</u>	<u>Capital Projects 2010 BAB Fund</u>	<u>Capital Projects 2010 QSCB Fund</u>	<u>Debt Service Fund - 2012 Building and Site Bonds</u>	<u>Debt Service Fund</u>	
Assets									
Cash and cash equivalents	\$ 371,052	\$ 24,401	\$ 193,881	\$ 2,810	\$ -	\$ -	\$ 31,801	\$ 1	\$ 623,946
Due from other governmental units	-	2,927	-	-	-	-	-	-	2,927
Due from other governmental funds	-	-	-	-	-	-	106	-	106
Inventories	-	10,666	-	-	-	-	-	-	10,666
Total Assets	<u>\$ 371,052</u>	<u>\$ 37,994</u>	<u>\$ 193,881</u>	<u>\$ 2,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,907</u>	<u>\$ 1</u>	<u>\$ 637,645</u>
Liabilities									
Accounts payable	\$ 70,345	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,345
Due to other governmental funds	148,443	-	-	-	-	-	15,160	-	163,603
Total Liabilities	<u>\$ 218,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,160</u>	<u>\$ -</u>	<u>\$ 233,948</u>
Fund Balances									
Non-spendable - inventories	\$ -	\$ 10,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,666
Restricted for capital projects	-	-	193,881	2,810	-	-	-	-	196,691
Restricted for debt retirement	-	-	-	-	-	-	16,747	1	16,748
Restricted for food service	-	27,328	-	-	-	-	-	-	27,328
Restricted for recreation	152,264	-	-	-	-	-	-	-	152,264
Total Fund Balances	<u>\$ 152,264</u>	<u>\$ 37,994</u>	<u>\$ 193,881</u>	<u>\$ 2,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,747</u>	<u>\$ 1</u>	<u>\$ 403,697</u>
Total Liabilities and Fund Balances	<u>\$ 371,052</u>	<u>\$ 37,994</u>	<u>\$ 193,881</u>	<u>\$ 2,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,907</u>	<u>\$ 1</u>	<u>\$ 637,645</u>

BRIDGMAN PUBLIC SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Special Revenue Funds</u>			<u>Capital Projects Funds</u>			<u>Debt Service Funds</u>		<u>Total Non-Major Governmental Funds</u>
	<u>Recreation Fund</u>	<u>Food Services Fund</u>	<u>Sinking Fund</u>	<u>2012 Capital Projects Fund</u>	<u>Capital Projects 2010 BAB Fund</u>	<u>Capital Projects 2010 QSCB Fund</u>	<u>Debt Service Fund - 2012 Building and Site Bonds</u>	<u>Debt Service Fund</u>	
Revenues									
Property taxes	\$ 639,272	\$ -	\$ 130,891	\$ -	\$ -	\$ -	\$ 208,483	\$ -	\$ 978,646
Local sources	41,071	262,051	-	-	-	-	-	-	303,122
State sources	-	17,381	-	-	-	-	-	-	17,381
Federal sources	-	233,917	-	-	-	-	-	-	233,917
Earnings on investments	299	-	143	1	-	-	48	19	510
Total Revenues	<u>\$ 680,642</u>	<u>\$ 513,349</u>	<u>\$ 131,034</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,531</u>	<u>\$ 19</u>	<u>\$ 1,533,576</u>
Expenditures									
Supporting services	\$ -	\$ 457,164	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 457,164
Recreation	600,703	-	-	-	-	-	-	-	600,703
Debt service									
Principal payments	-	-	-	-	-	-	170,000	165,000	335,000
Interest	-	-	-	-	-	-	31,238	30,205	61,443
Capital outlay	-	-	44,094	12,056	2	1,525	-	-	57,677
Total Expenditures	<u>\$ 600,703</u>	<u>\$ 457,164</u>	<u>\$ 44,094</u>	<u>\$ 12,056</u>	<u>\$ 2</u>	<u>\$ 1,525</u>	<u>\$ 201,238</u>	<u>\$ 195,205</u>	<u>\$ 1,511,987</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ 79,939</u>	<u>\$ 56,185</u>	<u>\$ 86,940</u>	<u>\$ (12,055)</u>	<u>\$ (2)</u>	<u>\$ (1,525)</u>	<u>\$ 7,293</u>	<u>\$ (195,186)</u>	<u>\$ 21,589</u>
Other Financing Sources (Uses)									
Operating transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160,387	\$ 160,387
Operating transfers out	(140,000)	(25,000)	-	-	-	-	-	-	(165,000)
Total Other Financing Sources (Uses)	<u>\$ (140,000)</u>	<u>\$ (25,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,387</u>	<u>\$ (4,613)</u>
Net Change in Fund Balances	\$ (60,061)	\$ 31,185	\$ 86,940	\$ (12,055)	\$ (2)	\$ (1,525)	\$ 7,293	\$ (34,799)	\$ 16,976
Fund Balances - Beginning of year	212,325	6,809	106,941	14,865	2	1,525	9,454	34,800	386,721
Fund Balances - End of year	<u>\$ 152,264</u>	<u>\$ 37,994</u>	<u>\$ 193,881</u>	<u>\$ 2,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,747</u>	<u>\$ 1</u>	<u>\$ 403,697</u>

MANAGEMENT COMPLIANCE LETTER



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

To the Board of Education
Bridgman Public School District
Bridgman, 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 Bridgman Public School District (the “School District”), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements, and have issued our report thereon dated October 10, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School 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 School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School 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 deficiencies, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses, that we consider to be a significant deficiency. See financial statement finding 2016-001.

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIALS STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, CONCLUDED**

School District’s Response to Findings

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

Compliance and Other Matters

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

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.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
October 10, 2016

SECTION II – STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

2015-001.

Specific Requirement: Establishment and maintenance of internal controls over the financial reporting process.

Criteria: Internal controls should be in place to provide reasonable assurance to the School District that management prepare, monitor, and report annual financial activity without auditor intervention.

Condition: Personnel responsible for financial reporting have time and monetary constraints that require assistance in preparing the financial statements and related footnotes. The staff of the School District does understand all information included in the annual financial statements, but obtains assistance in the preparation.

Effect of Condition: The effect of this condition places a reliance on the independent auditor to be part of the School District’s internal controls over financial reporting.

Recommendation: The School District should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

Planned Action: We are aware of this deficiency. However, due to budgetary constraints, we have not developed these processes. We intend to re-evaluate if additional funding becomes available.

Questioned Cost: Unknown

Status of Comment: No change in status from prior year.

2015-002.

Specific Requirement: Segregation of duties amongst incompatible accounting functions.

Criteria: The School District should devise an organizational structure that will enable them to appropriately segregate incompatible accounting functions.

Condition: The School District lacks an appropriate segregation of certain incompatible duties with appropriate control objectives.

Effect of Condition: The effect of this condition subjects the School District to increased risk of misstatements within the financial statements and misappropriation of assets.

Recommendation: The School District should devise an organizational structure that will enable them to appropriately segregate incompatible accounting functions.

SECTION II – STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS (CONCLUDED)

2015-002. (Concluded)

Planned Action: We are aware of this deficiency. However, given the size of our entity and our available resources, it is difficult to provide for appropriate segregation of incompatible duties for all accounting functions. We will evaluate available options to administer limited segregation of duties for key accounting functions and ensure the continued close oversight by the Board of Education.

Questioned Cost: Unknown

Status of Comment: The School District has devised processes and procedures that appropriately and sufficiently segregate duties between incompatible accounting functions.

2015-003.

Specific Requirement: Material compliance with laws and regulations.

Criteria: The School District should properly complete monthly reconciliations of bank accounts and other significant balance sheet accounts.

Condition: Certain bank reconciliations were not performed in a timely manner. Monthly reconciliations were not performed for the due to/from accounts.

Effect of Condition: The effect of this condition is inaccurate trial balance amounts during certain times during the year.

Recommendation: The School District should improve its effort to implement and follow account reconciliation procedures. Those procedures should ensure the reconciliations are prepared and, if possible, reviewed in a timely manner on a monthly basis.

Planned Action: The School District will immediately develop and implement procedures to ensure that the reconciliations are prepared and reviewed in a timely manner on a monthly basis.

Questioned Cost: Unknown

Status of Comment: The School District has addressed this finding, and, in the current year, completed bank reconciliations and took steps to properly adjust balance sheet accounts in a timely manner.

SECTION III – FINANCIAL STATEMENT FINDINGS

2016-001. See prior financial statement finding 2015-001.