

**SPRING LAKE PUBLIC SCHOOLS**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and**  
**additional supplementary information)**  
**YEAR ENDED JUNE 30, 2019**

# CONTENTS

	<u>Page</u>
<b>Independent auditor's report</b> .....	4 - 6
<b>Management's Discussion and Analysis</b> .....	7 - 14
<b>Basic financial statements</b> .....	15
Government-wide financial statements	
Statement of net position.....	16
Statement of activities.....	17
Fund financial statements	
Balance sheet - governmental funds .....	18 - 19
Statement of revenues, expenditures and changes in fund balances - governmental funds.....	20 - 21
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities.....	22
Fiduciary funds	
Statement of fiduciary assets and liabilities .....	23
Notes to financial statements.....	24 - 55
<b>Required supplementary information</b> .....	56
Budgetary comparison schedule - general fund.....	57
Budgetary comparison schedule - fitness and aquatic center fund.....	58
Schedule of the reporting unit's proportionate share of the net pension liability.....	59
Schedule of the reporting unit's pension contributions .....	60
Schedule of the reporting unit's proportionate share of the net OPEB liability .....	61
Schedule of the reporting unit's OPEB contributions .....	62
Notes to required supplementary information .....	63

# CONTENTS

	<u>Page</u>
<b>Additional supplementary information</b> .....	64
Nonmajor governmental fund types	
Combining balance sheet .....	65
Combining statement of revenues, expenditures and changes in fund balances .....	66
Special revenue funds	
Combining balance sheet .....	67
Combining statement of revenues, expenditures and changes in fund balances .....	68
Debt service funds	
Combining balance sheet .....	69
Combining statement of revenues, expenditures and changes in fund balances .....	70
Long-term obligations	
Bonded debt .....	71 - 73
Schedule of borrowings - State of Michigan.....	74
Schedule of expenditures of federal awards .....	75 - 76
Notes to schedule of expenditures of federal awards .....	77
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 <i>Government Auditing Standards</i> .....	78 - 79
Independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.....	80 - 81
Schedule of findings and questioned costs .....	82
Schedule of prior year audit findings .....	83

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Spring Lake 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 Spring Lake Public Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Spring Lake Public Schools' basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 Spring Lake Public Schools as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Spring Lake Public Schools basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2019 on our consideration of Spring Lake Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Spring Lake Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Spring Lake Public Schools' internal control over financial reporting and compliance.

*Maney Costeiran PC*

October 1, 2019

# **Spring Lake Public Schools**

## **Management's Discussion and Analysis**

### **For the Fiscal Year Ended June 30, 2019**

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This section of the Spring Lake Public Schools' ("District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2019. Please read it in conjunction with the District's financial statements which immediately follow this section.

#### **District-Wide Financial Statements**

The first two statements are District-wide financial statements that provide short-term and long-term financial information about the District's overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The statements are compiled using the full accrual basis of accounting and more closely represent financial statements presented by business and industry. All of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, both short- and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the long-term obligations of the District resulting in total net position.

Over time, increases or decreases in the District's net position is one indicator of whether its financial position is improving or deteriorating. To assess the District's overall financial health, one should consider additional factors which may include the State's and/or region's economic condition, changes in the District's property tax base, and age and condition of its capital assets.

#### **Fund Financial Statements**

For the most part, the fund financial statements are comparable to financial statements for the previous fiscal year. The fund level statements are reported on a modified accrual basis in that only those assets that are deemed "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The formats of the fund statements comply with requirements of the Michigan Department of Education's "Accounting Manual". In the state of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds categorized as Special Revenue, Debt Service, and Capital Projects Funds.

In addition to the governmental fund types mentioned above, the District is the trustee, or fiduciary, for assets that belong to others, typically student groups. The District is responsible for ensuring that the assets reported in these accounts are used only for their intended purposes by the groups to whom the assets belong. These monies are accounted for in the Student Activity Fund and the related financial activity is appropriately excluded from the District-wide financial statements as the assets do not belong to the District.

In the fund financial statements, capital assets purchased are considered expenditures in the year of acquisition with no asset being reported. The issuance of debt is treated as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

**Spring Lake Public Schools  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019**

**Summary of Net Position**

The following schedule summarizes the net position for the fiscal years ended June 30, 2019 and 2018:

	June 30, 2019	June 30, 2018
<b>Assets:</b>		
Current and other assets	\$ 9,007,717	\$ 9,958,062
Capital assets	75,229,271	76,460,004
Total assets	<u>84,236,988</u>	<u>86,418,066</u>
Deferred outflows of resources	<u>18,182,307</u>	<u>10,524,867</u>
<b>Liabilities:</b>		
Long-term liabilities outstanding	68,643,493	71,795,396
Net pension liability	46,229,345	39,448,002
Net other postemployment benefits liability	12,236,837	13,457,324
Other liabilities	<u>4,753,543</u>	<u>4,115,890</u>
Total liabilities	<u>131,863,218</u>	<u>128,816,612</u>
Deferred inflows of resources	<u>8,085,602</u>	<u>4,330,485</u>
<b>Net position:</b>		
Net investment in capital assets	9,380,023	8,691,524
Restricted for memorial trust	16,646	16,646
Unrestricted	<u>(46,926,194)</u>	<u>(44,912,334)</u>
Total net position	<u><u>\$ (37,529,525)</u></u>	<u><u>\$ (36,204,164)</u></u>

**Analysis of Financial Position**

During the fiscal year ended June 30, 2019, the District's net position decreased by \$1,325,361. A few of the more significant factors affecting net position during the year are discussed below:

➤ **Cash Equivalents, Deposits and Investments**

At June 30, 2019, the District's cash equivalents, deposits and investments amounted to \$5,550,669 (including fiduciary funds). This represented a decrease of \$1,090,336 from the previous year, primarily as a result of spending related to the June 2014 bond issue.

# Spring Lake Public Schools

## Management's Discussion and Analysis

### For the Fiscal Year Ended June 30, 2019

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#### Analysis of Financial Position (Concluded)

➤ Capital Outlay Acquisitions

For the fiscal year ended June 30, 2019, \$1,356,318 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained below. Additionally, \$209,844 of construction in progress at previous year end was placed in service by the District during the current year.

The net effect of the new capital assets, assets disposed of during the fiscal year, and the current year's depreciation is a net decrease to capital assets in the amount of \$1,230,733 for the fiscal year ended June 30, 2019.

➤ Depreciation Expense

GASB 34 requires school districts to maintain records of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in the net position.

➤ Bonded Debt

For the fiscal year ended June 30, 2019, the District's bonded debt decreased by \$12,832,580 as a result of repayment of previously-issued bonded debt and current year amortization of premiums on previously issued bonds. At fiscal year-end, approximately \$47.1 million of principal was outstanding with \$15.9 million due within one year.

➤ School Loan Revolving Program

As part of its strategic financing strategy, the District borrowed from the State of Michigan School Loan Revolving Fund Program in the amount of \$9,795,227 while accruing additional interest of \$421,078.

➤ Accumulated Compensated Absences and Termination Benefits

At June 30, 2019, the District had an obligation to employees for the portion of earned compensated absences and termination benefits that they would be entitled to upon separation in the amount of roughly \$1.1 million.

# Spring Lake Public Schools

## Management's Discussion and Analysis

### For the Fiscal Year Ended June 30, 2019

#### Results of Operations

For the fiscal years ended June 30, 2019 and 2018, the results of operations, on a District-wide basis, were:

	Fiscal year ended		Fiscal year ended	
	June 30, 2019		June 30, 2018	
	Amount	%	Amount	%
General revenues:				
Property taxes	\$ 7,800,447	22.85%	\$ 7,350,892	22.43%
State sources, unrestricted	16,431,516	48.13%	15,989,122	48.78%
Investment earnings	121,006	0.35%	78,265	0.24%
Other	409,921	1.20%	431,580	1.32%
Total general revenues	24,762,890	72.53%	23,849,859	72.76%
Program revenues:				
Charges for services	2,100,242	6.15%	1,888,291	5.76%
Operating grants	7,277,224	21.32%	7,039,827	21.48%
Total revenues	34,140,356	100.00%	32,777,977	100.00%
Expenses:				
Instruction	20,872,028	58.85%	19,292,554	57.90%
Support services	9,529,927	26.87%	9,017,236	27.06%
Community services	1,280,802	3.61%	1,179,094	3.54%
Food services	963,770	2.72%	907,947	2.72%
Outgoing transfers and other	-	0.00%	9,062	0.03%
Interest on long-term debt	2,819,190	7.95%	2,913,499	8.74%
Total expenses	35,465,717	100.00%	33,319,392	100.00%
Change in net position	<u>\$ (1,325,361)</u>		<u>\$ (541,415)</u>	

#### Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

➤ Property Taxes

The District levied 18.00 mills of property taxes for operations on non-principal residence exempt property for the 2018 tax year. According to Michigan law, the tax levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of increase in the prior year's Consumer Price Index or 5%, whichever is less. At the time that property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is one half of the property's market value. At June 30, 2019, there were no unpaid property taxes.

# Spring Lake Public Schools

## Management's Discussion and Analysis

### For the Fiscal Year Ended June 30, 2019

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#### Analysis of Significant Revenues and Expenses (Concluded)

➤ State Sources

The majority of the unrestricted state sources of revenues is comprised of the per student foundation allowance. The State of Michigan funds school districts based on a blended student enrollment which is calculated using 90% of the 2018 calendar year's fall count (October) and 10% of the 2018 calendar year's spring count (February). For the 2018-2019 fiscal year, the District received \$7,871 per student full time equivalent. The student foundation allowance amount increased by \$240 when compared to the 2017-2018 fiscal year.

➤ Operating Grants

The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2019, federal, state, and other grants amounted to \$7,227,224. This represents a 3.4% increase over the \$7,039,827 received for the 2017-2018 fiscal year.

#### Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances is shown below:

Expenditures	2018 - 2019	2017 - 2018	Increase (decrease)
Instruction	\$ 17,763,089	\$ 16,968,206	\$ 794,883
Supporting services	9,088,136	8,820,666	267,470
Food service activities	898,215	862,995	35,220
Community service activities	1,224,338	1,168,902	55,436
Outgoing transfers and other transactions	-	21	(21)
Capital outlay	1,404,694	2,599,770	(1,195,076)
Debt service	14,824,691	14,560,200	264,491
Total expenditures	<u>\$ 45,203,163</u>	<u>\$ 44,980,760</u>	<u>\$ 222,403</u>

#### General Fund Budgetary Highlights

The Uniform Budgeting Act of the State of Michigan requires that the local Board of Education approve the annual operating budget prior to the start of the fiscal year on July 1. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30, 2019.

# Spring Lake Public Schools

## Management's Discussion and Analysis

### For the Fiscal Year Ended June 30, 2019

The following schedule shows a comparison of the original general fund budget, the final amended budget, and actual totals from operations for the fiscal year ending June 30, 2019.

	Original budget	Final budget	Actual	Final variance with budget	% variance
<b>Total revenues</b>	\$ 25,997,400	\$ 26,727,200	\$ 26,802,679	\$ 75,479	0.28%
<b>Expenditures:</b>					
Instruction	\$ 17,351,000	\$ 17,912,000	\$ 17,763,089	\$ 148,911	0.83%
Supporting services	8,632,700	8,872,000	9,088,136	(216,136)	-2.44%
Community services	137,000	117,000	116,078	922	0.79%
Total expenditures	\$ 26,120,700	\$ 26,901,000	\$ 26,967,303	\$ (66,303)	-0.25%
<b>Other financing sources (uses)</b>	\$ 80,000	\$ 80,000	\$ 80,000	\$ -	0.00%

The original budget adopted by the Board in June 2018 was amended twice during the year. The amendments, approved in February 2019 and June 2019, reflected necessary changes to both revenues and expenditures based on projections made by the Chief Financial Officer.

### Capital Asset and Debt Administration

#### Capital Assets

By the end of the 2018-2019 fiscal year, the District had invested approximately \$97.6 million as the original cost in a broad range of capital assets, including land, school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of \$1,165,394 over the prior fiscal year. Depreciation expense for the year amounted to \$2,587,051, bringing the accumulated depreciation to roughly \$22.3 million as of June 30, 2019.

	Cost	Accumulated depreciation	2019 Net book value	2018 Net book value
Land	\$ 748,428	\$ -	\$ 748,428	\$ 748,428
Construction in progress	-	-	-	209,844
Buildings and additions	85,160,682	17,441,847	67,718,835	68,840,389
Furniture and equipment	4,661,186	2,016,318	2,644,868	2,350,048
Transportation equipment	2,014,764	1,183,880	830,884	554,369
Outdoor equipment	4,982,043	1,695,787	3,286,256	3,756,926
	\$ 97,567,103	\$ 22,337,832	\$ 75,229,271	\$ 76,460,004

# **Spring Lake Public Schools**

## **Management's Discussion and Analysis**

### **For the Fiscal Year Ended June 30, 2019**

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#### **Long-term Obligations**

At June 30, 2019, the District had approximately \$68.6 million in long-term obligations which included \$47,140,436 in general obligation bonds. The general obligation bonds decreased during the year by \$12,832,580. The decrease was caused by previously outstanding bonds being redeemed and the amortization of bond premiums on previously issued bonds. In addition to the general obligation bonds, the District has obligations for compensated absences and termination benefits estimated at roughly \$1.1 million and notes from direct borrowings and direct placements in the amount of \$20,449,100 at the end of the fiscal year.

#### **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 continued difficult economic decisions faced by the State of Michigan, especially in light of the issue on how to fund road and bridge repairs statewide.
- With relatively flat enrollment, lack of stability in the funding stream from the State, and rising costs in many areas including employee wages and benefits, retirement contribution costs, and utilities, District administration continues to be diligent in maintaining a reasonable level of reserves (fund balance). Measures to accomplish this include, but are not limited to, cooperative agreements with Ottawa Area Intermediate School District as well as neighboring public and parochial schools and the continuation of strategic choices in how the District handles its non-instructional support services.
- In September 2012, the Governor signed P.A. 300 of 2012 - MPSERS Reform into law. This bill 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 requires current school employees to make choices regarding their pension and retiree healthcare which could impact the District's and employee's contributions. It also sets the stage for addressing the ever-growing unfunded liability that MPSERS is facing. To date, these efforts have worked to reduce the unfunded liability on a state-wide basis.
- In addition to the changes at the State level, the Governmental Accounting Standards Board (GASB) Statement No. 68 was implemented as of June 30, 2015. This Statement required governmental units to record pension liabilities in their government-wide financial statements. For Spring Lake, this was estimated at \$46.2 million as of June 30, 2019.
- For the current fiscal year, GASB Statement No. 75 was implemented as of June 30, 2018. This Statement required governmental units to record other post-employment benefits liabilities in their government-wide financial statements. For Spring Lake, this was estimated at \$12.2 million at fiscal year end.

# **Spring Lake Public Schools**

## **Management's Discussion and Analysis**

### **For the Fiscal Year Ended June 30, 2019**

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- In the summer of 2018, the District entered into a collective bargaining agreement with its teachers. The contract runs through the 2019-20 school year and provides for annual increases for the teaching staff. Administration believes that this agreement allows financial predictability in its major expenditure component which continues to provide greater financial stability. Negotiations on a successor agreement are expected to begin in the spring of 2020.

#### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional information, please contact the Chief Financial Officer at Spring Lake Public Schools, 345 Hammond Street, Spring Lake, MI 49456.

## **BASIC FINANCIAL STATEMENTS**

**SPRING LAKE PUBLIC SCHOOLS  
STATEMENT OF NET POSITION  
YEAR ENDED JUNE 30, 2019**

	<b>Governmental activities</b>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 3,144,296
Investments	471,969
Receivables:	
Other	3,628
Intergovernmental	3,885,037
Inventories	24,609
Prepays	32,449
Restricted cash and cash equivalents - capital projects	233,955
Restricted investments - capital projects	1,211,774
Capital assets not being depreciated	748,428
Capital assets, net of accumulated depreciation	74,480,843
<b>TOTAL ASSETS</b>	<b>84,236,988</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred charge on refunding	299,540
Related to pensions	15,462,533
Related to other postemployment benefits	2,420,234
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>18,182,307</b>
 <b>LIABILITIES:</b>	
Accounts payable	1,274,894
Due to student activity	143
Accrued salaries and related items	1,758,620
Accrued interest - general obligation bonds	328,700
Accrued retirement	757,982
Unearned revenue	125,867
Noncurrent liabilities:	
Due within one year	15,935,000
Due in more than one year	52,708,493
Accrued interest - school loan revolving fund	507,337
Net pension liability	46,229,345
Net other postemployment benefits liability	12,236,837
<b>TOTAL LIABILITIES</b>	<b>131,863,218</b>
 <b>DEFERRED INFLOWS OF RESOURCES:</b>	
Related to pensions	3,636,494
Related to other postemployment benefits	2,751,265
Related to state aid funding for pensions	1,697,843
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>8,085,602</b>
 <b>NET POSITION:</b>	
Net investment in capital assets	9,380,023
Restricted for memorial trust	16,646
Unrestricted	(46,926,194)
<b>TOTAL NET POSITION</b>	<b>\$ (37,529,525)</b>

**SPRING LAKE PUBLIC SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

<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	\$ 20,872,028	\$ -	\$ 6,155,819	\$ (14,716,209)
Support services	9,529,927	221,216	708,971	(8,599,740)
Community services	1,280,802	1,291,912	14,653	25,763
Food services	963,770	587,114	397,781	21,125
Interest on long-term debt	2,819,190	-	-	(2,819,190)
Total governmental activities	<u>\$ 35,465,717</u>	<u>\$ 2,100,242</u>	<u>\$ 7,277,224</u>	<u>(26,088,251)</u>
General revenues:				
Property taxes, levied for general purposes				2,916,926
Property taxes, levied for debt service				4,883,521
Investment earnings				121,006
State sources - unrestricted				16,431,516
Other				<u>409,921</u>
Total general revenues				<u>24,762,890</u>
<b>CHANGE IN NET POSITION</b>				(1,325,361)
<b>NET POSITION, beginning of year</b>				<u>(36,204,164)</u>
<b>NET POSITION, end of year</b>				<u>\$ (37,529,525)</u>

**SPRING LAKE PUBLIC SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019**

	<b>General fund</b>	<b>2014 Capital projects fund</b>	<b>2014 Debt service fund</b>	<b>Fitness and aquatic center fund</b>	<b>Total nonmajor funds</b>	<b>Total governmental funds</b>
<b>ASSETS</b>						
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 1,712,986	\$ -	\$ 100,460	\$ 860,448	\$ 470,402	\$ 3,144,296
Investments	471,969	-	-	-	-	471,969
Receivables:						
Other	165	-	-	3,463	-	3,628
Intergovernmental	3,872,754	-	-	-	12,283	3,885,037
Inventories	13,127	-	-	-	11,482	24,609
Prepays	28,108	-	-	2,576	1,765	32,449
Restricted cash and cash equivalents	-	233,955	-	-	-	233,955
Restricted investments	-	1,211,774	-	-	-	1,211,774
<b>TOTAL ASSETS</b>	<b>\$ 6,099,109</b>	<b>\$ 1,445,729</b>	<b>\$ 100,460</b>	<b>\$ 866,487</b>	<b>\$ 495,932</b>	<b>\$ 9,007,717</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 1,142,716	\$ 63,464	\$ -	\$ 67,023	\$ 1,691	\$ 1,274,894
Accrued salaries and related items	1,739,208	-	-	13,548	5,864	1,758,620
Accrued retirement	745,972	-	-	12,010	-	757,982
Due to student activity	143	-	-	-	-	143
Unearned revenue	96,483	-	-	-	29,384	125,867
<b>TOTAL LIABILITIES</b>	<b>3,724,522</b>	<b>63,464</b>	<b>-</b>	<b>92,581</b>	<b>36,939</b>	<b>3,917,506</b>
<b>FUND BALANCES:</b>						
Nonspendable:						
Inventories	13,127	-	-	-	11,482	24,609
Prepays	28,108	-	-	2,576	1,765	32,449

See notes to financial statements.

	<u>General fund</u>	<u>2014 Capital projects fund</u>	<u>2014 Debt service fund</u>	<u>Fitness and aquatic center fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>FUND BALANCES:</b>						
Restricted:						
Food service	\$ -	\$ -	\$ -	\$ -	\$ 189,873	\$ 189,873
Memorial trust	-	-	-	-	16,646	16,646
Debt service	-	-	100,460	-	180,744	281,204
Capital projects	-	1,382,265	-	-	58,483	1,440,748
Assigned:						
Compensated absences and termination benefits	1,053,957	-	-	-	-	1,053,957
Subsequent year expenditures	176,300	-	-	-	-	176,300
Committed - fitness and aquatic center	-	-	-	771,330	-	771,330
Unassigned	1,103,095	-	-	-	-	1,103,095
<b>TOTAL FUND BALANCES</b>	<u>2,374,587</u>	<u>1,382,265</u>	<u>100,460</u>	<u>773,906</u>	<u>458,993</u>	<u>5,090,211</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 6,099,109</u>	<u>\$ 1,445,729</u>	<u>\$ 100,460</u>	<u>\$ 866,487</u>	<u>\$ 495,932</u>	<u>\$ 9,007,717</u>
<b>Total governmental fund balances</b>						\$ 5,090,211
Amounts reported for governmental activities in the statement of net position are different because:						
Deferred charge on refunding, net of amortization						299,540
Deferred outflows of resources - related to pensions						15,462,533
Deferred inflows of resources - related to pensions						(3,636,494)
Deferred outflows of resources - related to other postemployment benefits						2,420,234
Deferred inflows of resources - related to other postemployment benefits						(2,751,265)
Deferred inflows of resources - related to state pension funding						(1,697,843)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:						
The cost of the capital assets is					\$ 97,567,103	
Accumulated depreciation is					<u>(22,337,832)</u>	75,229,271
Long-term liabilities are not due and payable in the current period and are not reported in the funds:						
General obligation bonds						(47,140,436)
Notes from direct borrowings and direct placements						(20,449,100)
Compensated absences and termination benefits						(1,053,957)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid						(836,037)
Net pension liability						(46,229,345)
Net other postemployment benefits liability						<u>(12,236,837)</u>
<b>Net position of governmental activities</b>						<u>\$ (37,529,525)</u>

See notes to financial statements.

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

	<u>General fund</u>	<u>2014 Capital projects fund</u>	<u>2014 Debt service fund</u>	<u>Fitness and aquatic center fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>REVENUES:</b>						
Local sources:						
Property taxes	\$ 2,916,926	\$ -	\$ 4,269,858	\$ -	\$ 613,663	\$ 7,800,447
Tuition	177,420	-	-	-	-	177,420
Investment earnings	38,848	39,465	5,967	20,147	16,579	121,006
Food sales	-	-	-	-	528,435	528,435
Recreation	-	-	-	1,291,912	-	1,291,912
Other	411,766	-	-	-	69,452	481,218
Total local sources	3,544,960	39,465	4,275,825	1,312,059	1,228,129	10,400,438
State sources	19,920,577	-	148,656	15,300	98,889	20,183,422
Federal sources	612,512	-	-	-	305,885	918,397
Incoming transfers and other	2,724,630	-	-	-	-	2,724,630
Total revenues	26,802,679	39,465	4,424,481	1,327,359	1,632,903	34,226,887
<b>EXPENDITURES:</b>						
Current:						
Instruction	17,763,089	-	-	-	-	17,763,089
Supporting services	9,088,136	-	-	-	-	9,088,136
Food service activities	-	-	-	-	898,215	898,215
Community service activities	116,078	-	-	1,108,260	-	1,224,338
Capital outlay	-	886,719	-	314,519	203,456	1,404,694

See notes to financial statements.

	<u>General fund</u>	<u>2014 Capital projects fund</u>	<u>2014 Debt service fund</u>	<u>Fitness and aquatic center fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>EXPENDITURES:</b>						
Debt service:						
Principal repayment	\$ -	\$ -	\$ 11,285,000	\$ -	\$ 1,040,000	\$ 12,325,000
Interest	-	-	1,754,200	-	744,075	2,498,275
Other	-	540	225	-	651	1,416
Total expenditures	<u>26,967,303</u>	<u>887,259</u>	<u>13,039,425</u>	<u>1,422,779</u>	<u>2,886,397</u>	<u>45,203,163</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(164,624)</u>	<u>(847,794)</u>	<u>(8,614,944)</u>	<u>(95,420)</u>	<u>(1,253,494)</u>	<u>(10,976,276)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from school loan revolving fund	-	-	8,669,210	-	1,126,017	9,795,227
Transfers in	80,000	-	-	-	-	80,000
Transfers out	-	-	-	(50,000)	(30,000)	(80,000)
Total other financing sources (uses)	<u>80,000</u>	<u>-</u>	<u>8,669,210</u>	<u>(50,000)</u>	<u>1,096,017</u>	<u>9,795,227</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(84,624)</u>	<u>(847,794)</u>	<u>54,266</u>	<u>(145,420)</u>	<u>(157,477)</u>	<u>(1,181,049)</u>
<b>FUND BALANCES:</b>						
Beginning of year	<u>2,459,211</u>	<u>2,230,059</u>	<u>46,194</u>	<u>919,326</u>	<u>616,470</u>	<u>6,271,260</u>
End of year	<u>\$ 2,374,587</u>	<u>\$ 1,382,265</u>	<u>\$ 100,460</u>	<u>\$ 773,906</u>	<u>\$ 458,993</u>	<u>\$ 5,090,211</u>

See notes to financial statements.

**SPRING LAKE PUBLIC SCHOOLS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

<b>Net change in fund balances total governmental funds</b>	<b>\$ (1,181,049)</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(2,587,051)
Capital outlay	1,356,318
Accrued interest on long-term obligations is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest - general obligation bonds, beginning of the year	429,088
Accrued interest - general obligation bonds, end of the year	(328,700)
Accrued interest - school loan revolving fund, beginning of the year	86,259
Accrued interest - school loan revolving fund, end of the year	(507,337)
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:	
Payments on general obligation bonds	12,325,000
Amortization of deferred charges on refunding	(74,885)
Amortization of general obligation bonds premium	507,580
Proceeds from school loan revolving fund	(9,795,227)
Compensated absences and termination benefits 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 termination benefits, beginning of the year	1,082,248
Accrued compensated absences and termination benefits, end of the year	(1,053,957)
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	(1,811,866)
Other postemployment benefits related items	339,494
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, beginning of the year	1,586,567
State aid funding, end of the year	(1,697,843)
<b>Change in net position of governmental activities</b>	<b>\$ (1,325,361)</b>

**SPRING LAKE PUBLIC SCHOOLS  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2019**

	<b>Agency fund</b>
<b>ASSETS:</b>	
Cash	\$ 488,675
Due from general fund	143
<b>TOTAL ASSETS</b>	<b>\$ 488,818</b>
 <b>LIABILITIES:</b>	
Accounts payable	\$ 57,555
Due to student and other groups	431,263
<b>TOTAL LIABILITIES</b>	<b>\$ 488,818</b>

**SPRING LAKE 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 and intergovernmental revenues.

**B. Reporting Entity**

The Spring Lake Public Schools (the “District”) is governed by the Spring Lake 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.

**SPRING LAKE 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 debt service fund* accounts for the resources accumulated and payments made for principal and interest on debt related to the General Obligation bonds issued in 2014.

The *fitness and aquatic center fund* accounts for revenues sources that are committed for expenditures related to the District's Fitness and Aquatic Center.

The *2014 capital projects fund* accounts for costs of construction projects and capital improvements. Financing is provided by the General Obligation bonds issued in 2014.

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

Beginning with the year of bond issuance, the District has reported the annual construction activity in the 2014 capital projects fund and the 2014 capital projects fund - athletics.

The following is a summary of the revenue and expenditures for the 2014 capital projects fund and the 2014 capital projects fund - athletics bond activity since inception of the funds through the current fiscal year:

	2014 Bond	2014 Bond - athletics
Revenues and other financing sources	\$ 50,247,603	\$ 4,513,346
Expenditures	\$ 48,865,338	\$ 4,454,863

The above revenue amount includes net bond proceeds of \$43,380,500 and \$3,894,500.

**Other nonmajor 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 and memorial trust activities in the special revenue funds.

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

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

**Other nonmajor funds (Concluded)**

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 *2014 capital projects fund - athletics* accounts for the accumulation and disbursement of funds for construction projects and capital improvements. Financing is provided by the General Obligation bonds issued in 2014.

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

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

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds 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.

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.

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

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

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.

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 intergovernmental receivables.

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

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

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.

**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. The capital projects funds are appropriated on a project-length basis. Other funds do not have appropriated budgets.

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

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund and the special revenue fund (fitness and aquatic center fund) are noted in the required supplementary information section.

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

**F. Budgetary Information (Concluded)**

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, 2019. 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 3 months or less from the date of acquisition.

2. Investments

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

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

**SPRING LAKE 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)**

3. Inventories and prepaid items

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

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

4. Capital assets

Capital assets, which include land, construction in progress, buildings and additions, furniture and equipment, transportation equipment, and outdoor equipment, 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 2 years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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.

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
Building and additions	40 - 50 years
Furniture and equipment	3 - 10 years
Transportation equipment	5 - 10 years
Outdoor equipment	5 - 10 years

**SPRING LAKE 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)**

5. Defined benefit plan

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

6. Deferred outflows

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

7. Deferred inflows

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

**SPRING LAKE 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. 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 invested in capital assets, school loan revolving fund principal proceeds of \$20,449,100 are considered capital-related debt. Accrued interest on the school loan revolving fund of \$507,337 has been included in the calculation of unrestricted net position.

9. Fund balance flow assumptions

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

10. Fund balance policies

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

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

**SPRING LAKE 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)**

10. Fund balance policies (Concluded)

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

**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, 2019, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund:	
Non-Principal Residence Exemption (PRE)	18.000
Commercial Personal Property	6.000
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	7.000

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

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

3. Compensated absences and termination benefits

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.

4. Long-term obligations

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

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

As of June 30, 2019 the District had the following investments:

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted average maturity (years)</u>	<u>Standard &amp; Poor's rating</u>	<u>%</u>
MILAF External Investment Pool - Cash Management	\$ 552	0.0027	AAAm	0.03%
MILAF External Investment Pool - Max	1,683,191	0.0027	AAAm	99.97%
	<u>\$ 1,683,743</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

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, 2019, 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. Therefore, the MILAF (Cash Management Class) and MILAF (MAX Class) balances are not subject to the fair value disclosure requirements.

**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, 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, 2019, \$4,184,183 of the District’s bank balance of \$4,453,258 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount is \$3,866,926 (including \$488,675 of Agency Fund cash).

**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.

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

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

Deposits - including fiduciary funds of \$488,675	\$ 3,866,926
Investments	<u>1,683,743</u>
	<u>\$ 5,550,669</u>

**SPRING LAKE 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	\$ 488,675
Government-wide:	
Cash and equivalents	3,144,296
Investments	471,969
Restricted cash - capital projects	233,955
Restricted investments - capital projects	1,211,774
	<u>\$ 5,550,669</u>

**NOTE 3 - CAPITAL ASSETS**

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

	Balance July 1, 2018	Additions	Deletions / reclassifications	Balance June 30, 2019
Assets not being depreciated:				
Land	\$ 748,428	\$ -	\$ -	\$ 748,428
Construction in process	209,844	-	209,844	-
Subtotal	<u>958,272</u>	<u>-</u>	<u>209,844</u>	<u>748,428</u>
Other capital assets:				
Buildings and additions	84,446,057	714,625	-	85,160,682
Furniture and equipment	4,215,097	577,325	131,236	4,661,186
Transportation equipment	1,824,690	242,074	52,000	2,014,764
Outdoor equipment	4,957,593	32,138	7,688	4,982,043
Subtotal	<u>95,443,437</u>	<u>1,566,162</u>	<u>190,924</u>	<u>96,818,675</u>
Accumulated depreciation:				
Buildings and additions	15,605,668	1,836,179	-	17,441,847
Furniture and equipment	1,865,049	282,505	131,236	2,016,318
Transportation equipment	1,270,321	191,583	278,024	1,183,880
Outdoor equipment	1,200,667	276,784	(218,336)	1,695,787
Total accumulated depreciation	<u>19,941,705</u>	<u>2,587,051</u>	<u>190,924</u>	<u>22,337,832</u>
Net capital assets being depreciated	<u>75,501,732</u>	<u>(1,020,889)</u>	<u>-</u>	<u>74,480,843</u>
Net governmental capital assets	<u>\$ 76,460,004</u>	<u>\$ (1,020,889)</u>	<u>\$ 209,844</u>	<u>\$ 75,229,271</u>

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - CAPITAL ASSETS (Concluded)**

Depreciation expense was charged to programs of the District as follows:

Governmental activities:	
Instruction	\$ 1,772,813
Support services	758,145
Food service	43,469
Community service	12,624
	<hr/>
Total governmental activities	<u>\$ 2,587,051</u>

**NOTE 4 - INTERGOVERNMENTAL RECEIVABLES**

Receivables at June 30, 2019 consist of the following:

	<u>Government- wide</u>
State aid	\$ 3,616,968
Federal revenue	180,884
ISD and other	87,185
	<hr/>
	<u>\$ 3,885,037</u>

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary.

**NOTE 5 - LONG-TERM OBLIGATIONS**

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

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM OBLIGATIONS (Concluded)**

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

	Accumulated compensated absences	Accumulated termination benefits	General obligation bonds	Notes from direct borrowings and direct placements	Total
Balance, July 1, 2018	\$ 573,248	\$ 509,000	\$ 59,973,016	\$ 10,653,873	\$ 71,709,137
Additions	-	-	-	9,795,227	9,795,227
Deletions	(9,291)	(19,000)	(12,832,580)	-	(12,860,871)
Balance, June 30, 2019	563,957	490,000	47,140,436	20,449,100	68,643,493
Due within one year	-	-	15,935,000	-	15,935,000
Due in more than one year	\$ 563,957	\$ 490,000	\$ 31,205,436	\$ 20,449,100	\$ 52,708,493

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

**General obligation bonds:**

2010 Refunding bonds due in annual installments of \$1,000,000 to \$1,035,000 through May 1, 2023 with interest of 4.00%.	\$ 4,075,000
2014 Building and site bonds due in annual installments of \$10,000 to \$8,985,000 through May 1, 2043 with interest from 3.75% to 5.00%.	25,375,000
2015 Refunding bonds due in installments of \$1,600,000 to \$4,900,000 to be paid May 1, 2020 through May 1, 2023 with interest of 5.00%.	10,860,000
Add - issuance premiums	6,830,436
Total general obligation bonds	<u>47,140,436</u>

**Notes from direct borrowings and direct placements:**

Borrowings from the State of Michigan under the School Loan Revolving Fund Program, excluding interest at 3.44% at year end.	20,449,100
Total general obligation bonds and notes from direct borrowings and direct placements	<u>67,589,536</u>
Accumulated compensated absences	563,957
Accumulated termination benefits	490,000
Total long-term obligations	<u><u>\$ 68,643,493</u></u>

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM OBLIGATIONS (Concluded)**

The annual requirements to amortize debt outstanding as of June 30, 2019, including interest payments of \$3,428,301 and \$507,337 for general obligation bonds and notes from direct borrowings and direct placements, respectively, are as follows:

Year ending June 30,	General obligation bonds		Notes from direct borrowings and direct placements		Accumulated compensated absences and termination benefits	Totals
	Principal	Interest	Principal	Interest		
2020	\$ 15,935,000	\$ 1,884,075	\$ -	\$ -	\$ -	\$ 17,819,075
2021	18,940,000	1,085,050	-	-	-	20,025,050
2022	2,625,000	249,050	-	-	-	2,874,050
2023	2,610,000	128,076	-	-	-	2,738,076
2024	10,000	7,700	-	-	-	17,700
2025 - 2029	50,000	32,876	-	-	-	82,876
2030 - 2034	50,000	23,500	-	-	-	73,500
2035 - 2039	50,000	13,974	-	-	-	63,974
2040 - 2043	40,000	4,000	-	-	-	44,000
	<u>40,310,000</u>	<u>3,428,301</u>	-	-	-	<u>43,738,301</u>
School loan revolving fund	-	-	20,449,100	507,337	-	20,956,437
Issuance premiums	6,830,436	-	-	-	-	6,830,436
Accumulated compensated absences and termination benefits	-	-	-	-	1,053,957	1,053,957
	<u>\$ 47,140,436</u>	<u>\$ 3,428,301</u>	<u>\$ 20,449,100</u>	<u>\$ 507,337</u>	<u>\$ 1,053,957</u>	<u>\$ 72,579,131</u>

**Borrowing from the State of Michigan -** The school loan revolving payable represents a note 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 3.44% the School Revolving Fund notes have been assessed as of June 30, 2019. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.00 mills. The school district is required to levy 7.00 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. The District currently levies 7.00 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. The state may apply a default late charge on the note if the District does not make the repayments, or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

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

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

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

**Benefits Provided - Overall**

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

<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	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

**Benefits Provided - Pension**

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

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Benefits Provided - Pension (Concluded)**

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

**Pension Reform 2010**

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

**Pension Reform 2012**

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

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

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

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

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Pension Reform 2012 (Concluded)**

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

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

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

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

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

**Final Average Compensation (FAC)** - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Pension Reform of 2017**

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

**Benefits Provided - Other Postemployment Benefit (OPEB)**

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

**Retiree Healthcare Reform of 2012**

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Retiree Healthcare Reform of 2012 (Concluded)**

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.

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

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

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

**Member Contributions**

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

**Employer Contributions**

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

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

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

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Employer Contributions (Concluded)**

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:

	<u>Pension</u>	<u>Other postemployment benefit</u>
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

The District's pension contributions for the year ended June 30, 2019 were equal to the required contribution total. Pension contributions were approximately \$4,092,000, with \$4,034,000 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2019 were equal to the required contribution total. OPEB benefits were approximately \$1,159,000, with \$1,115,000 specifically for the Defined Benefit Plan.

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

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

**Pension Liabilities**

At June 30, 2019, the District reported a liability of \$46,229,345 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was 0.15378% and 0.15223%.

<u>MPERS (Plan) Non-university employers</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Total pension liability	\$ 79,863,694,444	\$ 72,407,218,688
Plan fiduciary net position	\$ 49,801,889,205	\$ 46,492,967,573
Net pension liability	\$ 30,061,805,239	\$ 25,914,251,115
Proportionate share	0.15378%	0.15223%
Net pension liability for the District	\$ 46,229,345	\$ 39,448,002

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

For the year ended June 30, 2019, the District recognized pension expense of \$5,846,041.

At June 30, 2019, 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>
Differences between expected and actual experience	\$ 214,513	\$ 335,941
Change of assumptions	10,706,678	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	822,270	139,641
Net difference between projected and actual plan investment earnings	-	3,160,912
Reporting Unit's contributions subsequent to the measurement date	3,719,072	-
	<u>\$ 15,462,533</u>	<u>\$ 3,636,494</u>

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

\$3,719,072, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2019	\$ 3,224,378
2020	2,486,450
2021	1,729,955
2022	666,184

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

**OPEB Liabilities**

At June 30, 2019, the District reported a liability of \$12,236,837 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was 0.15394% and 0.15197%.

<u>MPSERS (Plan) Non-university employers</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Total other postemployment benefits liability	\$ 13,932,170,264	\$ 13,920,945,991
Plan fiduciary net position	\$ 5,983,218,473	\$ 5,065,474,948
Net other postemployment benefits liability	\$ 7,948,951,791	\$ 8,855,471,043
Proportionate share	0.15394%	0.15197%
Net other postemployment benefits liability for the District	\$ 12,236,837	\$ 13,457,324

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$775,319.

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

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ -	\$ 2,277,590
Change of assumptions	1,295,887	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	148,874	3,384
Net difference between projected and actual plan investment earnings	-	470,291
Reporting Unit's contributions subsequent to the measurement date	975,473	-
	\$ 2,420,234	\$ 2,751,265

\$975,473, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2019	\$ (326,951)
2020	(326,951)
2021	(326,951)
2022	(231,004)
2023	(94,647)

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Actuarial Assumptions**

**Investment rate of return for pension** - 7.05% a year, compounded annually net of investment and administrative expenses for the non-hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the hybrid group (Pension Plus Plan).

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

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

**Inflation** - 3.0%.

**Mortality assumptions:**

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

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

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

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

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

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

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

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Actuarial Assumptions (Continued)**

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

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

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

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

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

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

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

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

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Actuarial Assumptions (Continued)**

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

**Sensitivity of the net pension liability to changes in the discount rate** - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 7.05% (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 60,695,559	\$ 46,229,345	\$ 34,210,272

**Sensitivity of the net OPEB liability to changes in the discount rate** -The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 7.15%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other postemployment benefit		
	1% Decrease	Discount rate	1% Increase
Reporting Unit's proportionate share of the other postemployment benefit liability	\$ 14,690,073	\$ 12,236,837	\$ 10,173,365

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Concluded)**

**Actuarial Assumptions (Concluded)**

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

	Other postemployment benefits		
	1% Decrease	Healthcare cost trend rates	1% Increase
Reporting Unit's proportionate share of the net other post-employment benefits liability	\$ 10,064,663	\$ 12,236,837	\$ 14,728,763

**Pension and OPEB Plan Fiduciary Net Position**

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

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

**NOTE 7 - 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 District expects such amounts, if any, to be immaterial.

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; injuries to employees and natural disasters. The District is a member of the West Michigan Risk Management Trust (Trust), a self-insurance program with 26 districts pooling together to insure property, liability and auto exposures. Premiums from members of the Trust are arrived at through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$250,000 and \$1,314,050, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. A \$1,000 per occurrence deductible for property losses is maintained to place the responsibility for small charges with the members of the Trust.

The District is a member of the West Michigan Workers' Compensation Fund, a self-insurance program with 16 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 a \$1,373,075 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts.

The District carries commercial insurance for all other risks of loss, including employee life, health and accident insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

**NOTE 9 - TAX ABATEMENTS**

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Payments in Lieu of Taxes (PILOT) granted by two townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for the general fund and debt service fund by municipality under these programs are as follows:

Municipality	Taxes abated
Spring Lake Township	\$ 154,239
Crockery Township	3,043
	\$ 157,282

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

There are no abatements made by the District.

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - TRANSFERS**

The transfers to the general fund of \$30,000 and \$50,000 from the food service fund and the fitness and aquatic center fund, respectively, were for indirect costs.

**NOTE 11 - COMMITMENTS**

The District has active capital projects outstanding at June 30, 2019. Approximately, \$1,382,000 and \$58,000 are restricted and recorded as fund balance in the 2014 capital projects fund and the 2014 capital projects fund – athletics, respectively.

**NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

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

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

**NOTE 13 - RECLASSIFICATION**

Certain amounts as of July 1, 2018 have been reclassified to conform to the current year's presentation.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget</b>
<b>REVENUES:</b>				
Local sources	\$ 3,294,100	\$ 3,522,200	\$ 3,544,960	\$ 22,760
State sources	19,818,800	19,883,500	19,920,577	37,077
Federal sources	604,300	624,700	612,512	(12,188)
Incoming transfers and other	2,280,200	2,696,800	2,724,630	27,830
Total revenues	<u>25,997,400</u>	<u>26,727,200</u>	<u>26,802,679</u>	<u>75,479</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic programs	13,987,000	14,159,400	14,163,649	(4,249)
Added needs	3,364,000	3,752,600	3,599,440	153,160
Total instruction	<u>17,351,000</u>	<u>17,912,000</u>	<u>17,763,089</u>	<u>148,911</u>
Supporting services:				
Pupil	1,632,300	1,674,000	1,685,474	(11,474)
Instructional staff	564,000	823,900	853,983	(30,083)
General administration	765,000	556,000	564,869	(8,869)
School administration	1,495,000	1,460,000	1,494,025	(34,025)
Business	271,400	274,000	244,734	29,266
Operation/maintenance	1,945,000	2,074,000	2,158,350	(84,350)
Pupil transportation	891,000	954,600	989,877	(35,277)
Central	360,000	388,200	405,044	(16,844)
Athletics	709,000	667,300	691,780	(24,480)
Total supporting services	<u>8,632,700</u>	<u>8,872,000</u>	<u>9,088,136</u>	<u>(216,136)</u>
Community services	137,000	117,000	116,078	922
Total expenditures	<u>26,120,700</u>	<u>26,901,000</u>	<u>26,967,303</u>	<u>(66,303)</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(123,300)</u>	<u>(173,800)</u>	<u>(164,624)</u>	<u>9,176</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	80,000	80,000	80,000	-
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (43,300)</u>	<u>\$ (93,800)</u>	<u>(84,624)</u>	<u>\$ 9,176</u>
<b>FUND BALANCE:</b>				
Beginning of year			2,459,211	
End of year			<u>\$ 2,374,587</u>	

**SPRING LAKE PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
FITNESS AND AQUATIC CENTER FUND  
YEAR ENDED JUNE 30, 2019**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
<b>REVENUES:</b>				
Local sources	\$ 1,231,000	\$ 1,333,100	\$ 1,312,059	\$ (21,041)
State sources	12,500	15,300	15,300	-
Total revenues	<u>1,243,500</u>	<u>1,348,400</u>	<u>1,327,359</u>	<u>(21,041)</u>
<b>EXPENDITURES:</b>				
Community services	1,184,200	1,409,900	1,422,779	(12,879)
Total expenditures	<u>1,184,200</u>	<u>1,409,900</u>	<u>1,422,779</u>	<u>(12,879)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>59,300</u>	<u>(61,500)</u>	<u>(95,420)</u>	<u>(33,920)</u>
<b>OTHER FINANCING USES:</b>				
Transfers out	(50,000)	(50,000)	(50,000)	-
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 9,300</u>	<u>\$ (111,500)</u>	<u>(145,420)</u>	<u>\$ (33,920)</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>919,326</u>	
End of year			<u>\$ 773,906</u>	

**SPRING LAKE PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF  
PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting Unit's proportion of net pension liability (%)	0.15378%	0.15223%	0.14835%	0.14914%	0.15006%
Reporting Unit's proportionate share of net pension liability	\$46,229,345	\$39,448,002	\$37,012,820	\$36,427,907	\$33,053,065
Reporting Unit's covered-employee payroll	\$13,126,870	\$12,899,252	\$12,485,598	\$12,402,703	\$12,740,149
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	352.17%	305.82%	296.44%	293.71%	259.44%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	62.36%	64.21%	63.27%	63.17%	66.20%

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

**SPRING LAKE PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF  
THE YEAR ENDED JUNE 30)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 4,034,175	\$ 4,023,144	\$ 3,555,308	\$ 3,258,004	\$ 2,624,514
Contributions in relation to statutorily required contributions	<u>4,034,175</u>	<u>4,023,144</u>	<u>3,555,308</u>	<u>3,258,004</u>	<u>2,624,514</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Reporting Unit's covered-employee payroll	\$ 13,457,540	\$ 12,968,666	\$ 13,282,353	\$ 12,379,746	\$ 12,435,236
Contributions as a percentage of covered-employee payroll	29.98%	31.02%	26.77%	26.32%	21.11%

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.

**SPRING LAKE PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE  
SHARE OF THE NET OPEB LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF  
PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of other postemployment benefits liability (%)	0.15394%	0.15197%
Reporting Unit's proportionate share of other postemployment benefits liability	\$ 12,236,837	\$ 13,457,324
Reporting Unit's covered-employee payroll	\$ 13,126,870	\$ 12,899,252
Reporting Unit's proportionate share of other postemployment benefits liability as a percentage of its covered-employee payroll	93.22%	104.33%
Plan fiduciary net position as a percentage of total other postemployment benefits liability (Non-university employers)	42.95%	36.39%

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

**SPRING LAKE PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN  
LAST 10 FISCAL YEARS (DETERMINED AS OF  
THE YEAR ENDED JUNE 30)**

	2019	2018
Statutorily required contributions	\$ 1,114,813	\$ 1,132,210
Contributions in relation to statutorily required contributions	1,114,813	1,132,210
Contribution deficiency (excess)	\$ -	\$ -
Reporting Unit's covered-employee payroll	\$ 13,457,540	\$ 12,968,666
Contributions as a percentage of covered-employee payroll	8.28%	8.73%

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.

**SPRING LAKE PUBLIC SCHOOLS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2019**

Pension Information

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

**Changes of assumptions** - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

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

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

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

OPEB Information

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

**Changes of assumptions** - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate decreased to 7.15% from 7.50%.

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

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

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

**ADDITIONAL SUPPLEMENTARY INFORMATION**

**SPRING LAKE PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2019**

	<u>Special revenue</u>	<u>Debt service</u>	<u>2014 Capital projects fund - athletics</u>	<u>Total nonmajor funds</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 231,175	\$ 180,744	\$ 58,483	\$ 470,402
Intergovernmental	12,283	-	-	12,283
Prepays	1,765	-	-	1,765
Inventories	11,482	-	-	11,482
<b>TOTAL ASSETS</b>	<u>\$ 256,705</u>	<u>\$ 180,744</u>	<u>\$ 58,483</u>	<u>\$ 495,932</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 1,691	\$ -	\$ -	\$ 1,691
Accrued salaries and related items	5,864	-	-	5,864
Unearned revenue	29,384	-	-	29,384
<b>TOTAL LIABILITIES</b>	<u>36,939</u>	<u>-</u>	<u>-</u>	<u>36,939</u>
<b>FUND BALANCES:</b>				
Nonspendable:				
Inventories	11,482	-	-	11,482
Prepays	1,765	-	-	1,765
Restricted:				
Debt service	-	180,744	-	180,744
Food service	189,873	-	-	189,873
Memorial trust	16,646	-	-	16,646
Capital projects	-	-	58,483	58,483
<b>TOTAL FUND BALANCES</b>	<u>219,766</u>	<u>180,744</u>	<u>58,483</u>	<u>458,993</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 256,705</u>	<u>\$ 180,744</u>	<u>\$ 58,483</u>	<u>\$ 495,932</u>

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

	<u>Special revenue</u>	<u>Debt service</u>	<u>2014 Capital projects fund - athletics</u>	<u>Total nonmajor funds</u>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ -	\$ 613,663	\$ -	\$ 613,663
Investment earnings	3,333	5,232	8,014	16,579
Food sales	528,435	-	-	528,435
Other	69,452	-	-	69,452
Total local sources	601,220	618,895	8,014	1,228,129
State sources	77,516	21,373	-	98,889
Federal sources	305,885	-	-	305,885
Total revenues	984,621	640,268	8,014	1,632,903
<b>EXPENDITURES:</b>				
Current:				
Food service activities	898,215	-	-	898,215
Capital outlay	-	-	203,456	203,456
Debt service:				
Principal repayment	-	1,040,000	-	1,040,000
Interest expense	-	744,075	-	744,075
Other expense	-	651	-	651
Total expenditures	898,215	1,784,726	203,456	2,886,397
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	86,406	(1,144,458)	(195,442)	(1,253,494)
<b>OTHER FINANCING (SOURCES) USES:</b>				
Proceeds from school loan revolving fund	-	1,126,017	-	1,126,017
Transfers out	(30,000)	-	-	(30,000)
Total other financing sources (uses)	(30,000)	1,126,017	-	1,096,017
<b>NET CHANGE IN FUND BALANCES</b>	56,406	(18,441)	(195,442)	(157,477)
<b>FUND BALANCES:</b>				
Beginning of year	163,360	199,185	253,925	616,470
End of year	\$ 219,766	\$ 180,744	\$ 58,483	\$ 458,993

**SPRING LAKE PUBLIC SCHOOLS  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2019**

	<u>Food service</u>	<u>Memorial trust</u>	<u>Total special revenue</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 214,529	\$ 16,646	\$ 231,175
Intergovernmental	12,283	-	12,283
Prepays	1,765	-	1,765
Inventories	11,482	-	11,482
	<u>11,482</u>	<u>-</u>	<u>11,482</u>
<b>TOTAL ASSETS</b>	<u>\$ 240,059</u>	<u>\$ 16,646</u>	<u>\$ 256,705</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ 1,691	\$ -	\$ 1,691
Accrued salaries and related items	5,864	-	5,864
Unearned revenue	29,384	-	29,384
	<u>29,384</u>	<u>-</u>	<u>29,384</u>
<b>TOTAL LIABILITIES</b>	<u>36,939</u>	<u>-</u>	<u>36,939</u>
<b>FUND BALANCES:</b>			
Nonspendable:			
Inventories	11,482	-	11,482
Prepays	1,765	-	1,765
Restricted	189,873	16,646	206,519
	<u>189,873</u>	<u>16,646</u>	<u>206,519</u>
<b>TOTAL FUND BALANCES</b>	<u>203,120</u>	<u>16,646</u>	<u>219,766</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 240,059</u>	<u>\$ 16,646</u>	<u>\$ 256,705</u>

**SPRING LAKE PUBLIC SCHOOLS  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2019**

	<u>Food service</u>	<u>Memorial trust</u>	<u>Total special revenue funds</u>
<b>REVENUES:</b>			
Sales	\$ 528,435	\$ -	\$ 528,435
State aid	77,516	-	77,516
Federal aid	305,885	-	305,885
Investment earnings	3,333	-	3,333
Other	69,452	-	69,452
Total revenues	<u>984,621</u>	<u>-</u>	<u>984,621</u>
<b>EXPENDITURES:</b>			
Salaries	202,155	-	202,155
Benefits	122,306	-	122,306
Purchased services	123,028	-	123,028
Supplies and materials	448,469	-	448,469
Other expenses	2,257	-	2,257
Total expenditures	<u>898,215</u>	<u>-</u>	<u>898,215</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>86,406</u>	<u>-</u>	<u>86,406</u>
<b>OTHER FINANCING USES:</b>			
Transfers out	<u>(30,000)</u>	<u>-</u>	<u>(30,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	56,406	-	56,406
<b>FUND BALANCES:</b>			
Beginning of year	<u>146,714</u>	<u>16,646</u>	<u>163,360</u>
End of year	<u>\$ 203,120</u>	<u>\$ 16,646</u>	<u>\$ 219,766</u>

**SPRING LAKE PUBLIC SCHOOLS  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2019**

	<u>2010</u>	<u>2015</u>	<u>Total debt service funds</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 46,022	\$ 134,722	\$ 180,744
<b>FUND BALANCES:</b>			
Restricted for debt service	\$ 46,022	\$ 134,722	\$ 180,744

**SPRING LAKE PUBLIC SCHOOLS  
DEBT SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2019**

	<u>2010</u>	<u>2015</u>	<u>Total debt service funds</u>
<b>REVENUES:</b>			
Local sources:			
Property taxes	\$ 153,275	\$ 460,388	\$ 613,663
Interest	5,001	231	5,232
Total local sources	<u>158,276</u>	<u>460,619</u>	<u>618,895</u>
State sources	5,339	16,034	21,373
Total revenues	<u>163,615</u>	<u>476,653</u>	<u>640,268</u>
<b>EXPENDITURES:</b>			
Principal repayment	1,040,000	-	1,040,000
Interest expense	201,075	543,000	744,075
Other	150	501	651
Total expenditures	<u>1,241,225</u>	<u>543,501</u>	<u>1,784,726</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	(1,077,610)	(66,848)	(1,144,458)
<b>OTHER FINANCING SOURCES:</b>			
Proceeds from school loan revolving fund	<u>1,119,300</u>	<u>6,717</u>	<u>1,126,017</u>
<b>NET CHANGE IN FUND BALANCES</b>	41,690	(60,131)	(18,441)
<b>FUND BALANCES:</b>			
Beginning of year	<u>4,332</u>	<u>194,853</u>	<u>199,185</u>
End of year	<u>\$ 46,022</u>	<u>\$ 134,722</u>	<u>\$ 180,744</u>

**SPRING LAKE PUBLIC SCHOOLS  
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS  
 JUNE 30, 2019**

2010 Refunding Bonds

Fiscal year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2020	4.000%	\$ 1,035,000	\$ 81,500	\$ 81,500	\$ 1,198,000
2021	4.000%	1,025,000	60,800	60,800	1,146,600
2022	4.000%	1,015,000	40,300	40,300	1,095,600
2023	4.000%	1,000,000	20,000	20,000	1,040,000
Total 2010 bonded debt		<u>\$ 4,075,000</u>	<u>\$ 202,600</u>	<u>\$ 202,600</u>	<u>\$ 4,480,200</u>

The above bonds dated March 24, 2010 were issued for the purpose of refunding the 1998 and 1999 general obligation bonds. The amount of the original bond issue was \$13,760,000.

**SPRING LAKE PUBLIC SCHOOLS**  
**BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS**  
**JUNE 30, 2019**

2014 School Building and Site Bonds

Fiscal year	Interest rate	Principal due May 1	Principal due Nov 1	Interest due		Total due annually
				May 1	November 1	
2020	5.000%	\$ 8,615,000	\$ 3,525,000	\$ 544,975	\$ 633,100	\$ 13,318,075
2021	5.000%	8,985,000	4,030,000	228,850	329,600	13,573,450
2022	3.750%	10,000	-	4,225	4,225	18,450
2023	3.750%	10,000	-	4,038	4,038	18,076
2024	3.750%	10,000	-	3,850	3,850	17,700
2025	3.750%	10,000	-	3,662	3,662	17,324
2026	3.750%	10,000	-	3,475	3,475	16,950
2027	3.750%	10,000	-	3,288	3,288	16,576
2028	3.750%	10,000	-	3,100	3,100	16,200
2029	3.750%	10,000	-	2,913	2,913	15,826
2030	3.750%	10,000	-	2,725	2,725	15,450
2031	3.750%	10,000	-	2,537	2,537	15,074
2032	3.750%	10,000	-	2,350	2,350	14,700
2033	3.750%	10,000	-	2,163	2,163	14,326
2034	3.750%	10,000	-	1,975	1,975	13,950
2035	3.750%	10,000	-	1,787	1,787	13,574
2036	4.000%	10,000	-	1,600	1,600	13,200
2037	4.000%	10,000	-	1,400	1,400	12,800
2038	4.000%	10,000	-	1,200	1,200	12,400
2039	4.000%	10,000	-	1,000	1,000	12,000
2040	4.000%	10,000	-	800	800	11,600
2041	4.000%	10,000	-	600	600	11,200
2042	4.000%	10,000	-	400	400	10,800
2043	4.000%	10,000	-	200	200	10,400
<b>Total 2014 bonded debt</b>		<b>\$ 17,820,000</b>	<b>\$ 7,555,000</b>	<b>\$ 823,113</b>	<b>\$ 1,011,988</b>	<b>\$ 27,210,101</b>

The above bonds dated June 26, 2014 were issued for school building and site purposes. The amount of the original bond issue was \$47,275,000.

**SPRING LAKE PUBLIC SCHOOLS**  
**BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS**  
**JUNE 30, 2019**

2015 Refunding Bonds

Fiscal year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2020	5.000%	\$ 2,760,000	\$ 271,500	\$ 271,500	\$ 3,303,000
2021	5.000%	4,900,000	202,500	202,500	5,305,000
2022	5.000%	1,600,000	80,000	80,000	1,760,000
2023	5.000%	1,600,000	40,000	40,000	1,680,000
Total 2014 bonded debt		<u>\$ 10,860,000</u>	<u>\$ 594,000</u>	<u>\$ 594,000</u>	<u>\$ 12,048,000</u>

The above bonds dated February 11, 2015 were issued for the purpose of refunding the 2006 general obligation bonds. The amount of the original bond issue was \$10,860,000.

**SPRING LAKE PUBLIC SCHOOLS  
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN  
SCHOOL LOAN REVOLVING PROGRAM  
JUNE 30, 2019**

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Loan Revolving Fund. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from and repayments to the State under this program have been summarized as follows:

Year ended June 30,	Loan proceeds	Interest expense	Loan balance
2016	\$ 1,365,940	\$ 8,756	\$ 1,374,696
2017	-	35,598	35,598
2017 repayment	(604,377)	(40,623)	(645,000)
2018	9,892,310	82,528	9,974,838
2019	9,795,227	421,078	10,216,305
Total at June 30, 2019	<u>\$ 20,449,100</u>	<u>\$ 507,337</u>	<u>\$ 20,956,437</u>

**SPRING LAKE PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through grantor's number	Approved grant award amount	Accrued revenue 7/1/2018	Prior year expenditures (memo only)	Current year expenditures	Current year cash receipts	Accrued revenue 6/30/2019
<b>U.S. Department of Agriculture:</b>								
Passed through Michigan Department of Education:								
Child Nutrition Cluster:								
Non-Cash Assistance (Donated Foods):								
Entitlement Donated Foods	10.555		\$ 63,151	\$ -	\$ -	\$ 63,151	\$ 63,151	\$ -
Cash Assistance:								
National School Lunch Program	10.555	191960	187,221	-	-	187,221	183,593	3,628
National School Lunch Program	10.555	181960	27,327	-	-	27,327	27,327	-
Total National School Lunch Program			214,548	-	-	214,548	210,920	3,628
Total CFDA #10.555			277,699	-	-	277,699	274,071	3,628
School Breakfast Program	10.553	191970	25,644	-	-	25,644	24,751	893
School Breakfast Program	10.553	181970	2,542	-	-	2,542	2,542	-
Total CFDA #10.553			28,186	-	-	28,186	27,293	893
Cash Assistance Subtotal			242,734	-	-	242,734	238,213	4,521
Total U.S. Department of Agriculture and Child Nutrition Cluster			305,885	-	-	305,885	301,364	4,521
<b>U.S. Department of Education:</b>								
Passed through Michigan Department of Education:								
Title I Grants to Local Educational Agencies	84.010	191530-1819	119,104	-	-	119,104	114,655	4,449
Title I Grants to Local Educational Agencies	84.010	181530-1718	117,495	3,663	117,495	-	3,663	-
Total CFDA #84.010			236,599	3,663	117,495	119,104	118,318	4,449
Supporting Effective Instruction State Grants	84.367	190520-1819	62,401	-	-	46,767	44,617	2,150
Supporting Effective Instruction State Grants	84.367	180520-1718	62,007	-	52,544	2,535	2,535	-
Total CFDA #84.367			124,408	-	52,544	49,302	47,152	2,150
Student Support and Academic Enrichment Program	84.424	190750-1819	10,000	-	-	10,000	10,000	-
Total passed through Michigan Department of Education			371,007	3,663	170,039	178,406	175,470	6,599

The accompanying notes are an integral part of this schedule.

**SPRING LAKE PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through grantor's number	Approved grant award amount	Accrued revenue 7/1/2018	Prior year expenditures (memo only)	Current year expenditures	Current year cash receipts	Accrued revenue 6/30/2019
<u>U.S. Department of Education (Concluded):</u>								
Passed through Ottawa Area Intermediate School District (OAISD):								
Special Education Cluster:								
Special Education Grants to States	84.027	190450-1819	\$ 418,093	\$ -	\$ -	\$ 418,093	\$ 254,525	\$ 163,568
Special Education Grants to States	84.027	180450-1718	401,939	149,945	401,939	-	149,945	-
Total CFDA #84.027			820,032	149,945	401,939	418,093	404,470	163,568
Special Education Preschool Grants	84.173	190460-1819	13,573	-	-	13,573	7,520	6,053
Special Education Preschool Grants	84.173	180460-1718	12,482	2,293	12,482	-	2,293	-
Total CFDA #84.173			26,055	2,293	12,482	13,573	9,813	6,053
Total Special Education Cluster			846,087	152,238	414,421	431,666	414,283	169,621
Education for Homeless Children and Youth	84.196	192320-1819	638	-	-	638	495	143
Total passed through Ottawa Area Intermediate School District			846,725	152,238	414,421	432,304	414,778	169,764
Total U.S. Department of Education			1,217,732	155,901	584,460	610,710	590,248	176,363
<u>U.S. Department of Health and Human Services:</u>								
Passed through Ottawa Area Intermediate School District (OAISD):								
Medical Assistance Program	93.778	1819 Program	1,802	-	-	1,802	1,802	-
TOTAL FEDERAL AWARDS			\$ 1,525,419	\$ 155,901	\$ 584,460	\$ 918,397	\$ 893,414	\$ 180,884

The accompanying notes are an integral part of this schedule.

**SPRING LAKE PUBLIC SCHOOLS  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Spring Lake Public Schools under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Spring Lake Public Schools, it is not intended to and does not present the financial position or changes in net position of Spring Lake Public Schools.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Spring Lake Public Schools has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Management has utilized the cash management system (CMS) Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District does not pass through federal awards.

**NOTE 3 - RECONCILING WITH AUDITED FINANCIAL STATEMENTS**

Federal expenditures are reported as revenue in the following funds in the financial statements for the period ending June 30, 2019:

General fund	\$	612,512
Other nonmajor governmental fund		305,885
		918,397
Subtotal	\$	918,397

**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  
Spring Lake 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 Spring Lake Public Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Spring Lake Public Schools' basic financial statements and have issued our report thereon dated October 1, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Spring Lake 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 Spring Lake Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Spring Lake Public Schools' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Manes Costeiran PC*

October 1, 2019

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education  
Spring Lake Public Schools

**Report on Compliance for Each Major Federal Program**

We have audited Spring Lake Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Spring Lake Public Schools' major federal programs for the year ended June 30, 2019. Spring Lake Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Spring Lake Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Spring Lake Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of Spring Lake Public Schools' compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Spring Lake Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

Management of Spring Lake Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Spring Lake Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Spring Lake Public Schools' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Manes Costeiran PC*

October 1, 2019

**SPRING LAKE PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
➤ Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No	
➤ Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  X  </u> None reported	
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> No	

**Federal Awards**

Internal control over major programs:			
➤ Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No	
➤ Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  X  </u> None reported	
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>		
Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?	<u>      </u> Yes	<u>  X  </u> No	

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027 and 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>  X  </u> Yes <u>      </u> No

**Section II - Financial Statement Findings**

None noted

**Section III - Federal Award Findings and Questioned Costs**

None noted

**SPRING LAKE PUBLIC SCHOOLS  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2019**

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