

BRIDGMAN PUBLIC SCHOOL DISTRICT

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FINANCIAL REPORT WITH SUPPLEMENTARY INFORMATION

JUNE 30, 2015

**BRIDGMAN PUBLIC SCHOOL DISTRICT**  
**Bridgman, Michigan**  
**June 30, 2015**

BOARD OF EDUCATION

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Shane Peters

BUSINESS MANAGER

Scott Knoll

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Bridgman Public School District

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, 2015, 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, 2015, 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.

### *Change in Accounting Principle*

As discussed in Note 14 to the financial statements, the District changed its method for accounting and financial reporting of pensions as a result of the adoption of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

David Schaffer, CPA  
Michael Layher, CPA  
*Founding Partners:*  
Morris McMurray, CPA  
Raymond Marks, CPA  
Jeff Edmunds, CPA

## 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 10, the budgetary comparison information on page 38, the Schedule of Bridgman Public School District's Proportionate Share of the Net Pension Liability on page 39, and the Schedule of Bridgman Public School District's Contributions on page 40 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.

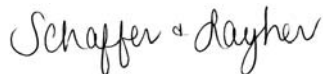
#### *Other Information*

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 26, 2015, 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.



Schaffer & Layher  
October 26, 2015

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, 2015 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, Debt Service Fund, Debt Service Fund – BAB and QSCB, 2012 Capital Projects Fund, Debt Service Fund – 2012 Building and Site Bonds, Sinking Fund, and the School Service 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 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 \$4,077,315 and \$4,823,997 as of June 30, 2015 and 2014, respectively. The net position of the District as of June 30, 2015 and 2014 is summarized in the table below:

	June 30, 2015	June 30, 2014*
<b>Assets</b>		
Cash and cash equivalents	\$ 3,022,113	\$ 3,371,606
Receivables	378,882	399,497
Net capital assets	24,532,331	25,287,312
Other assets	150,225	40,565
Total Assets	<u>\$ 28,083,551</u>	<u>\$ 29,098,980</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflows of resources from pensions	<u>\$ 907,381</u>	<u>\$ 681,364</u>
<b>Liabilities</b>		
Current liabilities	\$ 2,466,016	\$ 2,635,275
Noncurrent liabilities	29,760,613	31,969,066
Total Liabilities	<u>\$ 32,226,629</u>	<u>\$ 34,604,341</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources from pensions	<u>\$ 841,618</u>	<u>\$ -</u>
<b>Net Position (Deficit)</b>		
Net investment in capital assets	\$ 4,711,835	\$ 4,387,797
Restricted	1,299,711	1,168,912
Unrestricted	(10,088,861)	(10,380,706)
Total Net Position (Deficit)	<u>\$ (4,077,315)</u>	<u>\$ (4,823,997)</u>

\*June 30, 2014 has been restated for GASB 68 and 71 implementation.

**Analysis of Financial Position**

During fiscal year ended June 30, 2015, the District's net position increased by \$746,682. A few of the significant factors affecting net position during the year are discussed below:

## A. General Fund Operations

The District's revenues from General Fund operations exceeded expenditures by \$176,942 for the fiscal year ended June 30, 2015. See the section entitled Results of Operations, below, for further discussion of General Fund operations.



**Analysis of Financial Position (Continued)****B. Net Investment in Capital Assets**

The District's net investment in capital assets decreased by \$754,981 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	36,053,619	348,251	-	36,401,870
Less: Accumulated depreciation	<u>(10,917,407)</u>	<u>(1,103,232)</u>	-	<u>(12,020,639)</u>
Net capital assets	<u>\$ 25,287,312</u>	<u>\$ (754,981)</u>	<u>\$ -</u>	<u>\$ 24,532,331</u>

Current year capital additions of \$348,251 relate to spending from the 2012 Capital Projects Fund, the Capital Projects 2010 BAB fund, and the Sinking Fund. These assets relate to installing and equipping instructional technology for school facilities; equipping and remodeling school facilities; construction and improvement of athletic facilities, developing and improving sites, and capital repairs.

**C. Long-Term Debt**

During fiscal year 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, effective July 1, 2014. The School District is a participating employer in the Michigan Public School Employees' Retirement System ("MPERS"), a cost-sharing multi-employer plan. In connection with the implementation of these new standards, the School District recorded a net pension liability, and net position as of June 30, 2014 was required to be restated to reflect the required adjustments (See Note 14 to the basic financial statements).

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 \$100,000 of principal payments on these bonds in the current fiscal year.

**Analysis of Financial Position (Concluded)**

## C. Long-Term Debt (Concluded)

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. The District did not make any principal payments on the Build America Bonds in the current fiscal year.

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 \$160,000 related to these bonds.

**Results of Operations**

The District-wide results of operations for the fiscal years ended June 30, 2015 and 2014 are summarized in the table below:

	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
General Revenues		
Property taxes levied for general operations	\$ 8,289,901	\$ 7,428,288
Property taxes levied for recreational purposes	614,501	555,237
Property taxes levied for debt service purposes	1,484,667	1,421,405
Property taxes levied for capital project purposes	125,819	-
State aid not restricted to specific purposes	16,540	12,201
Other general revenues	84,576	125,917
Total general revenues	<u>\$ 10,616,004</u>	<u>\$ 9,543,048</u>
Operating Grants		
Federal	\$ 366,851	\$ 326,726
Federal QSCB and BAB bond interest subsidy	810,645	806,864
State of Michigan	1,044,869	928,403
Other operating grants	248,011	128,688
Total operating grants	<u>\$ 2,470,376</u>	<u>\$ 2,190,681</u>
Charges for Services		
Food services	\$ 246,397	\$ 218,945
Athletics	87,862	93,409
Recreation	50,603	36,076
Total charges for services	<u>\$ 384,862</u>	<u>\$ 348,430</u>
Total revenues	<u>\$ 13,471,242</u>	<u>\$ 12,082,159</u>
<b>Expenses</b>		
Instruction and instructional support	\$ 6,522,098	\$ 6,118,587
Support services	2,744,395	3,422,447
Food services	441,676	428,230
Recreation	436,331	408,026
Athletics	347,990	320,110
Interest on long-term debt	1,128,838	1,172,400
Depreciation	1,103,232	875,508
Total expenses	<u>\$ 12,724,560</u>	<u>\$ 12,745,308</u>
Change in Net Position	\$ 746,682	\$ (663,149)
Beginning Net Position	(4,823,997)	7,306,358
Effect of GASB 68 and 71 implementation (See Note 14)	-	(11,467,206)
Ending Net Position	<u>\$ (4,077,315)</u>	<u>\$ (4,823,997)</u>

**A. State of Michigan Unrestricted Aid (Net State Foundation Grant)**

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. 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. The District is currently evaluating the impact this may have in the upcoming fiscal years.

**Student Enrollment**

The District's student enrollment for the fall count of 2014-2015 was 928 students. The District's enrollment decreased by 43 students from the prior year's student count. The following summarizes fall student enrollments for the past five years:

Fiscal Year	Student FTE	FTE Change from Prior Year
2014-2015	928	(43)
2013-2014	971	(12)
2012-2013	983	(5)
2011-2012	988	(1)
2010-2011	989	6

Subsequent to year end June 30, 2015, preliminary student enrollments for 2015-2016 indicate that enrollments will likely increase by as many as 40 students.

**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 2014-2015 fiscal year was \$8,289,901. The non-homestead tax levy increased by 11.6 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:

Fiscal Year	Non-Homestead Tax Levy	% Change from Prior Year
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%
2010-2011	6,304,491	6.1%

Five Year Average Increase 6.92%

**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 2014-2015, the District's debt millage levies totaled 1.18 mills that generated revenue of \$1,484,667.

**D. Sinking Fund**

In 2014-2015 the District added a Sinking Fund to be used for capital repairs. The sinking fund levy is determined by the difference of 1.28 mills and the debt levy. For 2014-2015, this was .1 mills and resulted in Sinking Fund revenue of \$125,819. 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 stay at this rate until voted back or further reduced by another rollback. The levy generated revenue of \$614,501.

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

The District's food and milk sales to students and adults increased modestly, increasing by \$27,452 to \$246,397 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 \$6,036.

**General Fund Expenditures Budget Vs. Actual—Five Year History**

Fiscal Year	Expenditures			Variance:	Variance:
	Preliminary Budget	Expenditures Final Budget	Expenditures Final Audit	Audit vs. Prelim. Budget	Audit vs. Final Budget
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%
2010-2011	8,626,144	8,833,920	8,791,962	-1.92%	0.47%
Five Year Average (-Over/Under) Budget				-2.79%	-0.39%

**General Fund Revenues Budget Vs. Actual—Five Year History**

Fiscal Year	Revenues			Variance:	Variance:
	Preliminary Budget	Revenues Final Budget	Revenues Final Audit	Audit vs. Prelim. Budget	Audit vs. Final Budget
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%
2010-2011	8,423,534	9,130,773	9,089,560	7.91%	-0.45%
Five Year Average (Over/-Under) Budget				4.65%	0.40%

**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, Bridgman Public School District may amend its budget during the school year. For the 2014-2015 year, the District amended its original budget once in January 2015, and again in June 2015.

**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 DISTRICT****STATEMENT OF NET POSITION  
JUNE 30, 2015  
Governmental  
Activities****Assets**

## Current assets

Cash and cash equivalents	\$	3,022,113
Receivables		507
Due from other governmental units		378,375
Inventories		35,286
Prepaid expenditures		114,939
Total current assets	\$	3,551,220

## Noncurrent assets

Capital assets	\$	36,552,970
Less: accumulated depreciation		(12,020,639)
Net capital assets	\$	24,532,331
Total Assets	\$	28,083,551

**Deferred Outflows of Resources**

Pension contributions after measurement date	\$	907,381
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**Liabilities**

## Current liabilities

Accounts payable	\$	24,983
Accrued payroll and other liabilities		755,151
Accrued interest		181,132
Provision for uncollectible taxes		18,000
Long-term debt, due within one year		1,486,750
Total current liabilities	\$	2,466,016

## Noncurrent liabilities

Long-term debt, due in more than one year	\$	18,333,746
Net pension liability		11,426,867
Total noncurrent liabilities	\$	29,760,613
Total Liabilities	\$	32,226,629

**Deferred Inflows of Resources**

Deferred inflows of resources from pensions	\$	841,618
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**Net Position (Deficit)**

Net investment in capital assets	\$	4,711,835
Restricted for:		
Capital projects		123,333
Food service		6,809
Recreation		212,325
Debt service		957,244
Unrestricted		(10,088,861)
Total Net Position (Deficit)	\$	(4,077,315)

*See accompanying notes to the financial statements.*

**BRIDGMAN PUBLIC SCHOOL DISTRICT**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants/Contributions</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>
Primary government - Governmental activities:				
Instruction	\$ 6,522,098	\$ -	\$ 1,302,850	\$ (5,219,248)
Support services	2,744,395	-	128,820	(2,615,575)
Food services	441,676	246,397	228,061	32,782
Recreation	436,331	50,603	-	(385,728)
Athletics	347,990	87,862	-	(260,128)
Interest on long-term debt	1,128,838	-	810,645	(318,193)
Depreciation (unallocated)	1,103,232	-	-	(1,103,232)
	<u>\$ 12,724,560</u>	<u>\$ 384,862</u>	<u>\$ 2,470,376</u>	<u>\$ (9,869,322)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				\$ 8,289,901
Property taxes, levied for recreational purposes				614,501
Property taxes, levied for debt service purposes				1,484,667
Property taxes, levied for capital project purposes				125,819
State aid not restricted to specific purposes				16,540
Interest and investment earnings				3,695
Other				80,881
Total general revenues				<u>\$ 10,616,004</u>
<b>Change in Net Position</b>				\$ 746,682
<b>Net Position (Deficit) - beginning of year, as restated (Note 14)</b>				<u>(4,823,997)</u>
<b>Net Position (Deficit) - end of year</b>				<u><u>\$ (4,077,315)</u></u>

*See accompanying notes to the financial statements.*



**BRIDGMAN PUBLIC SCHOOL DISTRICT**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<u>General Fund</u>	<u>Debt Service Fund - BAB and QSCB</u>	<u>Other Non-major Governmental Funds</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,740,055	\$ 895,271	\$ 386,787	\$ 3,022,113
Receivables	77	-	430	507
Due from other governmental units	244,645	-	4,558	249,203
Due from other governmental funds	-	17,719	2,742	20,461
Inventories	30,654	-	4,632	35,286
Prepaid expenditures	114,939	-	-	114,939
Total Assets	<u>\$ 2,130,370</u>	<u>\$ 912,990</u>	<u>\$ 399,149</u>	<u>\$ 3,442,509</u>
<b>Liabilities</b>				
Accounts payable	\$ 23,141	\$ -	\$ 1,842	\$ 24,983
Accrued salaries and other liabilities	755,151	-	-	755,151
Provision for uncollectible taxes	18,000	-	-	18,000
Due to other governmental funds	9,875	-	10,586	20,461
Total Liabilities	<u>\$ 806,167</u>	<u>\$ -</u>	<u>\$ 12,428</u>	<u>\$ 818,595</u>
<b>Fund Balances</b>				
Non-spendable - inventories	\$ 30,654	\$ -	\$ 4,632	\$ 35,286
Non-spendable - prepaid items	114,939	-	-	114,939
Restricted for capital projects	-	-	123,333	123,333
Restricted for debt retirement	-	912,990	44,254	957,244
Restricted for food service	-	-	2,177	2,177
Restricted for recreation	-	-	212,325	212,325
Unassigned	1,178,610	-	-	1,178,610
Total Fund Balances	<u>\$ 1,324,203</u>	<u>\$ 912,990</u>	<u>\$ 386,721</u>	<u>\$ 2,623,914</u>
Total Liabilities and Fund Balances	<u>\$ 2,130,370</u>	<u>\$ 912,990</u>	<u>\$ 399,149</u>	<u>\$ 3,442,509</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, 2015**

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 2,623,914</b>
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 and BAB bond issuances that will be received after 60 days but earned by June 30, 2015.	129,172
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
Cost of the capital assets	36,552,970
Accumulated depreciation	(12,020,639)
Deferred outflows of resources related to pension contributions made after measurement date.	907,381
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Bonds payable	(19,810,000)
Unamortized premiums	(10,496)
Net pension liability	(11,426,867)
Accrued interest on long-term debt is not included as a liability in governmental funds, it is recorded when paid.	(181,132)
Deferred inflows of resources related to pension changes in assumptions and in differences between projected and actual earnings on pension plan investments.	(841,618)
<b>Total Net Position (Deficit) - Governmental Activities</b>	<b><u><u>\$ (4,077,315)</u></u></b>

*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, 2015

	<u>General Fund</u>	<u>Debt Service Fund - BAB and QSCB</u>	<u>Other Non-major Governmental Funds</u>	<u>Total</u>
<b>Revenues</b>				
Property taxes	\$ 8,289,901	\$ 1,358,848	\$ 866,139	\$ 10,514,888
Local sources	168,743	-	297,000	465,743
State sources	1,046,943	-	14,466	1,061,409
Federal sources	153,256	815,344	213,595	1,182,195
Intermediate sources	248,011	-	-	248,011
Earnings on investments	1,740	1,351	604	3,695
Total Revenues	<u>\$ 9,908,594</u>	<u>\$ 2,175,543</u>	<u>\$ 1,391,804</u>	<u>\$ 13,475,941</u>
<b>Expenditures</b>				
Current:				
Instruction and instructional support services	\$ 6,574,316	\$ -	\$ -	\$ 6,574,316
Supporting services	3,121,070	-	443,484	3,564,554
Recreation	-	-	436,331	436,331
Debt service				
Principal	-	1,150,000	260,000	1,410,000
Interest	-	1,071,551	68,420	1,139,971
Intergovernmental payments	36,266	-	-	36,266
Capital outlay	-	-	348,251	348,251
Total Expenditures	<u>\$ 9,731,652</u>	<u>\$ 2,221,551</u>	<u>\$ 1,556,486</u>	<u>\$ 13,509,689</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 176,942</u>	<u>\$ (46,008)</u>	<u>\$ (164,682)</u>	<u>\$ (33,748)</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	\$ 165,000	\$ -	\$ 160,883	\$ 325,883
Operating transfers out	(160,883)	-	(165,000)	(325,883)
Total Other Financing Sources (Uses)	<u>\$ 4,117</u>	<u>\$ -</u>	<u>\$ (4,117)</u>	<u>\$ -</u>
Net Change in Fund Balances	\$ 181,059	\$ (46,008)	\$ (168,799)	\$ (33,748)
Fund Balances - Beginning of year	1,143,144	958,998	555,520	2,657,662
Fund Balances - End of year	<u>\$ 1,324,203</u>	<u>\$ 912,990</u>	<u>\$ 386,721</u>	<u>\$ 2,623,914</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, 2015**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (33,748)</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(1,103,232)
Capital outlay	348,251
Accrued federal receivable for interest subsidy related to the 2010 QSCB and BAB bond issuances that will be received after 60 days but earned by June 30, 2015.	(4,699)
Repayment of long-term debt principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Bond principal repayments	1,410,000
Payment of capital lease obligations is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).	12,875
Change in pension expense related to pension plan	106,102
Amortization expense for bond premium	1,750
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.	<u>9,383</u>
<b>Change in Net Position (Deficit) of Governmental Activities</b>	<b><u><u>\$ 746,682</u></u></b>

*See accompanying notes to the financial statements.*

**BRIDGMAN PUBLIC SCHOOL DISTRICT**

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FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2015

	<u>Agency Fund- Student Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 99,090
	<hr/> <hr/>
<b>Liabilities</b>	
Due to student groups	\$ 99,090
	<hr/> <hr/>

*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 - BAB and QSCB** 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 BAB and QSCB bonds issued.

Additionally, the District reports the following fund types:

**The School Service Funds** are special revenue funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of these funds. The School Service 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, 2015, 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, 2015, the capital projects 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 Bridgman Public 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 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, 2015, the following fund balances were classified as non-spendable: \$35,286 for inventories and \$114,939 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, 2015, the following fund balances have been restricted: \$123,333 for capital projects, \$957,244 for debt retirement, \$2,177 for food service, and \$212,325 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, 2015, 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, 2015, 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, 2015, \$1,178,610 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>			
Instruction			
Added needs	\$ 1,314,565	\$ 1,320,546	\$ 5,981
Supporting services			
Pupil	202,483	213,706	11,223
School administration	622,961	643,420	20,459
Athletics	330,743	348,788	18,045
Transportation	304,238	312,679	8,441

**Net Deficit** – As of June 30, 2015, the District-Wide Statement of Net Position had a cumulative net deficit of \$4,077,315.

**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	\$ 3,022,113	\$ 99,090	\$ 3,121,203

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts)	\$ 1,808,718
Money market	1,312,485
	<u>\$ 3,121,203</u>

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

**NOTE 3. DEPOSITS AND INVESTMENTS (CONCLUDED)**

**Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2015, \$2,858,939 of the School District's bank balances of \$3,422,083 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.

**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, 2015, the School District had no investments.

**Interest Rate Risk:** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the 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, 2015, 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, 2015, 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, 2015, 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:

	<u>General Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:			
Intergovernmental	\$ 244,645	\$ 4,558	\$ 249,203
Trade	77	430	507
	<u>\$ 244,722</u>	<u>\$ 4,988</u>	<u>\$ 249,710</u>

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:

	<u>General Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Payables:			
Trade	<u>\$ 23,141</u>	<u>\$ 1,842</u>	<u>\$ 24,983</u>

**NOTE 5. CAPITAL ASSETS**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
Assets not being depreciated:				
Land	\$ 151,100	\$ -	\$ -	\$ 151,100
Subtotal	<u>\$ 151,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,100</u>
Capital assets being depreciated:				
Building and building improvements	\$ 28,610,774	\$ 329,435	\$ -	\$ 28,940,209
Land improvements	3,366,355	18,816	-	3,385,171
Buses and other vehicles	1,224,412	-	-	1,224,412
Furniture and equipment	2,852,078	-	-	2,852,078
Subtotal	<u>\$ 36,053,619</u>	<u>\$ 348,251</u>	<u>\$ -</u>	<u>\$ 36,401,870</u>
Accumulated depreciation:				
Building and building improvements	\$ 8,557,983	\$ 665,053	\$ -	\$ 9,223,036
Land improvements	641,525	154,635	-	796,160
Buses and other vehicles	993,832	48,489	-	1,042,321
Furniture and equipment	724,067	235,055	-	959,122
Subtotal	<u>\$ 10,917,407</u>	<u>\$ 1,103,232</u>	<u>\$ -</u>	<u>\$ 12,020,639</u>
Net capital assets being depreciated	<u>\$ 25,136,212</u>			<u>\$ 24,381,231</u>
Net capital assets	<u>\$ 25,287,312</u>			<u>\$ 24,532,331</u>

Depreciation expense of \$1,103,232 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 amounts due from the general fund to the recreation fund, debt service fund – BAB & QSCB, and debt service fund – 2012 building and site bonds, as well as the amount due from debt service fund – 2012 building and site bonds to debt service fund – BAB & QSCB, all arise from tax allocations.

The composition of interfund balances is as follows:

**Due To/From Other Funds:**

Receivable Fund	Payable Fund	Amount
Recreation Fund	General Fund	\$ 2,006
Debt Service Fund - BAB and QSCB	General Fund	7,133
Debt Service Fund - BAB and QSCB	Debt Service Fund - 2012 Building and Site Bonds	10,586
Debt Service Fund - 2012 Building and Site Bonds	General Fund	736

**Interfund Transfers:**

Transfer In:	Transfer Out:	Amount
Debt Service Fund	General Fund	\$ 160,883
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	\$ 21,220,000	\$ -	\$(1,410,000)	\$ 19,810,000	\$ 1,485,000
Unamortized premiums	12,246	-	(1,750)	10,496	1,750
Capital lease obligation	12,875	-	(12,875)	-	-
<b>Total Long-Term Debt</b>	<b>\$ 21,245,121</b>	<b>\$ -</b>	<b>\$(1,424,625)</b>	<b>\$ 19,820,496</b>	<b>\$ 1,486,750</b>

**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%.	\$ 1,570,000
\$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 through May 1, 2027; interest from 3.8% to 6.50%	13,850,000
\$7,000,000 - 2010 School Building and Site Bonds, Series B, BAB, (general obligation - unlimited tax); payable in installments of \$450,000 to \$1,125,000 beginning May 1, 2012 through May 1, 2014 and May 1, 2028 through May 1, 2035; interest from 1.75% to 6.50%	3,675,000
\$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%.	<u>715,000</u>
	<u><u>\$ 19,810,000</u></u>

Annual debt service requirements to maturity for the bond and capital lease obligations are as follows:

*Governmental Activities:*

	Principal	Interest	Total
2016	\$ 1,485,000	\$ 1,085,290	\$ 2,570,290
2017	1,555,000	1,026,114	2,581,114
2018	1,605,000	958,739	2,563,739
2019	1,625,000	880,940	2,505,940
2020	1,450,000	815,440	2,265,440
2021-2025	6,065,000	3,032,996	9,097,996
2026-2030	3,700,000	1,335,756	5,035,756
2031-2035	2,325,000	458,254	2,783,254
	<u>\$ 19,810,000</u>	<u>\$ 9,593,529</u>	<u>\$ 29,403,529</u>



**NOTE 7. LONG-TERM DEBT (CONCLUDED)**

Interest expense of \$1,128,838 was not charged to activities as the School 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 Build America Bonds and Qualified School Construction Bonds. The Build America Bonds and Qualified School Construction Bonds issued by the School District are federal ARRA funded programs that are not subject to A-133 audit requirements and are not required to be included in the Schedule of Expenditures of Federal Awards.

**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, 2013, 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. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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.

**Contributions and Funding Status** – 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.

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

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, 2014 valuation will be amortized over a 22 year period for the 2014 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2014.

<b>Pension Contribution Rates</b>		
<b>Benefit Structure</b>	<b>Member</b>	<b>Employer</b>
Basic	0.0-4.0%	18.34-19.61%
Member Investment Plan	3.0-7.0%	18.34-19.61%
Pension Plus	3.0-6.4%	18.11%
Defined Contribution	0.00%	15.44-16.61%

**Proportionate Share of Reporting Unit’s Net Pension Liability** – At June 30, 2015, the School District reported a liability of \$11,426,867 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The School District’s proportionate share of the net pension liability was based on statutorily required contributions in relation to all reporting units' statutorily required contributions for the measurement period. At September 30, 2014, the School District’s proportionate share percent was .05188 percent.

Year one MPSERS GASB Statement No. 68 implementation recognizes a 0.00% change in the reporting unit's proportionate share between beginning net pension liability and ending net pension liability.

**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, 2014, 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%	4.8%
% Alternative Investment Pools	18.0%	8.5%
International Equity	16.0%	6.1%
Fixed Income Pools	10.5%	1.5%
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return Pools	15.5%	6.3%
Short Term Investment Pools	2.0%	-0.2%
<b>TOTAL</b>	<u>100.0%</u>	

\*Long term rate of return does not include 2.5% inflation

**Rate of Return** – For the fiscal year ended September 30, 2014, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 12.58%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**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). 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** – As required by GASB Statement No. 68, the following presents the reporting unit’s proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the reporting unit’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

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%
\$ 15,065,330	\$ 11,426,867	\$ 8,361,409

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

**Timing of the Valuation** – An actuarial valuation to determine the total pension liability is required to be performed every year. If the actuarial valuation is not calculated as of the plan’s fiscal year end, the total pension liability is required to be rolled forward from the actuarial valuation date to the pension plan’s fiscal year end.

The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted actuarial procedures.

**Actuarial Valuations and Assumptions** – Actuarial valuations for the pension plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (“ARC”) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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**

Actuarial Assumptions

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, 2014, is based on the results of an actuarial valuation date of September 30, 2013, 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: 4.8457
- Recognition period for assets in years is 5.0000

**Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – For the year ended June 30, 2015, the School District recognized total pension expense of \$925,607. At June 30, 2015, 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	\$ -	\$ -
Changes of assumptions	-	(421,627)
Net difference between projected and actual earnings on pension plan investments	-	1,263,245
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	-
School District contributions subsequent to the measurement date*	907,381	-
<b>Total</b>	<u>\$ 907,381</u>	<u>\$ 841,618</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	\$ 206,175
2017	206,175
2018	206,175
2019	223,093
	<u>\$ 841,618</u>

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

**Payables to the Pension Plan** – As of June 30, 2015, the School District has payables to the MPSERS pension plan of \$96,634 for the outstanding amount of contributions due to the pension plan required for the year ended June 30, 2015.

**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 June 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, 2015, 2014, and 2013 were \$196,691, \$348,334, and \$413,895, 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. ADOPTION OF NEW ACCOUNTING PRINCIPLES**

During fiscal year 2015, the School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68") and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71"). GASB 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual cost of the pension benefits. This net pension liability is recorded on the government wide statements was computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information ("RSI"). GASB 71 amends GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. GASB 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of GASB 71 are required to be applied simultaneously with provisions of GASB 68. As a result, GASB 71 has been implemented in conjunction with GASB 68 in these financial statements.



**NOTE 14. ADOPTION OF NEW ACCOUNTING PRINCIPLES (CONCLUDED)**

The implementation of these standards resulted in the School District reporting a net pension liability and deferred outflows of resources as of June 30, 2014. The following summarizes the restatements that have been made to the School District's financial statements:

Net position at June 30, 2014 - As originally stated	\$ 6,643,209
Net pension liability	(12,148,570)
Deferred outflows of resources related to pensions	681,364
Net position at June 30, 2014 - as restated	<u>\$ (4,823,997)</u>

**NOTE 15. 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 2016-2017 fiscal year.

In June 2015, 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.

**NOTE 16. SUMMARY OF FEDERAL REVENUES RECEIVED**

Financial Statement Reporting Units:	
General Fund	\$ 153,256
Debt Service Fund - BAB and QSCB	815,344
Non-major Fund - Food Service Fund	<u>213,595</u>
Total Federal Revenues reported in Financial Statement Audit	<u>\$ 1,182,195</u>
Less Federal Revenues that are excluded from OMB - Circular A133 consideration:	
Federal interest subsidy in debt service fund	<u>(815,344)</u>
Total OMB - Circular A133 regulated Federal Revenue*	<u><u>\$ 366,851</u></u>

\* Since the federal funding received and expended is below the \$500,000 threshold for OMB – Circular A133 testing, the District did not have a single audit for the year ended June 30, 2015.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**BRIDGMAN PUBLIC SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY SCHEDULE  
 BUDGETARY COMPARISON SCHEDULE — GENERAL FUND  
 YEAR ENDED JUNE 30, 2015

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>Revenues</b>			
Property taxes	\$ 8,277,464	\$ 8,288,223	\$ 8,289,901
Local sources	153,000	172,614	168,743
State sources	565,000	1,056,670	1,046,943
Federal sources	134,587	166,872	153,256
Intermediate sources	125,023	246,770	248,011
Earnings on investments	10,000	3,500	1,740
Total Revenues	<u>\$ 9,265,074</u>	<u>\$ 9,934,649</u>	<u>\$ 9,908,594</u>
<b>Expenditures</b>			
Instruction			
Basic programs	\$ 4,979,447	\$ 5,232,975	\$ 5,154,387
Added needs	1,124,224	1,314,565	1,320,546
Adult and continuing education	99,528	100,887	99,383
Supporting services			
Pupil	191,096	202,483	213,706
Instructional staff	258,930	280,520	278,396
General administration	234,519	233,522	232,501
School administration	597,765	622,961	643,420
Business services	275,585	341,262	339,497
Athletics	334,151	330,743	348,788
Operations and maintenance	731,986	762,471	752,083
Transportation	268,258	304,238	312,679
Debt service	-	-	-
Capital outlay	-	-	-
Intergovernmental payments	55,248	36,268	36,266
Total Expenditures	<u>\$ 9,150,737</u>	<u>\$ 9,762,895</u>	<u>\$ 9,731,652</u>
Excess of Revenues over Expenditures	<u>\$ 114,337</u>	<u>\$ 171,754</u>	<u>\$ 176,942</u>
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	\$ 140,000	\$ 165,000	\$ 165,000
Operating transfers out	(120,000)	(160,883)	(160,883)
Total Other Financing Sources (Uses)	<u>\$ 20,000</u>	<u>\$ 4,117</u>	<u>\$ 4,117</u>
Net Change in Fund Balances	\$ 134,337	\$ 175,871	\$ 181,059
Fund Balances - Beginning of year	1,143,144	1,143,144	1,143,144
Fund Balances - End of year	<u>\$ 1,277,481</u>	<u>\$ 1,319,015</u>	<u>\$ 1,324,203</u>

**BRIDGMAN PUBLIC SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF BRIDGMAN PUBLIC SCHOOLS 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, 2014

School District's proportion of net pension liability	0.05188%
School District's proportionate share of net pension liability	\$ 11,426,867
School District's covered-employee payroll	\$ 4,630,281
School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	246.79%
Plan fiduciary net position as a percentage of total pension liability	66.20%

**BRIDGMAN PUBLIC SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF BRIDGMAN PUBLIC SCHOOLS DISTRICT'S CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
AMOUNTS WERE DETERMINED AS OF THE YEAR ENDED JUNE 30, 2015

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

**BRIDGMAN PUBLIC SCHOOL DISTRICT**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION RELATED SCHEDULES  
YEAR ENDED JUNE 30, 2015

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

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

**OTHER SUPPLEMENTARY  
INFORMATION**



**BRIDGMAN PUBLIC SCHOOL DISTRICT**

COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	<u>School Service Funds</u>						Debt Service		Total Non-
	Recreation	Food	Sinking	2012 Capital	Capital	Capital	Fund - 2012	Debt	Major
	Fund	Services	Fund	Projects Fund	Projects 2010	Projects 2010	Building and Site	Service	Governmental
		Fund			BAB Fund	QSCB Fund	Bonds	Fund	Funds
<b>Assets</b>									
Cash and cash equivalents	\$ 211,731	\$ (2,381)	\$ 106,941	\$ 14,865	\$ 2	\$ 1,525	\$ 19,304	\$ 34,800	\$ 386,787
Receivables	430	-	-	-	-	-	-	-	430
Due from other governmental units	-	4,558	-	-	-	-	-	-	4,558
Due from other governmental funds	2,006	-	-	-	-	-	736	-	2,742
Inventories	-	4,632	-	-	-	-	-	-	4,632
Total Assets	<u>\$ 214,167</u>	<u>\$ 6,809</u>	<u>\$ 106,941</u>	<u>\$ 14,865</u>	<u>\$ 2</u>	<u>\$ 1,525</u>	<u>\$ 20,040</u>	<u>\$ 34,800</u>	<u>\$ 399,149</u>
<b>Liabilities</b>									
Accounts payable	\$ 1,842	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,842
Due to other governmental funds	-	-	-	-	-	-	10,586	-	10,586
Total Liabilities	<u>\$ 1,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,586</u>	<u>\$ -</u>	<u>\$ 12,428</u>
<b>Fund Balances</b>									
Non-spendable - inventories	\$ -	\$ 4,632	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,632
Restricted for capital projects	-	-	106,941	14,865	2	1,525	-	-	123,333
Restricted for debt retirement	-	-	-	-	-	-	9,454	34,800	44,254
Restricted for food service	-	2,177	-	-	-	-	-	-	2,177
Restricted for recreation	212,325	-	-	-	-	-	-	-	212,325
Total Fund Balances	<u>\$ 212,325</u>	<u>\$ 6,809</u>	<u>\$ 106,941</u>	<u>\$ 14,865</u>	<u>\$ 2</u>	<u>\$ 1,525</u>	<u>\$ 9,454</u>	<u>\$ 34,800</u>	<u>\$ 386,721</u>
Total Liabilities and Fund Balances	<u>\$ 214,167</u>	<u>\$ 6,809</u>	<u>\$ 106,941</u>	<u>\$ 14,865</u>	<u>\$ 2</u>	<u>\$ 1,525</u>	<u>\$ 20,040</u>	<u>\$ 34,800</u>	<u>\$ 399,149</u>

**BRIDGMAN PUBLIC SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	<u>School Service 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>	<u>Total Non-Major Governmental Funds</u>
<b>Revenues</b>									
Property taxes	\$ 614,501	\$ -	\$ 125,819	\$ -	\$ -	\$ -	\$ 125,819	\$ -	\$ 866,139
Local sources	50,603	246,397	-	-	-	-	-	-	297,000
State sources	-	14,466	-	-	-	-	-	-	14,466
Federal sources	-	213,595	-	-	-	-	-	-	213,595
Earnings on investments	254	-	-	31	190	-	75	54	604
Total Revenues	<u>\$ 665,358</u>	<u>\$ 474,458</u>	<u>\$ 125,819</u>	<u>\$ 31</u>	<u>\$ 190</u>	<u>\$ -</u>	<u>\$ 125,894</u>	<u>\$ 54</u>	<u>\$ 1,391,804</u>
<b>Expenditures</b>									
Current:									
Supporting services	\$ -	\$ 443,422	\$ 62	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 443,484
Recreation	436,331	-	-	-	-	-	-	-	436,331
Debt service									
Principal payments	-	-	-	-	-	-	100,000	160,000	260,000
Interest	-	-	-	-	-	-	32,537	35,883	68,420
Capital outlay	-	-	18,816	30,421	299,014	-	-	-	348,251
Total Expenditures	<u>\$ 436,331</u>	<u>\$ 443,422</u>	<u>\$ 18,878</u>	<u>\$ 30,421</u>	<u>\$ 299,014</u>	<u>\$ -</u>	<u>\$ 132,537</u>	<u>\$ 195,883</u>	<u>\$ 1,556,486</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ 229,027</u>	<u>\$ 31,036</u>	<u>\$ 106,941</u>	<u>\$ (30,390)</u>	<u>\$ (298,824)</u>	<u>\$ -</u>	<u>\$ (6,643)</u>	<u>\$ (195,829)</u>	<u>\$ (164,682)</u>
<b>Other Financing Sources (Uses)</b>									
Operating transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160,883	\$ 160,883
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>\$ 160,883</u>	<u>\$ (4,117)</u>
Net Change in Fund Balances	\$ 89,027	\$ 6,036	\$ 106,941	\$ (30,390)	\$ (298,824)	\$ -	\$ (6,643)	\$ (34,946)	\$ (168,799)
Fund Balances - Beginning of year	123,298	773	-	45,255	298,826	1,525	16,097	69,746	555,520
Fund Balances - End of year	<u>\$ 212,325</u>	<u>\$ 6,809</u>	<u>\$ 106,941</u>	<u>\$ 14,865</u>	<u>\$ 2</u>	<u>\$ 1,525</u>	<u>\$ 9,454</u>	<u>\$ 34,800</u>	<u>\$ 386,721</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 FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
Bridgman Public School District

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, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Bridgman Public School District’s basic financial statements, and have issued our report thereon dated October 26, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bridgman Public 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 Bridgman Public School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Bridgman Public 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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies. See financial statement findings 2015-001, 2015-002 and 2015-003.

David Schaffer, CPA  
Michael Layher, CPA  
*Founding Partners:*  
Morris McMurray, CPA  
Raymond Marks, CPA  
Jeff Edmunds, CPA

### **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 Bridgman Public 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.



Schaffer & Layher  
October 26, 2015

**SECTION II – STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS**

**2014-001.**

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 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 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 District’s internal controls over financial reporting.

Recommendation: The 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.

**2014-002.**

Specific Requirement: Segregation of duties amongst incompatible accounting functions.

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

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

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

Recommendation: The 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)**

**2014-002. (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: No change in status from prior year.

**2014-003.**

Specific Requirement: Material compliance with laws and regulations.

Criteria: The Uniform Budgeting and Accounting Act (the “Act”) establishes budgeting requirements for local units of government. Noncompliance with this Act includes, but is not limited to, expenditures that are in excess of budgeted expenditures as authorized by the Board.

Condition: The District’s total expenditures were in excess of budgeted amounts. (Total expenditures were in excess of budgeted amounts by more than 3%.)

Effect of Condition: The effect of this condition is a violation of the Act.

Recommendation: The District should review update budgeting and monitoring procedures to ensure compliance with provisions of the Act. If, during the year, the District’s expenditures are in excess of amounts originally budgeted and authorized by the Board, the District should amend its budget accordingly.

Planned Action: We are aware of this deficiency. We will modify our budgeting and monitoring procedures to ensure that final, actual total expenditures are within amounts budgeted in our final amended budget. This will include increased attention to balance sheet accounts during the year.

Questioned Cost: Unknown

Status of Comment: The District has addressed this finding, and, in the current year, although several individual line items are in excess of budgeted amounts, those excesses are minimal, and total expenditures are within amounts budgeted and authorized by the Board.

**SECTION III – FINANCIAL STATEMENT FINDINGS**

**2015-001.** See prior financial statement finding 2014-001.

**2015-002.** See prior financial statement finding 2014-002.

**2015-003.**

Specific Requirement: Material compliance with laws and regulations.

Criteria: The 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 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 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