



**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
Kent County, Michigan

**REGULAR Meeting of the East Grand Rapids Board of Education**

The James E. Morse Administration Center at Woodcliff, 2915 Hall Street SE East Grand Rapids, MI 49506.  
For Information: Phone 616-235-3535.

**Monday, October 24, 2016, 6:00 p.m.**

**AGENDA**

1. Meeting Called to Order
2. Acknowledgment of Guests
3. Public Comments
4. Board Secretary's Report: Communications to and from the Board – Beth Milanowski
5. Student Council President's Report – Francesca Aquino

**PRESENTATION / DISCUSSION ITEMS**

6. Recognition of National Merit Semi-Finalists – Lori Johnston and Jenny Fee

**ACTION ITEMS – CONSENT AGENDA**

Background: In order to save time during the meeting, we are using a Consent Agenda. Items in the Consent Agenda include those that are considered routine or have been previously discussed by the Board of Education. Any Board Member may request to have any item removed for a separate discussion and vote.

Recommendation: Motion to approve items in the Consent Agenda Numbers 7 through 8.

7. Approval of Minutes of REGULAR Meeting of 09/19/2016 (Enclosure #7)
8. Approval of Payment of Bills – September 2016 (Enclosure #8)

**OTHER ACTION ITEMS**

9. Acceptance of 2015-2016 Audit Report – Kevin Philipps (Enclosure #9)

Background: The audit was completed by Maner Costerisan this fall. The Board Finance Committee reviewed the report and recommends that the Board of Education receive the 2015-2016 Audit Report.

Recommendation: Motion to receive the 2015-2016 Audit Report as presented and recommended by the Board Finance Committee and Superintendent.

10. Approval of Proposed Amended Budget for 2016-2017 – Kevin Philipps (Enclosure #10)

Background: Each fall, the Board Finance Committee recommends a Budget Amendment to the Board of Education. The Finance Committee has reviewed the proposed amendment.

Recommendation: Motion to approve the amendment for the 2016-2017 budget as listed in Enclosure #10.

## ADMINISTRATIVE REPORTS

11. Superintendent
12. Assistant Supt. of Business
13. Assistant Supt. of Instruction
14. Board Member Reports
  - Communications Committee* - Milanowski
  - Facilities Committee* - Bernecker
  - Finance Committee* - Bernecker
  - Joint Facilities Committee* – Wolford
  - Legislative Liaison Committee* - Welch
  - Personnel Committee* – Wolford
  - Policy Review Committee* – Wolford
  
  - Liaisons
  - EGR Schools Foundation* - Milanowski
  - Community Action Council* – Hessler
  - PTO Council* – Wolford
  - Parks & Recreation* – Hessler
  - Superintendent's Advisory Council (SAC)* – Coles
  - Leadership & Youth Development (LYD)* – Milanowski
  - Parent Advocates for Special Education (PASE)* – Bernecker
15. Adjournment

\* Minutes for this meeting will be available in the Superintendent's Office at 2915 Hall Street SE, East Grand Rapids, MI 49506.

\*\* If you plan to attend and have a special need and require accommodation to attend this meeting, please contact Dr. Sara Magaña Shubel, Superintendent, at 616-235-3535. Superintendent's Office – 10/21/2016

**Our Mission**

*Educating and inspiring each student  
to navigate successfully  
in a global community*

**EAST GRAND RAPIDS PUBLIC SCHOOLS**

Kent County, Michigan

**REGULAR MEETING of the East Grand Rapids Board of Education**

The James E. Morse Administration Center at Woodcliff  
2915 Hall Street SE, East Grand Rapids, MI 49506

**Monday, September 19, 2016**

**MINUTES**

The **REGULAR MEETING** of the East Grand Rapids Public Schools Board of Education, Kent County, Michigan, was held on Monday, September 19, 2016, in Community Board Room at the James E. Morse Administration Center, 2915 Hall Street SE, East Grand Rapids, MI 49506.

**BOARD OF EDUCATION**

Present: Robert Wolford, Elizabeth Welch, Beth Milanowski, Michelle Rabideau, Brian Coles

Absent: Natalie Bernecker, Mark Hessler

Administration: Dr. Sara Magaña Shubel, Jeanne Glowicki, Kevin Philipps, Bill Behrendt, Doug Jenkins, Jenny Fee, Steve Wojciechowski, Anthony Morey, Shelly Schram, Carlye Allen, Caroline Breault-Cannon

Meeting Called to Order

President Wolford called the meeting to order at 6:01 p.m.

Acknowledgment of Guests – None

Public Comments

Steve Edison – 2855 Elmwood, commented on the millage proposals for John Ball Zoo and the Grand Rapids Public Museum. He introduced Peter D-Arienzo, CEO of John Ball Zoo, who also spoke in support of the zoo and museum proposals. Brochures were provided to the board.

Member Bernecker arrived at 6:03 p.m.

Board Secretary's Report: Communications to and from the Board – None

High School Student Council President's Report

Francesca Aquino, Senior Class President, reported that students are preparing for Homecoming and the activities associated with Spirit Week. This year's theme is "board games" where lunch time games will be played and floats will be made along with many other fun activities.

**ACTION ITEMS - CONSENT AGENDA**

Background: In order to save time during the meeting, we are using a Consent Agenda. Items in the Consent Agenda include those that are routine or have been previously discussed by the Board of Education. Any Board Member may request to have any item removed for a separate discussion and vote.

Recommendation: Motion to approve the item in the Consent Agendas, Numbers 5-7.

Approval of Minutes of REGULAR Meeting of 08/29/2016 (Enclosure #5)

Approval of Minutes of SPECIAL Meeting of 08/31/2016 (Enclosure #6)

Approval of Payment of Bills – August 2016 (Enclosure #7)

Member Rabideau moved to approve Consent Agenda items 5-7. Member Welch seconded the motion. Motion passed 6-0.

## **OTHER ACTION ITEMS**

### Appoint Delegate Representatives to MASB Fall Conference Delegate Assembly – President Wolford

**Background:** The Michigan Association of School Boards 2016 Delegate Assembly is meeting for the annual 2016 Fall Conference at the Detroit Marriott at the Renaissance Center on Thursday, November 10 at 7:30pm. Three delegates may be appointed to represent the East Grand Rapids Board of Education.

**Recommendation:** Motion to appoint Delegate Representatives to MASB Fall Conference Delegate Assembly.

Member Wolford moved to appoint Brian Coles to represent the East Grand Rapids Board of Education at the MASB Fall Conference Delegate Assembly. Member Bernecker seconded the motion. Motion passed 6-0.

### Approval of Evaluation Instruments – President Wolford

**Background:** Public Act 173 requires all school districts to adopt a rigorous and transparent evaluation system beginning in the 2016-2017 school year. The evaluation system may be from one of the State approved lists of teacher and administrator evaluations or it can be a locally developed model that meets the viability, efficacy and reliability standards set forth in the statute. The evaluation systems presented meet the requirements of the statute.

**Recommendation:** Motion to adopt the evaluation systems as recommended in Enclosure #9.

Jeanne Glowicki, Assistant Superintendent of Instruction, reported that she and Dr. Shubel have attended multiple evaluation training sessions. Glowicki provided an overview of the law and research of several different evaluation instruments for instructional staff and administrators. The *Framework for Teaching Evaluation Instrument, 2013 Edition*, by Charlotte Danielson is recommended for instructional staff; and the *School ADvance* administrator evaluation system is recommended for administrative staff. Glowicki also explained the professional development and training involved in the administration and use of these evaluation tools.

Dr. Shubel also provided an overview of the evaluation instruments recommended for the superintendent's evaluation. President Wolford and Member Coles provided information on their review of the recommended superintendent evaluation instruments. Coles reviewed the instruments in depth and shared a summary of the differences and recommended the MASB evaluation instrument for the EGRPS superintendent evaluation. Kent ISD is also recommending the MASB model and this would also provide consistency across the county. A discussion was held among the board. President Wolford further reported that the previously scheduled January 9, 2017, Curriculum Workshop for the board has been changed to allow time for the Superintendent's Evaluation required training session for board members. A minimum of three hours is required for this training, which will be held on January 9, 2017, at 5:00 p.m.

Member Milanowski moved to approve the *Framework for Teaching* evaluation instrument for instructional staff, the *School ADvance* evaluation system for administrative staff, and the *MASB* evaluation system for the superintendent. Member Welch seconded the motion. Motion passed 6-0.

## **ADMINISTRATIVE REPORTS**

### Superintendent

Dr. Shubel thanked administrators and staff on the smooth start to the school year. She shared that the Hearts of Gold game was a huge success, and Homecoming will be held on October 7.

### Assistant Superintendent of Business

Kevin Philipps provided an update on the 2016-2017 enrollment numbers. He shared that the junior class increased by 17 students which is an unusual trend. Other grades remained pretty steady across the board. Current student enrollment is 2971. If we end up with a blended enrollment count of 2969, the collective bargaining formula will result in a salary step advancement, which would be a 2.1% increase in total salaries. The increase in expenses will slightly exceed the increase in revenues, causing a decrease of \$40K in the projected change in fund balance. An enrollment number of 2951 is the threshold in the salary formula for a 1% salary increase versus a step increase.

Philipps also provided results of the district audit from last week. Adjustments were made to the budget, as we had previously budgeted for \$350,000 to the fund balance, and we will come in just short of \$750,000 to add to the fund balance, approximately 8.5% or \$2.4 million. Philipps reported that not all variances will carry forward for future years as some of the revenues are one-time occurrences. However, the overall budget is greatly improved from past years. A discussion was held among the board.

Assistant Superintendent of Instruction

Jeanne Glowicki publicly thanked the 43 teachers and administrators who provided professional development classes during the recent PD sessions. Survey results from the PD sessions were very positive.

Board Member Reports

*Communications Committee* – Member Milanowski reported that a meeting is set for next Monday.

*Facilities Committee* – No reports.

*Finance Committee* – No reports.

*Joint Facilities Committee* – No reports.

*Legislative Liaison Committee* – Member Welch reported co-chairs have been secured for the committee. Work has been done to become more connected with the elementary schools. A potential legislative event might occur in the spring in partnership with the Kent ISD.

*Personnel Committee* – No reports.

*Policy Review Committee* – No reports.

Liaisons

*EGR Schools Foundation* – Member Milanowski reported that a meeting will be held tomorrow night.

*Community Action Council* – No reports.

*PTO Council* – No reports.

*Parks & Recreation* – No reports.

*Superintendent's Advisory Council (SAC)* – No reports.

*Leadership & Youth Development (LYD)* – No reports.

*Parent Advocates for Special Education (PASE)* – No reports.

Member Bernecker congratulated the Hearts of Gold committee on their work with the community to raise \$59,000 for Arbor Circle. She also thanked Dr. Shubel, the middle school cross country team, and others. All buildings participated in fundraising activities and the whole community provided great support for this event.

**ADJOURNMENT**

President Wolford adjourned the meeting at 6:44 p.m.

Respectfully submitted,

Beth Milanowski, Secretary  
East Grand Rapids Public Schools Board of Education

\* Minutes for this meeting will be available in the Superintendent's Office at 2915 Hall St. SE, East Grand Rapids, MI 49506. The phone number is 235-3535.

\*\* If you plan to attend and have a special need and require accommodation to attend this meeting, please contact Dr. Sara M. Shubel, Superintendent, at 235-3535.

**BUSINESS OFFICE**

**MEMORANDUM**

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Date: October 24, 2016

To: Dr. Sara Magaña Shubel, Superintendent  
The Board of Education

From: Kevin D. Philipps, Assistant Superintendent of Business

Subject: September 2016 Payment of Bills

APPROVE **September General Fund (11)** – checks #125603 through check #125711 in the total amount of \$778,877.41.

APPROVE **September Athletic Fund (21)** – checks #21260 through check #21315, in the total amount of \$27,426.16.

APPROVE **September Sinking Fund (41)** – checks #514 through #515 in the total amount of \$15,024.34.

APPROVE **September Capital Projects (43)** – checks #266 through check #284, with the exception of voided checks #266 through #267, in the total amount of \$2,735,638.01.

APPROVE **September Student Activity Fund (61)** – checks #25112 through #25151 in the total amount of \$52,219.88.

APPROVE **September Joint Facilities Fund** – no checks this month.

APPROVE **September Debt Retirement** – no checks this month.

BOARD ENCLOSURE

October 24, 2016

Item No. 9

**EAST GRAND RAPIDS PUBLIC SCHOOLS**

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

**YEAR ENDED JUNE 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
East Grand Rapids Public Schools

### **Report on the Financial Statements**

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

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 East Grand Rapids Public Schools as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Grand Rapids Public Schools basic financial statements. The additional supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016 on our consideration of East Grand Rapids Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Grand Rapids Public Schools' internal control over financial reporting and compliance.

*Manes Costeiran PC*

October 14, 2016

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

**Overview of the Financial Statements**

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Position and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Required Supplementary Information and additional supplementary information follows and includes budget to actual comparison, required pension information, combining and individual fund statements, schedule of debt maturities, and corresponding letter.

**District-wide Statements**

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows, liabilities, and deferred inflows. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position, and how they have changed. Net position - the difference between the District's assets, deferred outflows, liabilities, and deferred inflows - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

**Condensed District-wide Financial Information**

The Statement of Net Position provides financial information on the District as a whole.

	June 30, 2016	June 30, 2015
Assets:		
Current and other assets	\$ 13,338,329	\$ 20,240,978
Capital assets	69,841,555	65,691,811
Total assets	<u>83,179,884</u>	<u>85,932,789</u>
Deferred out-flows	<u>6,258,595</u>	<u>5,203,001</u>
Liabilities:		
Other liabilities	5,570,664	5,570,614
Noncurrent liabilities	93,040,742	95,832,122
Net pension liability	<u>43,902,163</u>	<u>41,145,766</u>
Total liabilities	<u>142,513,569</u>	<u>142,548,502</u>
Deferred in-flows	<u>2,656,105</u>	<u>4,548,681</u>
Net position:		
Net investment in capital assets	(11,969,935)	(12,260,739)
Restricted for capital projects - sinking fund	303,725	340,598
Restricted for joint facilities	51,138	91,523
Unrestricted	<u>(44,116,123)</u>	<u>(44,630,354)</u>
Total net position	<u><u>\$ (55,731,195)</u></u>	<u><u>\$ (56,458,972)</u></u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The Statement of Activities presents changes in net position from operating results:

	Fiscal year ended			
	June 30, 2016		June 30, 2015	
	Amount	%	Amount	%
<b>General revenues:</b>				
Property taxes	\$ 8,738,939	24.13%	\$ 8,740,445	23.94%
State sources, unrestricted	21,061,867	58.16%	20,906,086	57.27%
Investment earnings	67,108	0.19%	95,277	0.26%
Other	1,084,936	3.00%	471,691	1.29%
Total general revenues	<u>30,952,850</u>	<u>85.47%</u>	<u>30,213,499</u>	<u>82.77%</u>
<b>Program revenues:</b>				
Charges for services	1,725,588	4.76%	1,692,546	4.64%
Operating grants	3,537,696	9.77%	4,597,288	12.59%
Total revenues	<u>36,216,134</u>	<u>100.00%</u>	<u>36,503,333</u>	<u>100.00%</u>
<b>Expenses:</b>				
Instruction	20,916,999	58.13%	20,934,635	55.65%
Support services	10,665,749	29.64%	12,142,133	32.28%
Community services	477,005	1.33%	484,720	1.29%
Food services	238,334	0.66%	258,157	0.69%
Interest on long-term debt	3,687,849	10.25%	3,797,552	10.10%
Total expenses	<u>35,985,936</u>	<u>100.00%</u>	<u>37,617,197</u>	<u>100.00%</u>
Change in net position	<u>\$ 230,198</u>		<u>\$ (1,113,864)</u>	

The District's financial position is the product of many factors. Historical expenditure reductions and closely monitored spending practices helped ensure the financial stability of the General Fund.

The District's total revenues decreased 1% to \$36.2 million. Unrestricted State aid accounted for 55% of the revenues, while property taxes amounted to 24%. Another 13% came from state and federal aid for specific programs and the remainder from fees charged for services, interest earnings and miscellaneous sources.

The total cost of all programs and services decreased 4% to \$36 million. Decreases in personnel expense (including decreased retirement and employee insurance costs), supporting services, and community services contributed to the decrease in total District expenses for 2015-16. The District's budget committee was successful in developing a comprehensive budget plan which maintained academic programs for students in East Grand Rapids during 2015-16.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Revenues surpassed expenses by \$230,198 on the Statement of Activities, decreasing the deficit in Net Position to \$55,731,195.

The District's improved financial position can be attributed to proactive budgeting, continually finding cost efficiencies and outstanding Community support.

- The original adopted budget for 2015-16 was based on a \$128 increase to the state foundation grant, elimination of the Best Practices grant (\$50 per pupil), and Performance Funding grant (\$70 per pupil). The District received \$17 per pupil in Hold Harmless funding to assure a net increase in state funding of \$25 per pupil. State funding totaling \$1,934,319 (\$655 per pupil) was provided in 2015-2016 to offset state retirement costs. The District's enrollment increased 12 students from 2014-15 to 2015-16.
- The support expressed by the community, with the recreational millage of 1.3120, resulted in additional revenue of \$846,667.
- The additional support expressed by the community from school foundation fundraising, which provided \$255,000 in support to maintain academic programs during 2015-16.
- The District negotiated a one-time payment of \$483,000 in exchange for a 70 year easement of the two remaining ground space leases to access the cell tower antenna at the High School.
- The District benefited from \$1,000,000 in cost efficiencies implemented during 2015-16.

The District has also worked to reduce costs in many areas through collaboration with other districts, changing contracted vendors, utilization of governmental reimbursement programs where possible and just shopping for the best price:

- The District continues to optimize revenue and reduce expense through the Federal E-Rate program and cooperative contracts for the purchase of utility services.
- The District continued its partnership with regional schools through Kent ISD (KISD) to create a regional transportation program for Special Education creating efficiencies and future additional revenues.
- The District receives a base payment from four different vendors for a cell tower antenna at the High School, as well as an annual accrual payment from Coca Cola through the KISD Beverage Consortium.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The administration will continue to leverage these and other potential cost saving programs for the next fiscal year. In response to the reduction in state school aid revenues, the District is continually streamlining expenditures and pursuing opportunities to increase revenues beyond state support.

- Local revenues including property taxes and major donations accounted for \$3 million, or about 10.6% of General Fund revenues.
- Most of the District's costs were financed by State Aid which represented 83% of General Fund revenues.
- The District continues to participate in the first regional self-funded employee benefits pool, which brings more competition to the school employee benefits marketplace and has increased the choice of benefit plan designs available. The District has utilized these new plan designs to introduce employee cost sharing, which has lowered the cost of benefits for some employee groups.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. As a general rule, fund balances from one fund are prohibited from being expended on expenditures of another fund.

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or difference) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Financial Analysis of the District's Funds**

The District uses funds to record and analyze financial information. East Grand Rapids Public School's funds are described as follows:

**Major Funds**

General Fund

The General Fund is the primary operating fund. The General Fund had total revenues of \$28,805,927, total expenditures of \$28,529,844, and total other financing sources of \$460,547. It ended the fiscal year with a fund balance of \$2,429,109 up from \$1,692,479 as of June 30, 2016, for an increase of \$736,630.

Capital Projects - 2014 Building and Site Fund

The Capital Projects Building and Site Fund is funded by bond proceeds which are utilized to improve District facilities. Current year revenues totaled \$81,590, expenditures totaled \$7,252,561, leaving a remaining fund balance at June 30, 2016 of \$3,996,347.

**Non Major Funds**

Special Revenue Funds

There are three Special Revenue Funds. Total revenues were \$1,126,596, total expenditures were \$1,252,576, and other financing sources were \$85,595. The ending fund balances in the Special Revenue Funds totaled \$53,646.

Debt Service Funds

The District operates seven Debt Service Funds. Total revenues were \$6,478,622 and other financing sources from loan proceeds were \$3,021,569 and total expenditures were \$9,548,363. The ending fund balances in the Debt Service Funds totaled \$51,970.

Capital Projects Funds

There is one non-major Capital Projects Funds incorporated into the financial statements of the District. Total revenues were \$330,561 and total expenditures were \$327,434. Ending fund balances totaled \$638,725 at June 30, 2016.

Fiduciary Funds

The Student Activities Fund and the Scholarship Fund are operated as Trust and Agency Funds of the District. The assets of these funds are being held for the benefit of District students. Balances on hand at June 30, 2016 totaled \$503,430.

**General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget twice. The amendments provide an update of the annual budget as the fiscal year proceeds and more information is known.

- Adjustments to revenues took into consideration the actual level of per pupil state funding as well as the actual student enrollment. These two factors determine how much total school aid will be received during the fiscal year. Expenditures are amended to reflect actual personnel costs and other operational changes realized during the fiscal year.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- The District's final budget for the General Fund anticipated that revenues would exceed expenditures by \$353,363. Actual results for the year show a \$736,630 excess of revenues over expenditures.
- Actual revenues exceeded final budgeted amounts by \$128,046.
- The budgeted expenditures exceeded actual expenditures by \$309,749.

**Capital Asset and Debt Administration**

**Capital Assets**

By the end of 2016, the District had capital assets totaling \$111 million in a broad range of capital assets, including land, construction in process, school buildings, athletic facilities, computer equipment and software, and administrative offices. (More detailed information about capital assets can be found in the Notes to Financial Statements.)

At June 30, 2016, the District's investment in capital assets (net of accumulated depreciation) was \$69,841,555. Accumulated depreciation increased \$3,079,050, leaving a net increase in the book value of capital assets of \$4,149,744. Net capital assets of the District at June 30, 2016 are detailed as follows:

	Cost	Accumulated depreciation	2016 net book value	2015 net book value
Land	\$ 450,000	\$ -	\$ 450,000	\$ 450,000
Construction in process	2,254,586	-	2,254,586	4,327,754
Land improvements	19,037,119	7,885,320	11,151,799	11,627,037
Buildings and additions	80,452,868	28,987,759	51,465,109	46,933,391
Furniture and equipment	8,929,334	4,409,273	4,520,061	2,353,629
Vehicles	230,017	230,017	-	-
	<u>\$ 111,353,924</u>	<u>\$ 41,512,369</u>	<u>\$ 69,841,555</u>	<u>\$ 65,691,811</u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Long-term Debt**

At year end, the District had total long-term liability of \$92 million, a net increase of \$2,480,860 from June 30, 2015.

The District bond rating for general obligation debt remains at "A3". The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within a District's boundaries. The District's other obligations include borrowings from the State school bond loan fund. We present more detailed information about our long-term liabilities in the Notes to Financial Statements.

	2016	2015
General obligations - net	\$ 88,078,129	\$ 93,611,945
School bond loan fund/School loan revolving fund	3,219,629	300,530
Compensated absences	561,451	427,594
	<u>\$ 91,859,209</u>	<u>\$ 94,340,069</u>

**Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- The uncertainty of student foundation funding levels, as well as funding for other K-12 education programs, reflects the economic difficulties faced by the State of Michigan as well as the budget priorities of the state's legislators. School Aid Fund revenues have increased modestly the last several years, but required contributions to the state school employee retirement system (MPERS), as well as contributions to state community colleges and higher education universities from the School Aid Fund have limited increases in K-12 funding. The District will need to be prepared for a potential economic downturn and the possible impact that would have on the School Aid Fund and student foundation funding levels.
- Demographic projections indicate that enrollment is likely to decrease over the next few years. A slightly declining enrollment, combined with the lack of stability in the funding stream from the State, will reduce state revenues and place stress on the District's General Fund.
- District administration continues to remain diligent in its decision-making as the Board has been able to recapture structural balance in the General Fund budget and increase reserves to a stable level. Key to continued structural balance will be collective bargaining agreements ratified in August 2015 that expire June 30, 2018. The agreements provide increases or decreases in staff compensation based on changes in total state revenues, health insurance costs and state retirement costs. The compensation formula is designed to bring significant budget stability to the General Fund.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- Since the 2011-2012 fiscal year, the District has benefited from the fundraising efforts of the school's foundation to provide additional resources to the General Fund to maintain academic programming. On average, the foundation has provided \$300,000 per year. Continuation of the annual fundraising will be crucial to maintaining structural balance in the General Fund while maintaining current academic programming.
- In September 2012, the Governor signed P.A. 300 of 2012 - MPSERS Reform into law. This law is the first step by the lawmakers to reform the Michigan Public Schools Employee Retirement System (MPSERS) in order to make it affordable and sustainable into the future. This law required current school employees to make choices regarding their pension and retiree healthcare which impact the employee contributions and future earned benefits. The law capped the District's contribution to the system's unfunded liability at 20.96% of payroll. Required contributions towards the unfunded liability beyond the 20.96% will be financed by the State's School Aid Fund. In 2015-16, \$1,712,212 in School Aid Funds was provided to East Grand Rapids to support the contributions above the capped unfunded liability rate. This contribution represented \$580 per student.
- It is expected that the overall unfunded liability of the Michigan Public Schools Employee Retirement System (MPSERS) will continue at the existing level for the foreseeable future, which will require each State School Aid budget to provide a significant amount of State School Aid Fund dollars to satisfy the system's annual required contributions. The impact of the School Aid Fund's contribution to the retirement system is limiting potential increases to the state per pupil foundation allowance.
- In 2010, Congress enacted the Patient Protection and Affordable Care Act (PPACA) in order to increase the number of Americans covered by health insurance and decrease the cost of health care. The law puts in place comprehensive health insurance reforms that will roll out over four years and beyond, with all changes taking place by 2016. The economic impact of healthcare cost increases continue to be a challenge for the District and its employees. District administration will continue working with its healthcare providers to implement provisions of the PPACA as they become required.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, East Grand Rapids Public Schools, 2915 Hall Street, East Grand Rapids, MI 49506.

**BASIC FINANCIAL STATEMENTS**

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

	<u>Governmental activities</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 1,779,361
Investments	54,521
Receivables:	
Intergovernmental	4,714,590
Property taxes and other receivables	355,293
Due from trust and agency	313,291
Inventories	128,959
Prepays	112,155
Cash and cash equivalents - restricted 2014 capital projects fund	5,880,159
Capital assets not being depreciated	2,704,586
Capital assets, net of accumulated depreciation	<u>67,136,969</u>
<b>TOTAL ASSETS</b>	<u>83,179,884</u>
<b>DEFERRED OUTFLOWS:</b>	
Deferred charge on refunding	1,381,439
Related to pensions	<u>4,877,156</u>
<b>TOTAL DEFERRED OUTFLOWS</b>	<u>6,258,595</u>
<b>LIABILITIES:</b>	
Accounts payable	2,059,239
Checks written against future deposits	4,450
Accrued salaries and related items	1,765,828
Accrued retirement	749,660
Accrued interest	611,856
Due to trust and agency	190,583
Due to other governments	50,953
Unearned revenue	138,095
Notes payable	1,150,624
Noncurrent liabilities:	
Due within one year	6,528,195
Due in more than one year	85,331,014
Due in more than one year - accrued interest payable	30,909
Net pension liability	<u>43,902,163</u>
<b>TOTAL LIABILITIES</b>	<u>142,513,569</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Related to pensions	1,460,723
Related to state aid funding for pension	<u>1,195,382</u>
<b>TOTAL DEFERRED OUTFLOWS</b>	<u>2,656,105</u>
<b>NET POSITION:</b>	
Net investment in capital assets	(11,969,935)
Restricted for capital projects - sinking fund	303,725
Restricted for joint facilities	51,138
Unrestricted	<u>(44,116,123)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (55,731,195)</u>

See notes to financial statements.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>
		<u>Charges for services</u>	<u>Operating grants</u>	<u>Net (expense) revenue and changes in net position</u>
Governmental activities:				
Instruction	\$ 20,916,999	\$ 491,372	\$ 3,478,697	\$ (16,946,930)
Support services	10,665,749	608,908	55,911	(10,000,930)
Community services	477,005	405,379	3,088	(68,538)
Food services	238,334	219,929	-	(18,405)
Interest and fees on long-term debt	3,687,849	-	-	(3,687,849)
Total governmental activities	<u>\$ 35,985,936</u>	<u>\$ 1,725,588</u>	<u>\$ 3,537,696</u>	<u>(30,722,652)</u>
General revenues:				
Property taxes, levied for general purposes				1,103,224
Property taxes, levied for recreation fund				846,667
Property taxes, levied for capital projects - sinking fund				310,426
Property taxes, levied for debt service				6,478,622
State sources - unrestricted				21,061,867
Investment earnings				67,108
Other				1,084,936
Total general revenues				<u>30,952,850</u>
<b>CHANGE IN NET POSITION</b>				230,198
<b>NET POSITION, beginning of year</b>				<u>(55,961,393)</u>
<b>NET POSITION , end of year</b>				<u><u>\$ (55,731,195)</u></u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	<u>General Fund</u>	<u>2014 Capital Projects Fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>ASSETS</b>				
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 1,184,051	\$ -	\$ 595,310	\$ 1,779,361
Cash and cash equivalents restricted capital projects	-	5,880,159	-	5,880,159
Investments	54,521	-	-	54,521
Receivables:				
Accounts receivable	355,293	-	-	355,293
Intergovernmental	4,714,590	-	-	4,714,590
Due from other funds	377,194	480	216,844	594,518
Due from agency funds	157,523	-	155,768	313,291
Inventories	128,959	-	-	128,959
Prepays	112,155	-	-	112,155
<b>TOTAL ASSETS</b>	<u>\$ 7,084,286</u>	<u>\$ 5,880,639</u>	<u>\$ 967,922</u>	<u>\$ 13,932,847</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 459,009	\$ 1,600,230	\$ -	\$ 2,059,239
Checks written against future deposits	-	-	4,450	4,450
Accrued salaries and related items	1,759,697	-	6,131	1,765,828
Accrued retirement	749,660	-	-	749,660
Accrued interest	17,022	-	-	17,022
Due to other funds	97,456	284,062	213,000	594,518
Due to agency fund	190,583	-	-	190,583
Due to other governments	50,953	-	-	50,953
Unearned revenue	138,095	-	-	138,095
Notes payable	1,150,624	-	-	1,150,624
<b>TOTAL LIABILITIES</b>	<u>4,613,099</u>	<u>1,884,292</u>	<u>223,581</u>	<u>6,720,972</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenue	42,078	-	-	42,078

See notes to financial statements.

	<u>General Fund</u>	<u>2014 Capital Projects Fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>FUND BALANCES:</b>				
Nonspendable:				
Inventories	\$ 128,959	\$ -	\$ -	\$ 128,959
Prepays	112,155	-	-	112,155
Restricted for:				
Debt service	-	-	51,970	51,970
Capital projects funds	-	3,996,347	-	3,996,347
Capital projects fund- sinking fund	-	-	303,725	303,725
Joint facilities	-	-	51,138	51,138
Recreation fund	-	-	2,508	2,508
Committed - sinking fund	-	-	335,000	335,000
Unassigned reported in:				
General fund	2,187,995	-	-	2,187,995
<b>TOTAL FUND BALANCES</b>	<u>2,429,109</u>	<u>3,996,347</u>	<u>744,341</u>	<u>7,169,797</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>	<u>\$ 7,084,286</u>	<u>\$ 5,880,639</u>	<u>\$ 967,922</u>	<u>\$ 13,932,847</u>
<b>Total governmental fund balances</b>				\$ 7,169,797
Amounts reported for governmental activities in the statement of net position are different because:				
Deferred charge on refunding				1,381,439
Deferred outflows of resources - related to pensions				4,877,156
Deferred inflows of resources - related to pensions				(1,460,723)
Deferred inflows of resources - related to state pension funding				(1,195,382)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:				
The cost of the capital assets is			\$ 111,353,924	
Accumulated depreciation is			<u>(41,512,369)</u>	69,841,555
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Bonds and other debt payable				(91,297,758)
Compensated absences and other benefits				(561,451)
Net pension liability				(43,902,163)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid:				
Accrued interest debt				(625,743)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds:				
Deferred inflows unavailable revenue at June 30, 2016				42,078
<b>Net position of governmental activities</b>				<u>\$ (55,731,195)</u>

See notes to financial statements.

**EAST GRAND RAPIDS PUBLIC SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>2014 Capital Projects Fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ 1,103,224	\$ -	\$ 7,635,715	\$ 8,738,939
Community service	774,978	-	-	774,978
Interest	-	81,590	135	81,725
Athletics	351,266	-	-	351,266
Other	821,972	-	80,000	901,972
Total local sources	3,051,440	81,590	7,715,850	10,848,880
State sources	23,986,363	-	-	23,986,363
Federal sources	453,483	-	-	453,483
Intermediate district and other transactions	1,314,641	-	219,929	1,534,570
Total revenues	28,805,927	81,590	7,935,779	36,823,296
<b>EXPENDITURES:</b>				
Current:				
Instruction	18,779,913	-	-	18,779,913
Support services	9,399,325	-	-	9,399,325
Community services	350,606	-	846,667	1,197,273
Food service	-	-	245,524	245,524
Joint facilities	-	-	160,385	160,385
Capital outlay	-	7,252,561	327,434	7,579,995

See notes to financial statements.

	<b>General Fund</b>	<b>2014 Capital Projects Fund</b>	<b>Total nonmajor funds</b>	<b>Total governmental funds</b>
<b>EXPENDITURES (Concluded):</b>				
Debt service:				
Principal repayment	\$ -	\$ -	\$ 5,975,000	\$ 5,975,000
Interest	-	-	3,465,446	3,465,446
Other	-	-	5,447	5,447
Bond issuance costs	-	-	102,470	102,470
Total expenditures	<u>28,529,844</u>	<u>7,252,561</u>	<u>11,128,373</u>	<u>46,910,778</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>276,083</u>	<u>(7,170,971)</u>	<u>(3,192,594)</u>	<u>(10,087,482)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of capital assets	546,142	-	-	546,142
Proceeds from school loan revolving fund	-	-	2,919,099	2,919,099
Proceeds from the sale of bonds	-	-	6,410,000	6,410,000
Bond premium	-	-	1,019,828	1,019,828
Payment to escrow agent	-	-	(7,327,358)	(7,327,358)
Transfers in	-	-	85,595	85,595
Transfers out	(85,595)	-	-	(85,595)
Total other financing sources (uses)	<u>460,547</u>	<u>-</u>	<u>3,107,164</u>	<u>3,567,711</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>736,630</u>	<u>(7,170,971)</u>	<u>(85,430)</u>	<u>(6,519,771)</u>
<b>FUND BALANCES:</b>				
Beginning of year	<u>1,692,479</u>	<u>11,167,318</u>	<u>829,771</u>	<u>13,689,568</u>
End of year	<u>\$ 2,429,109</u>	<u>\$ 3,996,347</u>	<u>\$ 744,341</u>	<u>\$ 7,169,797</u>

See notes to financial statements.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

<b>Net change in fund balances total governmental funds</b>	\$ (6,519,771)
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	(3,079,050)
Capital outlay	7,228,794
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	511,257
Accrued interest payable, end of the year	(625,743)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items are as follows:	
Payment on debt	5,975,000
Proceeds from the sale of bonds	(6,410,000)
Payment to escrow agent	7,327,358
Proceeds from school loan revolving fund	(2,919,099)
Premiums on the sale of bonds	(1,019,828)
Amortization of deferred charge on refunding	(147,657)
Amortization of premium on debt	506,257
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Deferred inflows - Unavailable revenue, beginning of the year	-
Deferred inflows - Unavailable revenue, end of the year	42,078
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences and other benefits, beginning of the year	427,594
Accrued compensated absences and other benefits, end of the year	(561,451)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Pension related items	689,841
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period:	
State aid funding for pension	(1,195,382)
<b>Change in net position of governmental activities</b>	<u><u>\$ 230,198</u></u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2016**

	<u>Agency fund</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 503,430
Due from East Grand Rapids Public Schools	<u>190,583</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 694,013</u></u>
<b>LIABILITIES:</b>	
Due to East Grand Rapids Public Schools	\$ 313,291
Due to student and other groups	<u>380,722</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 694,013</u></u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-wide Financial Statements**

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

**B. Reporting Entity**

The East Grand Rapids Public Schools (the “District”) is governed by the East Grand Rapids Public Schools Board of Education (the “Board”), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

**C. Basis of Presentation - Government-wide Financial Statements**

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

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

**D. Basis of Presentation - Fund Financial Statements**

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

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The District reports the following major governmental funds:

The *general fund* is the District’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *2014 capital projects fund* accounts for the revenue and expenditures that are related to the net proceeds from the issuance of the general obligations bonds that are going to be used to erect, furnish, and equip additions to school buildings; remodel, furnish, and refurbish, and equip and re-equip school buildings; acquire, install, equip and re-equip school buildings for instructional technology; develop, improve, and equip sites; and pay the costs of issuing the Bonds.

The Capital projects fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital projects fund, the District has complied with the applicable provisions of §1351a of the Revised School Code.

The District issued \$15,640,000 of bonds on June 26, 2014, at which time all funds were available for the intended purpose of the bond issue. Beginning with the year of bond issuance, the District has reported the annual construction activity in the 2014 capital projects fund. The following is a summary of the cumulative revenues and expenditures for the capital project bond activity since inception:

	<u>2014 Bond</u>
Revenues and other financing sources (uses)	\$ 1,991,261
Expenditures	\$ 13,634,914

The above revenue and other financing sources (uses) figure does not include the original 2014 bond proceeds of \$15,640,000.

**Other non-major funds**

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, joint facilities fund and the recreation fund activities as special revenue funds.

*Food service fund* accounts for employees to operate the District’s food service program.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Joint facilities fund* accounts for specific joint revenue and expenditures between the District and City of East Grand Rapids for jointly used facilities.

*Recreation fund* accounts for the special recreation millage for the purpose of providing funds for operating a system of public recreation and playgrounds.

The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects fund - sinking fund* accounts for revenues and expenditures that have been restricted for the purchase and upgrade of facilities throughout the District. For this fund, the District has complied with the applicable provisions of §1212(1) of the revised school code and the State of Michigan Department of Treasury Letter No. 01-95.

*Fiduciary Funds* account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

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

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

**E. Measurement Focus and Basis of Accounting**

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

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Measurement Focus and Basis of Accounting (Continued)**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Measurement Focus and Basis of Accounting (Concluded)**

The state portion of the Foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

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

The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

**F. Budgetary Information**

Budgetary basis of accounting:

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

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

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Budgetary Information (Concluded)**

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30, 2016. The District does not consider these amendments to be significant.

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

1. Cash and cash equivalents

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

2. Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

2. Investments (Concluded)

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

3. Inventories and prepaids

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

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

4. Capital assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

4. Capital assets (Concluded)

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

Capital asset classes	Lives
Buildings and additions	40 - 50
Furniture and equipment	3 - 15
Vehicles	5 - 10
Land improvements	20

5. Defined benefit plan

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

6. Deferred outflows/inflows of resources

Deferred outflows

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

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

6. Deferred outflows/inflows of resources (Concluded)

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. This arises from receipts that are received after 60 days of year end. The second is the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary. The third is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period.

7. Net position flow assumption

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

In the computation of net investment in capital assets, school bond loan fund and school loan revolving fund principal proceeds of \$3,219,629 are considered capital related debt. Accrued interest on these two funds of \$30,909 is not considered capital related debt.

In addition, during the year ended June 30, 2015 the District issued bonded debt in the amount of \$19,995,000 used to make principal and interest payments related to the School Loan Revolving Fund and the School Bond Loan Fund. 23% of these proceeds are not considered capital related debt as this amount was used to pay off accrued interest. The remaining allocation of this debt not considered capital related debt at June 30, 2016 is \$4,108,482.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

8. Fund balance flow assumptions

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

9. Fund balance policies

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

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

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

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

9. Fund balance policies (Concluded)

Minimum unassigned fund balance - the District will maintain a minimum unassigned fund balance in its general fund ranging from 10 percent to 20 percent of the subsequent year's budgeted expenditures and outgoing transfers. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment.

Replenishing deficiencies - when fund balance falls below the minimum 10 percent range, the District will replenish shortages/deficiencies using the budgetary strategies and timeframes described below:

- The District will reduce recurring expenditures to eliminate any structural deficit or,
- The District will increase revenues or pursue other funding sources, or,
- Some combination of the two options above.

Minimum fund balance deficiencies shall be replenished within the following time periods:

- Deficiency resulting in a minimum fund balance between 7.5% and 10% shall be replenished over a period not to exceed one year.
- Deficiency resulting in a minimum fund balance between 5% and 7.5% shall be replenished over a period not to exceed three years.
- Deficiency resulting in a minimum fund balance of less than 5% shall be replenished over a period not to exceed five years.

At June 30, 2016 The District Board of Education had committed fund balances as follows:

- Capital projects (sinking fund) - \$335,000 of fund balance committed for athletic field turf replacement.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**H. Revenues and Expenditures/Expenses**

1. Program revenues

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

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2016, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund:	
Non-Principal Residence Exemption (PRE) Commercial Personal Property	17.1531
Special revenue fund (Recreation fund):	
PRE, Non-PRE, Commercial Personal Property	1.3120
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	9.9500
Capital projects fund (Sinking Fund):	
PRE, Non-PRE, Commercial Personal Property	0.4801

3. Compensated absences

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

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**H. Revenues and Expenditures/Expenses (Concluded)**

4. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

<u>Investment Type</u>	<u>Fair value</u>	<u>Weighted average maturity (years)</u>	<u>Standard &amp; Poor's Rating</u>	<u>%</u>
MILAF+ Max Class	\$ 266	0.0027	AAAm	0.00%
MILAF+ Cash Mgmt Class	<u>5,900,635</u>	0.0027	AAAm	<u>100.00%</u>
Total fair value	<u><u>\$ 5,900,901</u></u>			<u><u>100.00%</u></u>
Portfolio weighted average maturity		<u><u>0.0027</u></u>		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2016, the fair value of the District’s investments is the same as the value of the pool shares.

MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

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

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2016, the District did not have investments in commercial paper and corporate bonds.

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2016, \$2,124,209 of the District's bank balance of \$2,752,564 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount on the financial statements is \$2,316,570.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

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

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

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

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

Deposits - including fiduciary funds of \$503,430	\$ 2,316,570
Investments	<u>5,900,901</u>
	<u><u>\$ 8,217,471</u></u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)**

The above amounts are reported in the financial statements as follows:

Fiduciary fund:		
Cash and cash equivalents		\$ 503,430
Government-wide:		
Cash and cash equivalents		1,779,361
Investments		54,521
Cash and cash equivalents - restricted 2014 capital projects fund		5,880,159
		<u>\$ 8,217,471</u>

**NOTE 3 - CAPITAL ASSETS**

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

	Balance July 1, 2015	Additions	Deletions	Balance July 1, 2016
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 450,000	\$ -	\$ -	\$ 450,000
Construction in process	4,327,754	2,254,586	4,327,754	2,254,586
Total capital assets, not being depreciated	<u>4,777,754</u>	<u>2,254,586</u>	<u>4,327,754</u>	<u>2,704,586</u>
Capital assets, being depreciated:				
Land improvements	19,037,119	-	-	19,037,119
Building and additions	74,126,504	6,326,364	-	80,452,868
Furniture and equipment	5,953,736	2,975,598	-	8,929,334
Vehicles	460,904	-	230,887	230,017
Total capital assets, being depreciated	<u>99,578,263</u>	<u>9,301,962</u>	<u>230,887</u>	<u>108,649,338</u>
Accumulated depreciation:				
Land improvements	7,410,082	475,238	-	7,885,320
Building and additions	27,193,113	1,794,646	-	28,987,759
Furniture and equipment	3,600,107	809,166	-	4,409,273
Vehicles	460,904	-	230,887	230,017
Total accumulated depreciation	<u>38,664,206</u>	<u>3,079,050</u>	<u>230,887</u>	<u>41,512,369</u>
Net capital assets, being depreciated	<u>60,914,057</u>	<u>6,222,912</u>	<u>-</u>	<u>67,136,969</u>
Net governmental capital assets	<u>\$ 65,691,811</u>	<u>\$ 8,477,498</u>	<u>\$ 4,327,754</u>	<u>\$ 69,841,555</u>

Depreciation expense for the fiscal year ended June 30, 2016 amounted to \$3,079,050. The District allocated depreciation expense to the following activities as follows:

Instruction	\$ 2,434,935
Support	517,716
Community service	126,399
	<u>\$ 3,079,050</u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - INTERGOVERNMENTAL RECEIVABLES**

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

	Government wide
Other governmental units:	
State aid	\$ 4,341,662
Federal revenue	108,688
ISD and other	264,240
Total	\$ 4,714,590

Amounts reported as intergovernmental receivables include amounts due from federal, state and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary.

**NOTE 5 - NOTES PAYABLE**

At June 30, 2016, the District has notes payable outstanding of \$1,150,624. The notes have interest rates of .76%, 1.08%, 1.46% and .64%, respectively, and mature in August and July of 2016.

Balance June 30, 2015	Additions	Payments	Balance June 30, 2016
\$ 1,490,100	\$ 2,700,000	\$ 3,039,476	\$ 1,150,624

The notes are secured by the full faith and credit of the District as well as pledged state aid. Note 2015 C-1 and C-4 required payments to an irrevocable set-aside account of \$1,551,376. At year-end the balance of these payments are considered defeased debt and are not included in the year-end balance.

Note	Amount	Interest Rate	Maturity date
2015 C-1	\$ 1,223,225	0.76%	July 20, 2016
2015 C-2	\$ 385,588	1.08%	August 22, 2016
2015 C-3	\$ 514,412	1.46%	August 22, 2016
2015 C-4	\$ 576,775	0.64%	July 20, 2016

**NOTE 6 - LONG-TERM DEBT**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM DEBT (Continued)**

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

	Compensated Absences	School bond loan fund (SBLF)/ School loan revolving fund (SLRF)	Bonds and other debt	Total
Balance, July 1, 2015	\$ 427,594	\$ 300,530	\$ 93,611,945	\$ 94,340,069
Additions	133,857	2,919,099	7,429,828	10,482,784
Deletions	-	-	12,963,644	12,963,644
Balance, June 30, 2016	561,451	3,219,629	88,078,129	91,859,209
Due within one year	213,195	-	6,315,000	6,528,195
Due in more than one year	\$ 348,256	\$ 3,219,629	\$ 81,763,129	\$ 85,331,014

Borrowing from the State of Michigan - The school bond loan fund (SBLF) and school loan revolving fund (SLRF) payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rates of 3.34% for the School Bond Loan Fund and 3.34% for the School Loan Revolving Fund notes have been assessed at June 30, 2016. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.95 mills. The school district is required to levy 7.95 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. The District currently levies 9.95 debt mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the following amortization schedule.

Certain beginning balances have been reclassified with deferred charges on refunding. There was no effect on beginning net position.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM DEBT (Continued)**

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

2007 building and site bonds due in annual installments of \$305,000 to \$380,000 through May 1, 2021 with interest from 4.0% to 5.0%.	\$ 1,675,000
2008 building and site bonds due in annual installments of \$135,000 to \$210,000 through May 1, 2023 with interest from 3.75% to 4.0%.	1,190,000
2011 refunding bonds due in annual installments of \$925,000 to \$1,580,000 through May 1, 2021 with interest of 4.0% to 4.2%.	5,640,000
2012 refunding bonds due in annual installments of \$15,000 to \$1,625,000 through May 1, 2029 with interest of 2.0% to 4.0%.	12,955,000
2014 refunding bonds due in annual installments of \$1,900,000 to \$1,990,000 through May 1, 2020 with interest of 2.0% to 5.0%.	7,835,000
2014 building and site bonds due in annual installments of \$100,000 to \$1,255,000 through May 1, 2039 with interest of 2.0% to 5.0%.	15,440,000
2014 Series A refunding bonds due in annual installments of \$525,000 to \$1,225,000 through May 1, 2031 with interest of 4.0% to 5.0%.	13,395,000
2014 Series B refunding bonds due in annual installments of \$2,410,000 to \$2,740,000 through May 1, 2023 with interest of 1.18% to 3.15%.	17,835,000
2016 refunding bonds due in annual installments of \$365,000 to \$640,000 through May 1, 2032 with interest of 4.00%.	<u>6,410,000</u>
Total general obligation	82,375,000
Plus: unamortized issuance premium	5,703,129
Obligation under contract for compensated absences and other benefits.	561,451
 Borrowing from the State of Michigan under the School Bond Loan Fund and School Loan Revolving Fund, with interest at 3.34% at June 30, 2016.	 <u>3,219,629</u>
 Total general long-term debt	 <u><u>\$ 91,859,209</u></u>

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2016, \$73,355,000 bonds outstanding are considered defeased.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM DEBT (Concluded)**

On May 26, 2016, the District issued general obligation refunding bonds of \$6,410,000 with interest of 4.00% to redeem a portion of the District's outstanding 2007 and 2008 refunding bonds with an interest rate ranging from 4.000% to 4.250%. The bonds mature at various times through May 1, 2032. The general obligation bonds, after paying issuance costs of \$102,470, yielded net proceeds of \$7,327,358. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements. As a result of the advance refunding, the District reduced its total debt service requirements by \$1,013,839, which resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of \$835,973.

The District entered into a 2016 early retirement incentive arrangement with certain employees. The agreement provides for a total payment to each individual of \$35,000, with one individual receiving \$34,500. This amount will be paid out in three equal payments January 2017, 2018 and 2019. There are currently 5 employees entitled to future payments totaling \$174,500. The liability has been recorded at the face amount, as the discounted present value approximates the face amount of the liability. This amount is included in the obligation under contract and severance benefits.

The annual requirements to amortize debt outstanding as of June 30, 2016, including interest payments of \$30,653,702 are as follows:

Year ending June 30,	Principal	Interest	Amounts payable
2017	\$ 6,315,000	\$ 3,262,110	\$ 9,577,110
2018	6,490,000	3,092,866	9,582,866
2019	6,660,000	2,922,795	9,582,795
2020	6,895,000	2,676,945	9,571,945
2021	5,605,000	2,414,440	8,019,440
2022 - 2026	22,390,000	9,099,846	31,489,846
2027 - 2031	17,355,000	4,901,600	22,256,600
2032 - 2036	6,900,000	1,906,600	8,806,600
2037 - 2039	3,765,000	376,500	4,141,500
	<u>82,375,000</u>	<u>30,653,702</u>	<u>113,028,702</u>
Unamortized issuance premium	5,703,129	-	5,703,129
Compensated absences and other benefits	561,451	-	561,451
School bond loan fund/School loan revolving fund	3,219,629	30,909	3,250,538
	<u>\$ 91,859,209</u>	<u>\$ 30,684,611</u>	<u>\$ 122,543,820</u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES**

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

Receivable fund		Payable fund	
General fund	\$ 377,194	General fund	\$ 97,456
Food service fund	5,931	Joint facilities fund	128,629
Joint facilities fund	24,115	Debt service funds	1,344
Debt service funds	50,229	2014 capital projects	284,062
2014 capital projects	480	Sinking funds	77,893
Sinking funds	128,843	Food service fund	5,134
Recreation fund	7,726		
	\$ 594,518		\$ 594,518

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS**

**Plan Description**

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

**Benefits Provided**

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

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

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

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

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

**Pension Reform 2010**

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

**Pension Reform 2012**

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

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

**Regular Retirement (no reduction factor for age)**

Eligibility - Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60<sup>th</sup> birthday and has credited service in each of the last 5 years. For Pension Plus (PPP) members, age 60 with 10 years of credited service.

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

**Pension Plus**

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

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

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

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

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

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

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

**Member Contributions**

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

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

**Employer Contributions**

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

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

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

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

The District's pension contributions for the year ended June 30, 2016 were equal to the required contribution total. Pension contributions were approximately \$3,989,000, with \$3,887,000 specifically for the Defined Benefit Plan. These amounts include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (69.45% for pension and 30.55% for OPEB).

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

**Pension Liabilities**

At June 30, 2016, the District reported a liability of \$43,902,163 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2014 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2015 and 2014, the District's proportion was .17974 and .18680 percent.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

<u>MPERS (Plan) Non-university employers :</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Total Pension Liability	\$ 66,312,041,902	\$ 65,160,887,182
Plan Fiduciary Net Position	\$ 41,887,015,147	\$ 43,134,384,072
Net Pension Liability	\$ 24,425,026,755	\$ 22,026,503,110
Proportionate share	0.17974	0.18680
Net Pension liability for the District	\$ 43,902,163	\$ 41,145,766

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

For the year ended June 30, 2016, the District recognized pension expense of \$2,001,364. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate. These amounts have been recorded as a deferred outflow as of June 30, 2016.

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

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Changes of assumptions	\$ 1,080,964	\$ -
Net difference between projected and actual plan investments earnings	224,085	-
Differences between expected and actual experience	-	(145,417)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,107	(1,315,306)
Reporting Unit's contributions subsequent to the measurement date	3,571,000	-
	<u>\$ 4,877,156</u>	<u>\$ (1,460,723)</u>

\$3,571,000, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

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

Year ended September 30,	Amount
2016	\$ (230,475)
2017	(230,475)
2018	(289,094)
2019	595,477

**Actuarial Assumptions**

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

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

**Inflation** - 2.5%

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

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

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

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

	<u>1% Lower (6.0% - 7.0%)</u>	<u>Discount Rate (7.0% - 8.0%)</u>	<u>1% Higher (8.0% - 9.0%)</u>
Reporting Unit's proportionate share of the net pension liability	<u>\$ 56,601,143</u>	<u>\$ 43,902,163</u>	<u>\$ 33,196,404</u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

**Pension Plan Fiduciary Net Position**

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

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

**Benefit Provisions - Other Postemployment**

***Introduction***

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

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

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

***Retiree Healthcare Reform of 2012***

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

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

***Employer Contributions***

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

The District postemployment healthcare contributions to MPSERS for the years ended June 30, 2016, 2015 and 2014 were approximately \$1,549,000, \$1,841,000 and \$1,845,000.

**NOTE 9 - RISK MANAGEMENT**

The District participates in a pool, the West Michigan Risk Management Trust, with other school districts for boiler, property, fleet, casualty, crime, data processing, and errors and omissions insurance. Premiums from members of the Trust are determined through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$250,000 and \$1,204,000, respectively. The District has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends. Excess insurance has been purchased to cover claims exceeding those amounts.

The District also participates in a pool, the West Michigan Workers' Compensation Fund, a self-insurance program with districts pooling together to insure workers' compensation and employers' liability exposures. The Fund pays the first \$450,000 of any workers' compensation or employers' liability loss out of \$1,971,000 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - RISK MANAGEMENT (Concluded)**

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2016 claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 10 - TRANSFERS**

The general fund transferred \$25,595 to the food service fund. These funds were transferred to subsidize the net loss in the food service fund.

The general fund also transferred \$60,000 to the joint facilities fund. These funds were transferred to help subsidize the costs of running the joint facilities.

**NOTE 11 - CONTINGENT LIABILITIES**

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

**NOTE 12 - SUBSEQUENT EVENTS**

The District has approved borrowing of \$1,900,000 for fiscal year 2017 to replace the notes payable as described in Note 5.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued by the GASB in June 2015 and will be effective for the District's 2018 fiscal year. The Statement requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

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

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget</b>
<b>REVENUES:</b>				
Local sources	\$ 3,021,262	\$ 3,041,050	\$ 3,051,440	\$ 10,390
State sources	23,750,372	23,915,296	23,986,363	71,067
Federal sources	452,359	435,963	453,483	17,520
Incoming transfers and other	1,399,722	1,285,572	1,314,641	29,069
Total revenues	<u>28,623,715</u>	<u>28,677,881</u>	<u>28,805,927</u>	<u>128,046</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic programs	17,484,161	17,449,540	17,251,489	198,051
Added needs	1,515,967	1,488,312	1,528,424	(40,112)
Total instruction	<u>19,000,128</u>	<u>18,937,852</u>	<u>18,779,913</u>	<u>157,939</u>
Supporting services:				
Pupil	1,605,297	1,499,816	1,497,878	1,938
Instructional staff	1,153,832	1,236,052	1,242,079	(6,027)
General administration	685,667	675,232	655,126	20,106
School administration	1,860,051	1,877,189	1,821,926	55,263
Business	554,572	549,925	543,381	6,544
Operations and maintenance	2,061,297	2,205,269	2,124,230	81,039
Transportation	246,322	290,602	236,189	54,413
Central	428,543	447,253	445,519	1,734
Other	735,456	768,893	832,997	(64,104)
Total supporting services	<u>9,331,037</u>	<u>9,550,231</u>	<u>9,399,325</u>	<u>150,906</u>
Community services	355,715	351,510	350,606	904
Total expenditures	<u>28,686,880</u>	<u>28,839,593</u>	<u>28,529,844</u>	<u>309,749</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>(63,165)</u>	<u>(161,712)</u>	<u>276,083</u>	<u>437,795</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of capital assets	-	545,575	546,142	567
Transfers out	-	(30,000)	(85,595)	(55,595)
Total other financing sources (uses)	<u>-</u>	<u>515,575</u>	<u>460,547</u>	<u>(55,028)</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	<u>\$ (63,165)</u>	<u>\$ 353,863</u>	<u>736,630</u>	<u>\$ 382,767</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>1,692,479</u>	
End of year			<u>\$ 2,429,109</u>	

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

	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.17974%	0.18680%
Reporting unit's proportionate share of net pension liability	\$ 43,902,163	\$ 41,145,766
Reporting unit's covered-employee payroll	\$ 15,040,473	\$ 15,689,804
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	291.89%	262.25%
Plan fiduciary net position as a percentage of total pension liability	63.17%	66.20%

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

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

	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 3,886,587	\$ 3,369,408
Contributions in relation to statutorily required contributions	<u>3,886,587</u>	<u>3,369,408</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ 14,983,171	\$ 15,699,750
Contributions as a percentage of covered-employee payroll	25.94%	21.46%

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

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
SCHEDULE OF NET PENSION LIABILITY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**Changes of benefits terms:** There were no changes of benefits terms in 2015.

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

**ADDITIONAL SUPPLEMENTARY INFORMATION**

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
GENERAL FUND  
SCHEDULE OF REVENUES  
YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>LOCAL SOURCES:</b>		
Property taxes	\$ 1,103,224	\$ 1,105,402
Other local revenue:		
Community services	774,978	701,901
Athletics	351,266	334,956
Other	<u>821,972</u>	<u>792,660</u>
<b>TOTAL LOCAL SOURCES</b>	<u>3,051,440</u>	<u>2,934,919</u>
<b>STATE SOURCES:</b>		
State aid	<u>23,986,363</u>	<u>23,548,895</u>
<b>FEDERAL SOURCES:</b>		
Title I	113,311	113,974
Title II	41,769	41,512
I.D.E.A.	298,403	303,074
Other grants	<u>-</u>	<u>7,108</u>
<b>TOTAL FEDERAL SOURCES</b>	<u>453,483</u>	<u>465,668</u>
<b>INTERMEDIATE DISTRICT TRANSACTIONS:</b>		
Intermediate school district	<u>1,313,021</u>	<u>1,488,811</u>
<b>OTHER:</b>		
Miscellaneous	<u>1,620</u>	<u>(1,706)</u>
<b>TOTAL REVENUES</b>	<u><u>\$ 28,805,927</u></u>	<u><u>\$ 28,436,587</u></u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>INSTRUCTION:</b>		
Basic programs:		
Elementary	\$ 7,383,593	\$ 7,553,807
Middle school	4,124,187	4,223,213
High school	5,488,937	5,374,956
Preschool	254,772	247,252
Total basic programs	<u>17,251,489</u>	<u>17,399,228</u>
Added needs:		
Special education	1,406,330	1,681,742
Compensatory education	122,094	113,134
Total added needs	<u>1,528,424</u>	<u>1,794,876</u>
<b>TOTAL INSTRUCTION</b>	<u>18,779,913</u>	<u>19,194,104</u>
<b>SUPPORT SERVICES:</b>		
Pupil:		
Guidance services	469,231	608,869
Physical therapist services	92,464	95,327
Psychological services	255,388	268,277
Speech pathology	214,218	209,422
Social work services	314,555	303,618
Teacher consultant	46,517	85,069
Other pupil services	105,505	114,220
Total pupil	<u>1,497,878</u>	<u>1,684,802</u>
Instructional staff:		
Curriculum improvement	606,172	679,363
Educational media services	6,046	4,622
Technology department	307,175	302,904
Supervision and direction	266,323	216,499
Performing arts center	56,363	66,011
Total instructional staff	<u>1,242,079</u>	<u>1,269,399</u>
General administration:		
Board of education	178,546	198,211
Executive administration	476,580	476,059
Total general administration	<u>655,126</u>	<u>674,270</u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>SUPPORT SERVICES (Concluded):</b>		
School administration:		
Office of the principal	\$ 1,813,505	\$ 1,916,731
Other school administrative services	8,421	6,505
	<u>1,821,926</u>	<u>1,923,236</u>
Total school administration		
Business:		
Fiscal services	433,774	437,891
Print center	78,009	69,323
Other business services	31,598	68,017
	<u>543,381</u>	<u>575,231</u>
Total business		
Operation and maintenance	<u>2,124,230</u>	<u>2,070,622</u>
Pupil transportation services	<u>236,189</u>	<u>229,965</u>
Central services:		
Planning and evaluation	1,530	6,413
Communication services	10,167	5,890
Staff/professional services	4,197	4,962
Management information services	429,625	495,536
	<u>445,519</u>	<u>512,801</u>
Total central services		
Other supporting services:		
Athletics	<u>832,997</u>	<u>819,064</u>
TOTAL SUPPORT SERVICES	<u>9,399,325</u>	<u>9,759,390</u>
<b>COMMUNITY SERVICES:</b>		
Community activities	765	1,030
Before and after child care	346,900	419,569
Non-public school pupils	2,941	1,188
	<u>350,606</u>	<u>421,787</u>
TOTAL COMMUNITY SERVICES		
<b>TOTAL EXPENDITURES</b>	<u>\$ 28,529,844</u>	<u>\$ 29,375,281</u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2016**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Nonmajor capital projects</u>	<u>Total nonmajor governmental funds</u>
<b>ASSETS</b>				
<b>ASSETS:</b>				
Cash and cash equivalents	\$ -	\$ 7,535	\$ 587,775	\$ 595,310
Receivables:				
Due from other funds	37,772	50,229	128,843	216,844
Due from agency funds	155,768	-	-	155,768
<b>TOTAL ASSETS</b>	<u>\$ 193,540</u>	<u>\$ 57,764</u>	<u>\$ 716,618</u>	<u>\$ 967,922</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Checks written against future deposits	\$ -	\$ 4,450	\$ -	\$ 4,450
Accrued salaries and related	6,131	-	-	6,131
Due to other funds	133,763	1,344	77,893	213,000
<b>TOTAL LIABILITIES</b>	<u>139,894</u>	<u>5,794</u>	<u>77,893</u>	<u>223,581</u>
<b>FUND BALANCES:</b>				
Restricted for:				
Debt service funds	-	51,970	-	51,970
Joint facilities fund	51,138	-	-	51,138
Recreation fund	2,508	-	-	2,508
Capital projects - sinking fund	-	-	303,725	303,725
Committed for:				
Sinking fund - athletic field turf	-	-	335,000	335,000
<b>TOTAL FUND BALANCES</b>	<u>53,646</u>	<u>51,970</u>	<u>638,725</u>	<u>744,341</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 193,540</u>	<u>\$ 57,764</u>	<u>\$ 716,618</u>	<u>\$ 967,922</u>

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

	<b>Special revenue</b>	<b>Debt service</b>	<b>Nonmajor capital projects</b>	<b>Total nonmajor governmental funds</b>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ 846,667	\$ 6,478,622	\$ 310,426	\$ 7,635,715
Local revenue	60,000	-	20,000	80,000
Investment earnings	-	-	135	135
Total local sources	906,667	6,478,622	330,561	7,715,850
Interdistrict sources	219,929	-	-	219,929
Total revenues	1,126,596	6,478,622	330,561	7,935,779
<b>EXPENDITURES:</b>				
School lunch	245,524	-	-	245,524
Recreation fund	846,667	-	-	846,667
Joint facilities fund	160,385	-	-	160,385
Capital outlay	-	-	327,434	327,434
Debt service:				
Principal repayment	-	5,975,000	-	5,975,000
Interest expense	-	3,465,446	-	3,465,446
Other expense	-	5,447	-	5,447
Bond issuance cost	-	102,470	-	102,470
Total expenditures	1,252,576	9,548,363	327,434	11,128,373
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(125,980)	(3,069,741)	3,127	(3,192,594)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from school loan revolving fund	-	2,919,099	-	2,919,099
Proceeds from the sale of bonds	-	6,410,000	-	6,410,000
Bond premium	-	1,019,828	-	1,019,828
Payment to escrow agent	-	(7,327,358)	-	(7,327,358)
Transfers in	85,595	-	-	85,595
Total other financing sources (uses)	85,595	3,021,569	-	3,107,164
<b>NET CHANGE IN FUND BALANCES</b>	(40,385)	(48,172)	3,127	(85,430)
<b>FUND BALANCES:</b>				
Beginning of year	94,031	100,142	635,598	829,771
End of year	\$ 53,646	\$ 51,970	\$ 638,725	\$ 744,341

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2016  
(with comparative totals for June 30, 2015)**

	<b>Food Service</b>	<b>Recreation Fund</b>	<b>Joint Facilities Fund</b>	<b>Totals</b>	
				<b>2016</b>	<b>2015</b>
<b>ASSETS</b>					
<b>ASSETS:</b>					
Accounts receivable	\$ -	\$ -	\$ -	\$ -	\$ 60,000
Due from other funds	5,931	7,726	24,115	37,772	42,211
Due from agency funds	116	-	155,652	155,768	155,768
<b>TOTAL ASSETS</b>	<b>\$ 6,047</b>	<b>\$ 7,726</b>	<b>\$ 179,767</b>	<b>\$ 193,540</b>	<b>\$ 257,979</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accrued salaries and related	\$ 913	\$ 5,218	\$ -	\$ 6,131	\$ -
Due to other funds	5,134	-	128,629	133,763	163,948
<b>TOTAL LIABILITIES</b>	<b>6,047</b>	<b>5,218</b>	<b>128,629</b>	<b>139,894</b>	<b>163,948</b>
<b>FUND BALANCES:</b>					
Restricted for joint facilities fund	-	-	51,138	51,138	91,523
Restricted for recreation fund	-	2,508	-	2,508	2,508
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>2,508</b>	<b>51,138</b>	<b>53,646</b>	<b>94,031</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,047</b>	<b>\$ 7,726</b>	<b>\$ 179,767</b>	<b>\$ 193,540</b>	<b>\$ 257,979</b>

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2016  
(with comparative totals for the year ended June 30, 2015)**

	Food Service	Recreation Fund	Joint Facilities Fund	Totals	
				2016	2015
<b>REVENUES:</b>					
Property taxes	\$ -	\$ 846,667	\$ -	\$ 846,667	\$ 820,237
Interdistrict sources	219,929	-	-	219,929	225,619
Local revenue	-	-	60,000	60,000	60,000
Total revenues	219,929	846,667	60,000	1,126,596	1,105,856
<b>EXPENDITURES:</b>					
Salaries	132,221	255,613	-	387,834	483,110
Employee benefits	91,649	180,873	-	272,522	307,048
Purchased services	20,014	12,000	-	32,014	33,759
Supplies	-	398,181	28,445	426,626	291,968
Capital outlay	-	-	131,940	131,940	13,621
Miscellaneous	1,640	-	-	1,640	2,469
Total expenditures	245,524	846,667	160,385	1,252,576	1,131,975
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	(25,595)	-	(100,385)	(125,980)	(26,119)
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	25,595	-	60,000	85,595	35,203
Transfers out	-	-	-	-	(128,629)
Total other financing sources (uses)	25,595	-	60,000	85,595	(93,426)
<b>NET CHANGE IN FUND BALANCES</b>					
	-	-	(40,385)	(40,385)	(119,545)
<b>FUND BALANCES:</b>					
Beginning of year	-	2,508	91,523	94,031	213,576
End of year	\$ -	\$ 2,508	\$ 51,138	\$ 53,646	\$ 94,031

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2016  
(with comparative totals for June 30, 2015)**

ASSETS	Debt service funds							Totals	
	2007	2011	2012	2014	2014 Building & Site	2014 SBLF Refunding	2006/2014 Refunding	2016	2015
<b>ASSETS:</b>									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 4,631	\$ -	\$ 1,719	\$ 1,185	\$ 7,535	\$ 101,380
Receivables:									
Due from other funds	4,173	2,790	6,051	11,611	4,503	14,863	6,238	50,229	890
<b>TOTAL ASSETS</b>	<b>\$ 4,173</b>	<b>\$ 2,790</b>	<b>\$ 6,051</b>	<b>\$ 16,242</b>	<b>\$ 4,503</b>	<b>\$ 16,582</b>	<b>\$ 7,423</b>	<b>\$ 57,764</b>	<b>\$ 102,270</b>
 <b>LIABILITIES AND FUND BALANCES</b>									
<b>LIABILITIES:</b>									
Checks written against future deposits	\$ 1,691	\$ 433	\$ 1,158	\$ -	\$ 1,168	\$ -	\$ -	\$ 4,450	\$ -
Due to other funds	20	1	-	2	48	-	1,273	1,344	4,652
<b>TOTAL LIABILITIES</b>	1,711	434	1,158	2	1,216	-	1,273	5,794	4,652
<b>FUND BALANCES:</b>									
Restricted for debt service	2,462	2,356	4,893	16,240	3,287	16,582	6,150	51,970	97,618
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,173</b>	<b>\$ 2,790</b>	<b>\$ 6,051</b>	<b>\$ 16,242</b>	<b>\$ 4,503</b>	<b>\$ 16,582</b>	<b>\$ 7,423</b>	<b>\$ 57,764</b>	<b>\$ 102,270</b>

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
DEBT SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2016  
(with comparative totals for the year ended June 30, 2015)**

	Debt service funds						Totals		
	2007/2016 Refunding	2011	2012	2014	2014 Building and Site	2014 SBLF Refunding	2006/2014 Refunding	2016	2015
<b>REVENUES:</b>									
Local sources:									
Property taxes	\$ 521,029	\$ 325,825	\$ 749,031	\$ 1,432,964	\$ 566,583	\$ 1,726,948	\$ 1,156,242	\$ 6,478,622	\$ 6,514,086
Interest	-	-	-	-	-	-	-	-	3,648
Total revenues	521,029	325,825	749,031	1,432,964	566,583	1,726,948	1,156,242	6,478,622	6,517,734
<b>EXPENDITURES:</b>									
Principal retirement	420,000	15,000	885,000	1,845,000	100,000	2,160,000	550,000	5,975,000	3,700,000
Interest	425,080	517,238	264,160	369,150	762,500	438,756	688,562	3,465,446	2,960,911
Miscellaneous expense	1,523	200	751	501	198	500	1,774	5,447	9,045
Bond issuance costs	102,470	-	-	-	-	-	-	102,470	144,931
Total expenditures	949,073	532,438	1,149,911	2,214,651	862,698	2,599,256	1,240,336	9,548,363	6,814,887
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(428,044)	(206,613)	(400,880)	(781,687)	(296,115)	(872,308)	(84,094)	(3,069,741)	(297,153)
<b>OTHER FINANCING SOURCES (USES):</b>									
Proceeds from school loan revolving fund	300,269	203,955	395,269	773,428	280,758	886,366	79,054	2,919,099	136,494
Proceeds from the sale of bonds	6,410,000	-	-	-	-	-	-	6,410,000	13,395,000
Bond premium	1,019,828	-	-	-	-	-	-	1,019,828	2,120,491
Payment to escrow agent	(7,327,358)	-	-	-	-	-	-	(7,327,358)	(15,366,675)
Transfers in	-	-	-	-	-	-	-	-	38,691
Total other financing sources (uses)	402,739	203,955	395,269	773,428	280,758	886,366	79,054	3,021,569	324,001
<b>NET CHANGE IN FUND BALANCES</b>	(25,305)	(2,658)	(5,611)	(8,259)	(15,357)	14,058	(5,040)	(48,172)	26,848
<b>FUND BALANCES:</b>									
Beginning of year	27,767	5,014	10,504	24,499	18,644	2,524	11,190	100,142	70,770
End of year	\$ 2,462	\$ 2,356	\$ 4,893	\$ 16,240	\$ 3,287	\$ 16,582	\$ 6,150	\$ 51,970	\$ 97,618

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NONMAJOR CAPITAL PROJECTS FUNDS  
BALANCE SHEET  
JUNE 30, 2016  
(with comparative totals for June 30, 2015)**

		<b>Totals</b>	
<b>ASSETS</b>	<b>Sinking Fund</b>	<b>2016</b>	<b>2015</b>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 587,775	\$ 587,775	\$ 716,880
Due from other funds	128,843	128,843	128,629
<b>TOTAL ASSETS</b>	<b>\$ 716,618</b>	<b>\$ 716,618</b>	<b>\$ 845,509</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 206,677
Due to other funds	77,893	77,893	3,234
Total liabilities	77,893	77,893	209,911
<b>FUND BALANCES:</b>			
Fund balance:			
Committed - athletic field turf	335,000	335,000	295,000
Restricted	303,725	303,725	340,598
<b>TOTAL FUND BALANCES</b>	638,725	638,725	635,598
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 716,618</b>	<b>\$ 716,618</b>	<b>\$ 845,509</b>

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
NONMAJOR CAPITAL PROJECTS FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2016  
(with comparative totals for the year ended June 30, 2015)**

	<u>Totals</u>		
	<u>Sinking Fund</u>	<u>2016</u>	<u>2015</u>
<b>REVENUES:</b>			
Local sources:			
Property taxes	\$ 310,426	\$ 310,426	\$ 300,720
Interest on investments	135	135	216
Other	20,000	20,000	-
Total revenues	<u>330,561</u>	<u>330,561</u>	<u>300,936</u>
<b>EXPENDITURES:</b>			
Capital outlay	<u>327,434</u>	<u>327,434</u>	<u>1,156,270</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>			
	<u>3,127</u>	<u>3,127</u>	<u>(855,334)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	128,629
Transfers out	-	-	(38,691)
Total other financing sources (uses)	-	-	89,938
<b>NET CHANGE IN FUND BALANCE</b>	3,127	3,127	(765,396)
<b>FUND BALANCES:</b>			
Beginning of year	<u>635,598</u>	<u>635,598</u>	<u>1,400,994</u>
End of year	<u>\$ 638,725</u>	<u>\$ 638,725</u>	<u>\$ 635,598</u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
 AGENCY FUNDS  
 STATEMENT OF ASSETS AND LIABILITIES  
 JUNE 30, 2016 AND 2015**

<b>ELEMENTARY AGENCY FUND</b>	<u><b>2016</b></u>	<u><b>2015</b></u>
<b>ASSETS</b>		
Cash equivalents, deposits and investments	\$ 503,430	\$ 516,881
Due from East Grand Rapids Public Schools	<u>190,583</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 694,013</u></u>	<u><u>\$ 516,881</u></u>
<b>LIABILITIES</b>		
Due to East Grand Rapids Public Schools	\$ 313,291	\$ 156,071
Due to student groups and other	<u>380,722</u>	<u>360,810</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 694,013</u></u>	<u><u>\$ 516,881</u></u>

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS  
 JUNE 30, 2016**

2007 Building and Site Bonds

Fiscal year	Interest rate	Principal due May 1,	Interest due		Total due annually
			May 1	November 1	
2017	5.000%	\$ 305,000	\$ 35,025	\$ 35,025	\$ 375,050
2018	4.000%	325,000	27,400	27,400	379,800
2019	4.000%	325,000	20,900	20,900	366,800
2020	4.000%	340,000	14,400	14,400	368,800
2021	4.000%	380,000	7,600	7,600	395,200
Total 2007 bonded debt		<u>\$ 1,675,000</u>	<u>\$ 105,325</u>	<u>\$ 105,325</u>	<u>\$ 1,885,650</u>

The above bonds dated December 10, 2007, were initially authorized for \$8,440,000 for the purpose of constructing, furnishing and equipping improvements to Mehney and Memorial Fields; erecting, furnishing and equipping additions to the high school to include an auxiliary gym, training center and additional seating at the pool; constructing, furnishing and equipping a field event center to include team rooms, concessions and restrooms; erecting, furnishing and equipping an addition to Woodcliff Center for tennis center restroom/concessions; and developing and improving sites; and paying the costs of the bonds.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS  
 JUNE 30, 2016**

2008 Building and Site Bonds

Fiscal year	Interest rate	Principal due May 1,	Interest due		Total due annually
			May 1	November 1	
2017	3.750%	\$ 135,000	\$ 23,450	\$ 23,450	\$ 181,900
2018	3.750%	145,000	20,919	20,919	186,838
2019	4.000%	145,000	18,200	18,200	181,400
2020	4.000%	145,000	15,300	15,300	175,600
2021	4.000%	200,000	12,400	12,400	224,800
2022	4.000%	210,000	8,400	8,400	226,800
2023	4.000%	210,000	4,200	4,200	218,400
Total 2007 bonded debt		\$ 1,190,000	\$ 102,869	\$ 102,869	\$ 1,395,738

The above bonds dated February 28, 2008, were initially authorized for \$4,040,000 for the purpose of constructing, furnishing and equipping improvements to Mehney and Memorial Fields; erecting, furnishing and equipping additions to the high school to include an auxiliary gym, training center and additional seating at the pool; constructing, furnishing and equipping a field event center to include team rooms, concessions and restrooms; erecting, furnishing and equipping an addition to Woodcliff Center for tennis center restroom/concessions; and developing and improving sites; and paying the costs of the bonds.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS  
 JUNE 30, 2016**

2011 Refunding Bonds

Fiscal year	Interest rate	Principal due May 1,	Interest due		Total due annually
			May 1	November 1	
2017	4.00%	\$ 925,000	\$ 114,380	\$ 114,380	\$ 1,153,760
2018	4.00%	965,000	95,880	95,880	1,156,760
2019	4.00%	1,030,000	76,580	76,580	1,183,160
2020	4.00%	1,140,000	55,980	55,980	1,251,960
2021	4.20%	1,580,000	33,180	33,180	1,646,360
Total 2011 bonded debt		<u>\$ 5,640,000</u>	<u>\$ 376,000</u>	<u>\$ 376,000</u>	<u>\$ 6,392,000</u>

The above bonds dated January 13, 2011 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was \$8,750,000.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS  
 JUNE 30, 2016**

2012 Refunding Bonds

Fiscal year	Interest rate	Principal due May 1,	Interest due		Total due annually
			May 1	November 1	
2017	2.00%	\$ 15,000	\$ 258,469	\$ 258,469	\$ 531,938
2018	2.25%	15,000	258,319	258,319	531,638
2019	2.50%	15,000	258,150	258,150	531,300
2020	2.50%	15,000	257,962	257,963	530,925
2021	2.75%	20,000	257,775	257,775	535,550
2022	4.00%	1,610,000	257,500	257,500	2,125,000
2023	4.00%	1,610,000	225,300	225,300	2,060,600
2024	4.00%	1,625,000	193,100	193,100	2,011,200
2025	4.00%	1,620,000	160,600	160,600	1,941,200
2026	4.00%	1,615,000	128,200	128,200	1,871,400
2027	4.00%	1,600,000	95,900	95,900	1,791,800
2028	4.00%	1,615,000	63,900	63,900	1,742,800
2029	4.00%	1,580,000	31,600	31,600	1,643,200
Total 2012 bonded debt		<u>\$ 12,955,000</u>	<u>\$ 2,446,775</u>	<u>\$ 2,446,776</u>	<u>\$ 17,848,551</u>

The above bonds dated January 5, 2012 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was \$13,095,000

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS  
 JUNE 30, 2016**

2014 Refunding Bonds

Fiscal year	Interest rate	Principal due May 1,	Interest due		Total due annually
			May 1	November 1	
2017	4.00%	\$ 1,900,000	\$ 156,900	\$ 156,900	\$ 2,213,800
2018	2.00%	1,965,000	118,900	118,900	2,202,800
2019	5.00%	1,980,000	99,250	99,250	2,178,500
2020	5.00%	<u>1,990,000</u>	<u>49,750</u>	<u>49,750</u>	<u>2,089,500</u>
Total 2014 bonded debt		<u>\$ 7,835,000</u>	<u>\$ 424,800</u>	<u>\$ 424,800</u>	<u>\$ 8,684,600</u>

The above bonds dated February 5, 2014 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was \$11,460,000

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS  
 JUNE 30, 2016**

2014 Building and Site Bond

Fiscal year	Interest rate	Principal due May 1,	Interest due		Total due annually
			May 1	November 1	
2017	4.000%	\$ 100,000	\$ 379,250	\$ 379,250	\$ 858,500
2018	5.000%	100,000	377,250	377,250	854,500
2019	5.000%	100,000	374,750	374,750	849,500
2020	2.000%	100,000	372,250	372,250	844,500
2021	2.250%	150,000	371,250	371,250	892,500
2022	2.500%	215,000	369,563	369,563	954,126
2023	5.000%	235,000	366,875	366,875	968,750
2024	5.000%	270,000	361,000	361,000	992,000
2025	5.000%	285,000	354,250	354,250	993,500
2026	5.000%	350,000	347,125	347,125	1,044,250
2027	5.000%	420,000	338,375	338,375	1,096,750
2028	5.000%	495,000	327,875	327,875	1,150,750
2029	5.000%	655,000	315,500	315,500	1,286,000
2030	5.000%	940,000	299,125	299,125	1,538,250
2031	5.000%	1,000,000	275,625	275,625	1,551,250
2032	5.000%	1,250,000	250,625	250,625	1,751,250
2033	5.000%	1,250,000	219,375	219,375	1,688,750
2034	5.000%	1,250,000	188,125	188,125	1,626,250
2035	5.000%	1,255,000	156,875	156,875	1,568,750
2036	5.000%	1,255,000	125,500	125,500	1,506,000
2037	5.000%	1,255,000	94,125	94,125	1,443,250
2038	5.000%	1,255,000	62,750	62,750	1,380,500
2039	5.000%	1,255,000	31,375	31,375	1,317,750
Total 2014 bonded debt		<u>\$ 15,440,000</u>	<u>\$ 6,358,813</u>	<u>\$ 6,358,813</u>	<u>\$ 28,157,626</u>

The above bonds dated June 26, 2014, were initially authorized for \$15,640,000 for the purpose of erecting, furnishing and equipping additions to school buildings; remodeling, furnishing, and refurbishing, and equipping and re-equipping school buildings; acquiring, installing, equipping and re-equipping school buildings for instructional technology; developing, improving, and equipping sites; and paying the costs of issuing the Bonds.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS  
 JUNE 30, 2016**

2014 Series A Refunding Bond

Fiscal year	Interest rate	Principal due May 1,	Interest due		Total due annually
			May 1	November 1	
2017	4.000%	\$ 525,000	\$ 332,250	\$ 332,250	\$ 1,189,500
2018	5.000%	540,000	321,750	321,750	1,183,500
2019	5.000%	590,000	308,250	308,250	1,206,500
2020	5.000%	640,000	293,500	293,500	1,227,000
2021	5.000%	685,000	277,500	277,500	1,240,000
2022	5.000%	735,000	260,375	260,375	1,255,750
2023	5.000%	835,000	242,000	242,000	1,319,000
2024	5.000%	910,000	221,125	221,125	1,352,250
2025	5.000%	1,010,000	198,375	198,375	1,406,750
2026	5.000%	1,055,000	173,125	173,125	1,401,250
2027	5.000%	1,105,000	146,750	146,750	1,398,500
2028	5.000%	1,155,000	119,125	119,125	1,393,250
2029	5.000%	1,180,000	90,250	90,250	1,360,500
2030	5.000%	1,205,000	60,750	60,750	1,326,500
2031	5.000%	1,225,000	30,625	30,625	1,286,250
Total 2014 bonded debt		<u>\$ 13,395,000</u>	<u>\$ 3,075,750</u>	<u>\$ 3,075,750</u>	<u>\$ 19,546,500</u>

The above bonds dated December 17, 2014, were initially authorized for \$13,395,000 for the purpose of refunding all or part of that portion of the outstanding 2006 School Building and Site Bonds, dated June 13, 2006, which are callable on or after May 1, 2016.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS  
 JUNE 30, 2016**

2014 Series B Refunding Bonds

Fiscal year	Interest rate	Principal due May 1,	Interest due		Total due annually
			May 1	November 1	
2017	1.180%	\$ 2,410,000	\$ 212,034	\$ 212,034	\$ 2,834,068
2018	1.700%	2,435,000	197,815	197,815	2,830,630
2019	2.100%	2,475,000	177,117	177,118	2,829,235
2020	2.520%	2,525,000	151,130	151,130	2,827,260
2021	2.800%	2,590,000	119,315	119,315	2,828,630
2022	3.000%	2,660,000	83,055	83,055	2,826,110
2023	3.150%	2,740,000	43,155	43,155	2,826,310
Total 2014 bonded debt		<u>\$ 17,835,000</u>	<u>\$ 983,621</u>	<u>\$ 983,622</u>	<u>\$ 19,802,243</u>

The above bonds dated December 17, 2014, were initially authorized for \$19,995,000 for the purpose of (i) refunding certain outstanding indebtedness of the School District to the State of Michigan under the State of Michigan School Bond Qualification and Loan Program; and (ii) paying a portion of the costs of issuing the Bonds.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS  
 JUNE 30, 2016**

2016 Refunding Bonds

Fiscal year	Interest rate	Principal due May 1,	Interest due		Total due annually
			May 1	November 1	
2017	4.000%	\$ -	\$ 110,394	\$ 128,200	\$ 238,594
2018	4.000%	-	128,200	128,200	256,400
2019	4.000%	-	128,200	128,200	256,400
2020	4.000%	-	128,200	128,200	256,400
2021	4.000%	-	128,200	128,200	256,400
2022	4.000%	365,000	128,200	128,200	621,400
2023	4.000%	380,000	120,900	120,900	621,800
2024	4.000%	600,000	113,300	113,300	826,600
2025	4.000%	620,000	101,300	101,300	822,600
2026	4.000%	625,000	88,900	88,900	802,800
2027	4.000%	630,000	76,400	76,400	782,800
2028	4.000%	635,000	63,800	63,800	762,600
2029	4.000%	635,000	51,100	51,100	737,200
2030	4.000%	635,000	38,400	38,400	711,800
2031	4.000%	645,000	25,700	25,700	696,400
2032	4.000%	640,000	12,800	12,800	665,600
Total 2016 bonded debt		<u>\$ 6,410,000</u>	<u>\$ 1,443,994</u>	<u>\$ 1,461,800</u>	<u>\$ 9,315,794</u>

The above bonds dated May 26, 2016 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was \$6,410,000

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS  
 JUNE 30, 2016**

Year ended June 30	SBLF			SLRF		
	Loan proceeds	Interest	Total	Loan proceeds	Interest	Total
Prior years	\$ 3,829,056	\$ 1,905,751	\$ 5,734,807	\$ 9,279,935	\$ 1,016,355	\$ 10,296,290
2013	-	249,160	249,160	1,081,603	330,381	1,411,984
2014	-	210,758	210,758	1,170,380	421,152	1,591,532
2015	(3,828,335)	(2,463,858)	(6,292,193)	(11,531,918)	(1,978,889)	(13,510,807)
2015	-	98,201	98,201	299,809	212,941	512,750
2016	-	26	26	2,919,099	28,931	2,948,030
Total	\$ 721	\$ 38	\$ 759	\$ 3,218,908	\$ 30,871	\$ 3,249,779

**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  
East Grand Rapids Public Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Grand Rapids Public Schools as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the East Grand Rapids Public Schools' basic financial statements and have issued our report thereon dated October 14, 2016

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency, 2016-001.

### **Compliance and Other Matters**

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

### **East Grand Rapids Public Schools' Response to Findings**

East Grand Rapids Public Schools' response to the finding identified in our audit is described in the accompanying correct action plan. East Grand Rapids Public Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Maney Costeiran PC*

October 14, 2016

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2016**

**Financial Statement Finding**

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**Finding 2016-001** Considered a significant deficiency

**Criteria:** In order to maintain adequate internal controls, and proper reporting, all accounts should be reconciled and adjusted monthly. The reconciliations should be completed and reviewed on a timely basis.

**Condition:** Bank account reconciliations were not performed on a timely basis during the course of the fiscal year. Audit adjustments were required in order to reconcile the accounts.

**Cause:** The employee responsible for these reconciliations did not complete the reconciliations as assigned. The District did not have internal controls in place to identify this condition.

**Effect:** Without completing and reviewing the reconciliations in a timely manner, inaccurate financial information may be used for management decisions and reporting.

**Recommendation:** The District should implement a month end procedure checklist to ensure that all cash and investment accounts are reconciled within 30 days of month end. The District should obtain training on the software system to properly reconcile key areas to system reports.

**District's Response:** The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2016**

There were no audit findings in the prior year.

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2016**

East Grand Rapids Public Schools respectfully submits the following corrective action plan for the year ended June 30, 2016.

**Auditor:** Maner Costerisan  
2425 E. Grand River Ave., Suite 1  
Lansing, Michigan 48912

**Audit Period:** Year ended June 30, 2016

**District contact person:** Kevin Philipps, Assistant Superintendent of Business

The findings from the June 30, 2016 schedule of findings and responses are discussed below. The findings are numbered consistently with the number assigned in the schedule.

**Finding - Financial statement audit**

**Finding 2016-001** Considered a significant deficiency

**Recommendation:** The District should implement a month end procedure checklist to ensure that all cash and investment accounts are reconciled within 30 days of month end. The District should obtain training on the software system to properly reconcile key areas to system reports.

**Action to be taken:** Management agrees with the finding and we are in the process of developing a month end procedure checklist as recommended.

October 14, 2016

To the Board of Directors  
East Grand Rapids Public Schools

We have audited the financial statements of East Grand Rapids Public Schools for the year ended June 30, 2016, and have issued our report thereon dated October 14, 2016. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

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

As part of our audit, we considered the internal control of East Grand Rapids Public Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of East Grand Rapids Public Schools' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

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

## Significant Audit Findings

### *1. Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by East Grand Rapids Public Schools are described in Note 1 to the financial statements. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Estimates have been used to calculate the net pension liability.

Management's estimate in calculating the liability for employee compensated absences: We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

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

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We did not identify any sensitive disclosures.

### *2. Difficulties Encountered in Performing the Audit*

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

3. *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

4. *Disagreements with Management*

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

5. *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 14, 2016.

6. *Management Consultations with Other Independent Accountants*

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

7. *Other Audit Findings or Issues*

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

8. *Other Matters*

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

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

Very truly yours,

*Maney Costeiran PC*

October 14, 2016

To Board of Education  
East Grand Rapids Public Schools

In planning and performing our audit of the financial statements of East Grand Rapids Public Schools as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered East Grand Rapids Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 14, 2016 on the financial statements of East Grand Rapids Public Schools. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows.

**Current year recommendation**

Back-up procedures

During the year there was an IT back-up failure and two months of data was required to be re-entered into the accounting system. Due to this failure, we recommend you review your IT procedures and ensure the processes are documented and in place. We also recommend the back-up systems are tested on a regular basis to ensure the controls are working adequately.

**Prior year recommendations / comments - open**

120-Day Audit

For all bonds issued after May 1, 1994, a separate interim audit must be completed for each individual series of a bond authorization prior to the issuance of the next series. This interim audit must be completed within 120 days after the completion of all projects and the report filed with the Department of Treasury. This requirement is pursuant to Section 1351a (2) of Act 451 of the Public Acts of 1976. The District should contact us upon the completion of the current capital projects.

**Status:** The capital projects related to the bond are not substantially complete and therefore the 120-day audit is not required yet.

Decentralized cash receipts

Currently the District collects receipts in multiple areas; i.e., business office, athletics department, and daycare. Due to the limited size of the athletic department and daycare, there is a limited amount of segregation of duties on the receipt process. Typically, one person in each department collects, records, and deposits all the receipts taken in. The information is then forwarded to the business office for recording in the general ledger. Since one person handles the entire receipt process in each individual department, we recommend that the department supervisor review monthly receipts for reasonableness and timelines such as the receivable/paid report for daycare or the pay to participate listing for athletics, to ensure the proper collection and postings are taking place.

We also encourage the deposit information be forwarded to the accounting department in a more timely manner. This could be accomplished by obtaining equipment from your bank for on-site scanning of deposits.

**Status:** Management has been discussing the concerns and issues surrounding the cash receipts process and they are looking for new ways to improve their controls in this area.

This report is intended solely for the information and use of management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

*Manes Costeiran PC*



# 2016-2017 Amended Budget

East Grand Rapids Public Schools



# Discussion Topics



**2015-2016 Final Actual Results & Variances**



**Proposed 2016-2017 General Fund Budget Amendment**

- Review of June adoption, summary of changes since June



**Analysis of Future Years Budget Assumptions**

- State Aid, Enrollment, Salaries, Health, Retirement & Others



**Budget Forecast for 2017-2018 & 2018-2019**



**Financial Trends/Ratios**



**Areas of Importance in next few years**



**Discussion/Questions**



# 2015-2016 Final Actual Results

	2015-2016 Final Budget	2015-2016 Actual Results	Variance F/(U)
Revenues	\$29,223,451	\$29,352,069	\$128,613
Expenses	<u>\$28,869,588</u>	<u>\$28,615,439</u>	<u>\$254,154</u>
<b>Change in Fund Reserve</b>	<b>\$353,863</b>	<b>\$736,630</b>	<b>\$382,767</b>
Beginning Unreserved Fund Reserve	\$1,692,479	\$1,692,479	
Ending Unreserved Fund Reserve	\$2,046,342	\$2,429,109	
Ending Fund Reserve %	7.1%	8.5%	



# 2015-2016 Budget to Actual Variances

- **Revenues (\$128,613 greater than budget):**

- Athletic Gate Receipts \$20,000
- TRIG Grant \$23,000
- Section 95 Educator Evaluation \$26,000
- Title I \$38,000
- Medicaid (KISD) \$20,000

- **Expenses (\$254,154 less than budget):**

- Salaries \$119,689
- Substitute Teachers (\$56,198)
- Dental \$65,169
- Retirement \$98,500
- FICA \$83,000
- Electric (\$50,000)



# June 2016 Adopted Budget

2016-2017 Original Budget	
Revenues	\$29,123,816
Expenses	<u>\$29,074,009</u>
Change in Fund Reserve	\$49,807
Beginning Unreserved Fund Reserve	\$2,429,109
Ending Unreserved Fund Reserve	\$2,478,916
Ending Fund Reserve %	8.5%



# Amended Budget – Change in Revenues

- **\$38,865 Overall Decrease from June**
    - **Act 18** (\$44,600)
    - **Early Childhood** (\$20,000)
    - **Title I** \$33,400
    - **Others** (\$7,665)
- (\$38,865)**



# Amended Budget – Change in Expenses

- **\$81,742 Overall Increase from June**

• Added Kindergarten Section	<b>\$85,000</b>
• 0.3 FTE Increase to ELL	<b>\$28,000</b>
• Transportation	<b>(\$20,000)</b>
• Dental	<b>(\$15,000)</b>
• Others	<b><u>\$3,742</u></b>
	<b>\$81,742</b>



# 2016-2017 Amended Budget

	2016-2017 Original Budget	2016-2017 Amended Budget	Variance F/(U)
Revenues	\$29,123,816	\$29,084,951	(\$38,865)
Expenses	<u>\$29,074,009</u>	<u>\$29,155,751</u>	<u>(\$81,742)</u>
<b>Change in Fund Reserve</b>	<b>\$49,807</b>	<b>(\$70,800)</b>	<b>(\$120,607)</b>
Beginning Unreserved Fund Reserve	\$2,429,109	\$2,429,109	
Ending Unreserved Fund Reserve	\$2,478,916	\$2,358,310	
Ending Fund Reserve %	8.5%	8.1%	



# **Future Year Budget Assumptions**



# Budget Assumptions - Revenues



Fiscal Year	2016-2017	2017-2018	2018-2019
State Foundation Allowance/pupil	\$7,737	\$7,812	\$7,912
Change in Foundation Allowance		\$75	\$100
Student Enrollment	2,946	2,925	2,890
EGRNow!	\$406,000	\$250,000	\$250,000

\* Foundation Allowance assumption for 2017-2018 and 2018-2019 are based on May 2016 Revenue Estimating Conference projections. To date, School Aid Fund tax collections are in line with the May estimates.



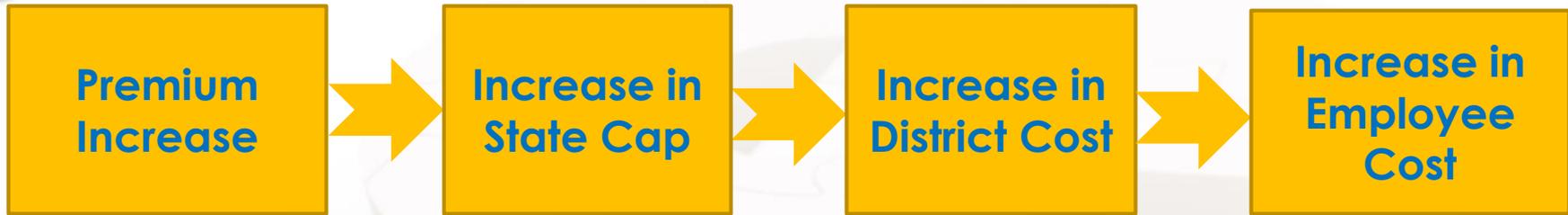
# Budget Assumption – Salaries



	Baseline	2016-2017	2017-2018	2018-2019
Student FTEs	2,940	2,946	2,925	2,890
Total State Funding/pupil	\$7,718	\$7,826	\$7,901	\$8,001
Total Health Care	\$2,210,058	\$2,263,440	\$2,335,665	\$2,392,187
MPSERS Rate	25.78%	24.94%	24.94%	24.94%
Incremental State Rev		\$361,827	\$414,195	\$426,660
(Inc.)/Dec in Health Care		(\$53,382)	(\$125,607)	(\$182,128)
(Inc.)/Dec in Retirement		\$91,757	\$91,757	\$91,757
Net Available Revenues		\$400,202	\$380,346	\$336,289
<b>Inc.(Dec.) in Compensation</b>		<b>1% base scale</b>	<b>Status</b>	<b>Status</b>



# Budget Assumption – Health Care



	2016-2017	2017-2018	2018-2019
Annual Family Premium & ACA Taxes	\$19,206	\$21,511	\$23,232
Family State Cap	\$16,751	\$17,304	\$17,737
Family Deductible	\$2,600	\$2,600	\$2,600
Employee Premium Contribution	\$2,455	\$4,207	\$5,495
Projected Increase in Premium		12%	8%
Projected Increase in State Cap		3.3%	2.5%
Increase in District Cost per emp.		\$553	\$433
Increase in Employee Cost		\$1,752	\$1,288
Total Employee Cost (MESSA)	\$5,055	\$6,807	\$8,095
<b>Total Increase in District Cost</b>		<b>\$95,000</b>	<b>\$75,000</b>

\* The state cap for health insurance has been set at a 3.3% increase for 2017. District is projecting a 2.5% increase for 2018.



# Other Forecast Assumptions

- **Retirement**

- Maintained at 24.94% for 2017-2018 and 2018-2019

- **Staffing – Additions for 2017-2018**

- One additional teacher at high school
- Long-term subs in elementary art & music filled with full-time hire
- Part-time Secretary to Director of Special Education

- **EGRNow!**

- 2016-2017 grant of \$406,000 provides funding for:
  - Elementary Specials
  - K-1 Classroom Paraeducators
  - Management of Performing Arts Center
- 2017-2018 & 2018-2019 revenue projection: \$250,000
  - Elementary specials budgeted to be funded by \$250,000
  - **K-1 classroom paraeducators and management of Performing Arts Center are not budgeted in 2017-2018 and 2018-2019 forecasts**



# Future Years Financial Forecast

	2016-2017 Amended Budget	2017-2018 Forecast	2018-2019 Forecast
Revenues	\$29,084,951	\$28,986,653	\$29,022,186
Expenses	<u>\$29,155,751</u>	<u>\$29,302,771</u>	<u>\$29,408,595</u>
Change in Fund Reserve	(\$70,800)	(\$316,118)	(\$386,410)
Beginning Unreserved Fund Reserve	\$2,429,109	\$2,358,310	\$2,042,191
Ending Unreserved Fund Reserve	\$2,358,310	\$2,042,191	\$1,655,782
Ending Fund Reserve %	8.1%	7.0%	5.6%



# 2016-2017 to Future Forecast(s)

- **2016-2017 to 2017-2018**

- Projected Deficit from \$70,800 to \$316,118 (\$245,318 increase)
- Health Care (3.3% increase): \$95,000
- Additional Teacher at High School: \$85,000
- Elem Art & Music Long-term Subs to District Staff: \$62,000
- Part-time Secretary to Director of Special Ed: \$33,000

- **2017-2018 to 2018-2019**

- Projected Deficit from \$316,118 to \$386,410 (\$70,292 increase)
- Health Care (2.5% projected increase): \$75,000

- **Not in Budget Forecast for Future Years**

- Potential savings from any staff retirements/separations
- Potential attrition of staff due to reduced student enrollment



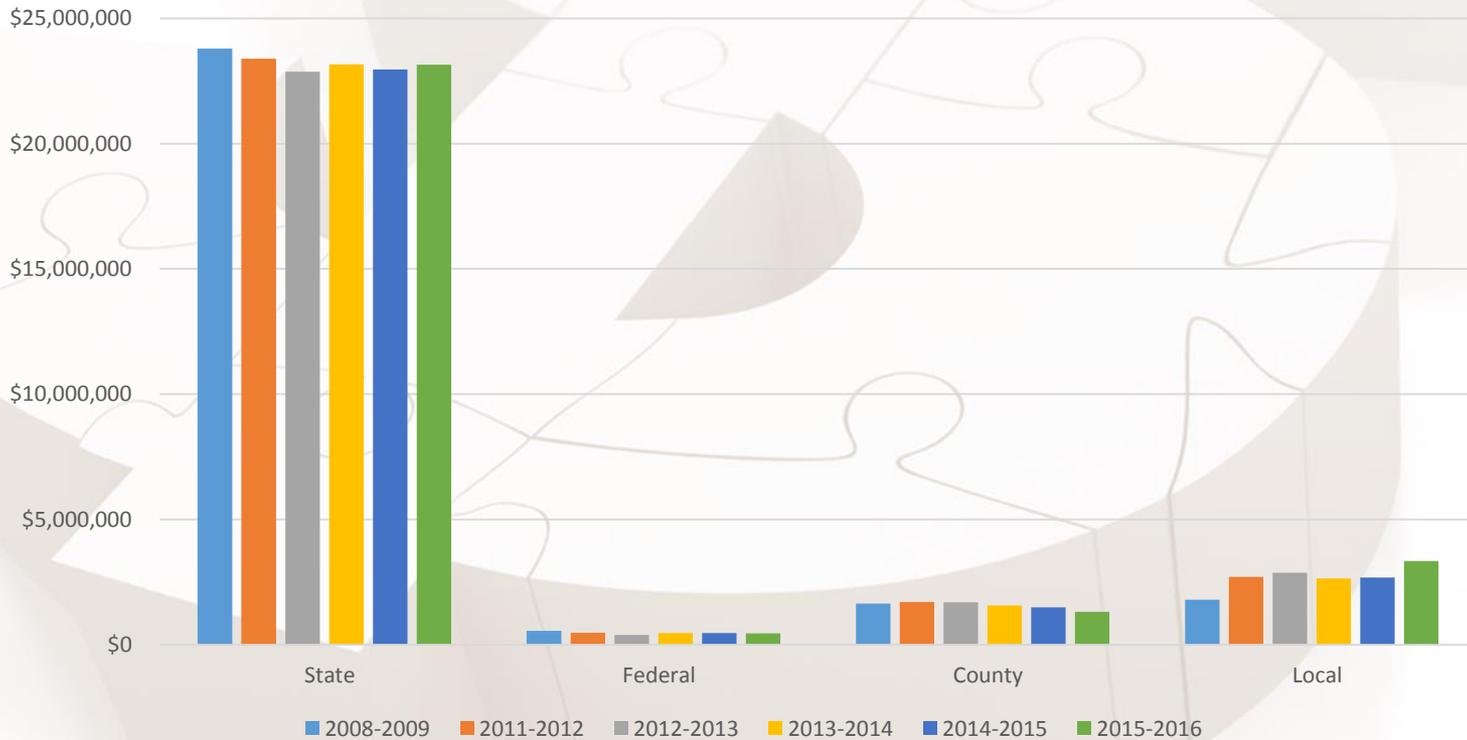
# Bulletin 1014

## 2014-2015 vs. 2008-2009

	2014-2015 State Ranking	2013-2014 State Ranking	2008-2009 State Ranking	2014-2015 County Ranking	2013-2014 County Ranking	2008-2009 County Ranking
Number of Districts	841	829	775	20	20	20
All Sources of Revenue	304 <sup>th</sup>	288 <sup>th</sup>	237 <sup>th</sup>	13 <sup>th</sup>	13 <sup>th</sup>	11 <sup>th</sup>
Basic Programs (General Ed)	58 <sup>th</sup>	60 <sup>th</sup>	115 <sup>th</sup>	1 <sup>st</sup>	1 <sup>st</sup>	2 <sup>nd</sup>
Added Needs (Spec Ed/Title)	735 <sup>th</sup>	735 <sup>th</sup>	662 <sup>nd</sup>	20 <sup>th</sup>	20 <sup>th</sup>	20 <sup>th</sup>
Instructional Support	203 <sup>rd</sup>	180 <sup>th</sup>	81 <sup>st</sup>	7 <sup>th</sup>	5 <sup>th</sup>	2 <sup>nd</sup>
Business & Administration	498 <sup>th</sup>	523 <sup>rd</sup>	414 <sup>th</sup>	6 <sup>th</sup>	6 <sup>th</sup>	3 <sup>rd</sup>
Operations & Maintenance	675 <sup>th</sup>	638 <sup>th</sup>	254 <sup>th</sup>	14 <sup>th</sup>	14 <sup>th</sup>	4 <sup>th</sup>
Total General Fund	242 <sup>nd</sup>	241 <sup>st</sup>	262 <sup>nd</sup>	11 <sup>th</sup>	11 <sup>th</sup>	9 <sup>th</sup>
Instructional Salaries/Benefits	81 <sup>st</sup>	95 <sup>th</sup>	222 <sup>nd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>	9 <sup>th</sup>
Average Teacher Salary	42 <sup>nd</sup>	45 <sup>th</sup>	75 <sup>th</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	4 <sup>th</sup>

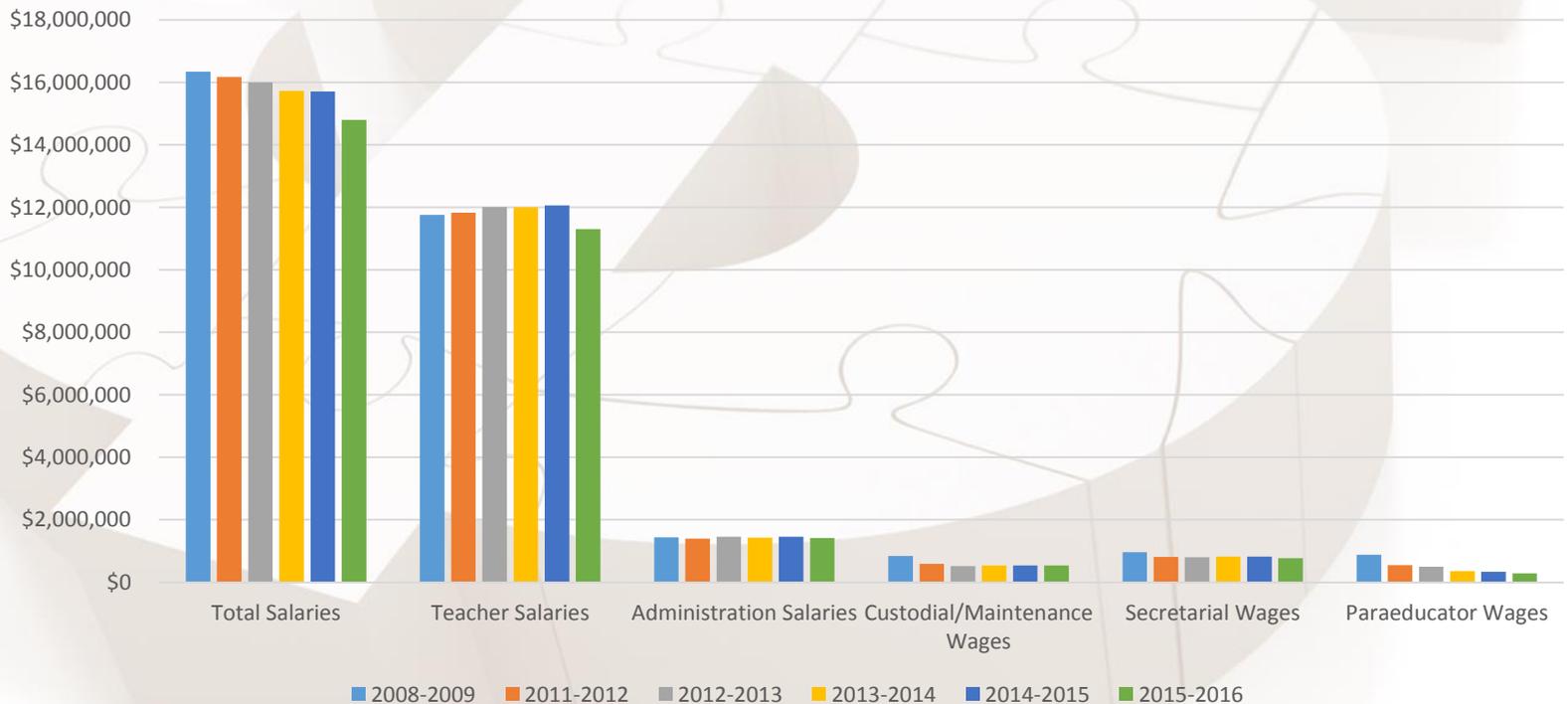
# District Revenue Trends

Fiscal Year:	<u>2008-2009</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
<b>Revenues</b>						
State	\$23,787,789	\$23,392,359	\$22,870,221	\$23,162,411	\$22,958,764	\$23,152,001
Federal	\$555,866	\$477,873	\$390,615	\$466,879	\$465,668	\$453,482
County	\$1,650,489	\$1,715,652	\$1,697,842	\$1,576,202	\$1,488,811	\$1,313,020
Local	\$1,799,387	\$2,712,514	\$2,878,214	\$2,640,877	\$2,688,794	\$3,344,292

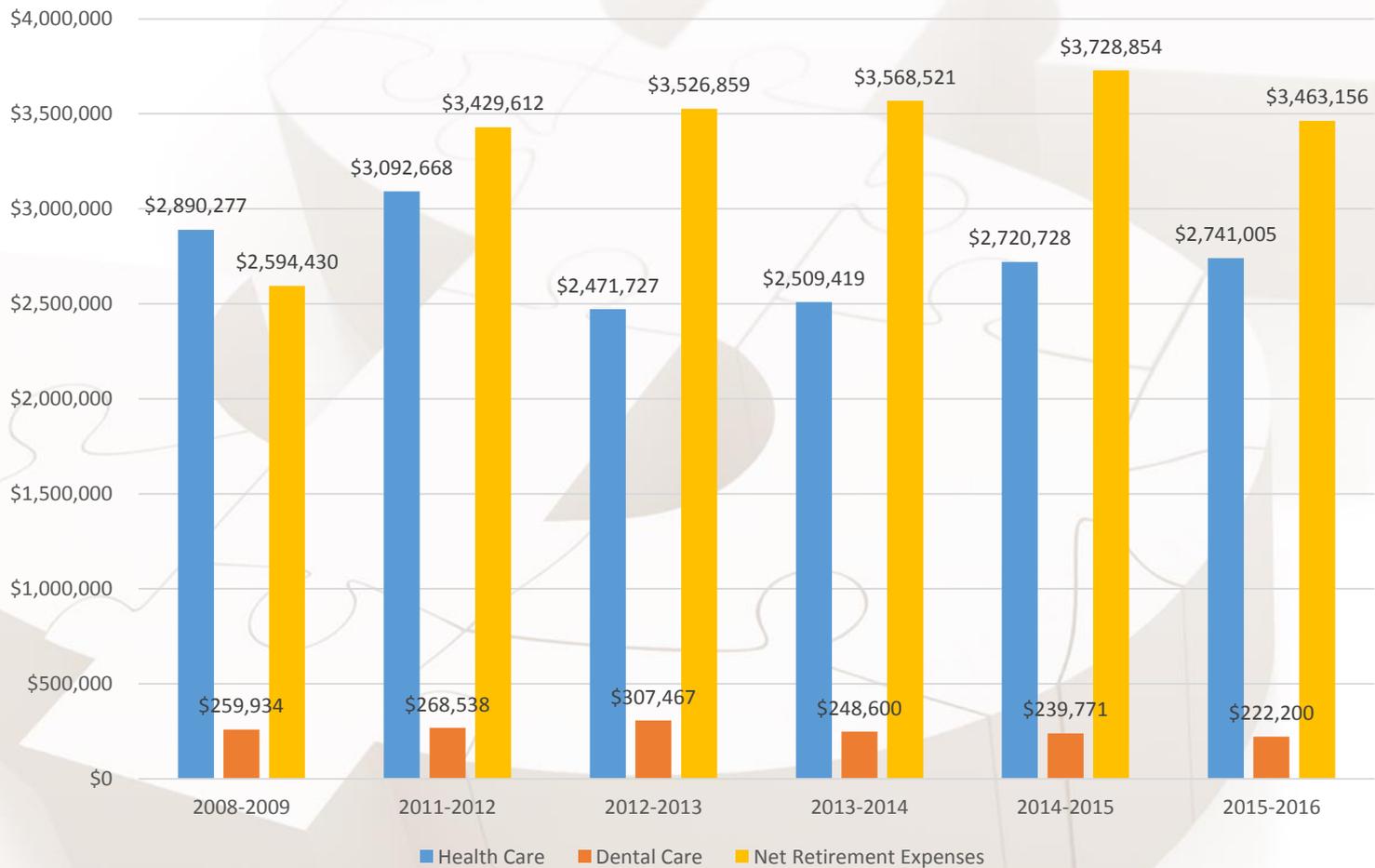


# District Expense Trends - Salaries

Fiscal Year:	<u>2008-2009</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
<b>Total Salaries</b>	<b>\$16,345,075</b>	<b>\$16,166,824</b>	<b>\$15,995,932</b>	<b>\$15,727,650</b>	<b>\$15,701,280</b>	<b>\$14,799,223</b>
Teacher Salaries	\$11,756,452	\$11,825,788	\$12,010,497	\$11,995,292	\$12,059,275	\$11,303,979
Administration Salaries	\$1,437,117	\$1,395,218	\$1,455,163	\$1,430,018	\$1,456,199	\$1,414,156
Custodial/Maintenance Wages	\$844,998	\$590,525	\$524,046	\$542,862	\$541,967	\$542,902
Secretarial Wages	\$961,683	\$817,446	\$802,260	\$818,241	\$818,398	\$770,346
Paraeducator Wages	\$884,646	\$549,110	\$503,415	\$359,245	\$337,257	\$283,673



# District Expense Trends - Benefits





# District Expense Trends - Utilities





# Areas of Importance – Future Years

- **State Economy/State Funding**
  - Compensation formula provides budget stability, but continued state growth is best for student programs, employees, taxable values (county/local revenues)
- **Declining Enrollment**
  - Toughest budget variable to manage, as possible reduction in costs are not a straight line correlation with loss of state revenue from fewer students
- **Cost of Employee Benefits**
  - Impact of employee health care cost sharing relative to projected salaries/wages
  - MPSERS – Cost impact on district, School Aid Fund
- **Non-personnel Efficiencies**
  - Outsourced maintenance costs – can we reduce?
  - Utility costs – specifically growth in electricity costs



# 2017-2018 Budget Development Process

- January** State Revenue Estimating Conference
- February** Governor's 2017-2018 Proposed Budget
- March** Budget Update with Board of Education
- May** Present Recommendations for 2017-2018 Budget to Board of Education
- June** Budget Hearing and Adoption of Budget



# Summary

- **Significant Improvement in Fund Reserve**
  - Added to fund reserve in 2015-2016 without the sale of cell tower leases
- **2016-2017 Budget Close to Structurally Balanced**
  - Hopefully end of year will bring enough positive variances to allow for no use of fund reserves
- **Maintaining Structural Balance**
  - Each fiscal year needs to be structurally balanced to maintain fund reserves and avoid the slippery slope of fund reserve use
  - Continue to dig for more efficiencies as we strive to offer the maximum amount of student programs and services possible
- **Challenges in Future Years**
  - Preparing for eventual slowdown in Michigan economy
  - Declining enrollment
  - Attracting & retaining talented employees in current environment



# Discussion / Questions