

MANISTIQUE AREA SCHOOLS
Manistique, Michigan

FINANCIAL STATEMENTS

June 30, 2016

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*Schneider, Larche,
Haapala & Co., PLLC*

**CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS**

September 16, 2016

David P. Pechawer, C.P.A., P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Manistique Area Schools
Manistique, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Manistique Area Schools as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements 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 Manistique Area Schools as of June 30, 2016, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters:

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and supplemental information on pages 41 through 44 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 the 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 supplemental 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 Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2016 on our consideration of Manistique Area Schools's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Manistique Area School's internal control over financial reporting and compliance.


Certified Public Accountants

Manistique Area Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

Manistique Area School District's Administration discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity and identify changes in the District's financial position and its ability to address the next and subsequent year challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2016.

The District's financial statements are presented in the following format:

- Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements-
 - District-wide Financial Statements
 - Fund Financial Statements
- Required Supplemental Information
- Other Supplemental Information

As mentioned, GASB 34 requires the presentation of two basic types of financial statements: District-wide Financial Statements and Fund Financial Statements.

District-wide Financial Statements

The District-wide statements provide a perspective of the District as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two District-wide statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position combines and consolidates governmental funds' current net financial resources (short-term available resources) with capital assets and long-term obligations.

Consistent with the full accrual basis method of accounting, the Statement of Activities accounts for all current year revenues and expenses, regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various District services.

Manistique Area Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

Fund Financial Statements

The fund statements focus on the District's Major Funds. The fund statements are reported using the modified accrual method of accounting. Under this basis of accounting, revenues are recorded when received except where they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period those goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures in the current year and future debt obligations are not recorded.

Fund types include the General Fund, Special Revenue Funds, Debt Retirement Funds, Capital Project Funds and Fiduciary Funds. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived from state and federal distributions, property taxes, grants, and other intergovernmental revenues. The Special Revenue Funds are comprised of the Public Library and the School Lunch Funds. The Debt Funds are used to record the funding and payment of principal and interest on bonded debt. The Capital Project Funds are used to account for financial resources to be used for the acquisition, construction, or improvements of major capital facilities. The Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent for various student groups and related activities.

Manistique Area Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

Financial Analysis of the District as a Whole

Summary of Net Position

	June 30, 2016	June 30, 2015
Assets		
Current assets	\$ 3,885,356	\$ 3,593,367
Restricted assets	1,607,870	1,729,628
Capital assets	<u>12,404,652</u>	<u>12,475,636</u>
Total Assets	<u>\$ 17,897,878</u>	<u>\$ 17,798,631</u>
Deferred Outflows of Resources	<u>\$ 1,614,123</u>	<u>\$ 1,462,748</u>
Liabilities		
Current liabilities	\$ 3,794,151	\$ 3,449,900
Long-term liabilities	<u>21,407,808</u>	<u>20,528,463</u>
Total Liabilities	<u>\$ 25,201,959</u>	<u>\$ 23,978,363</u>
Deferred Inflow of Resources	<u>\$ 111,553</u>	<u>\$ 1,175,709</u>
Net Position		
Net investment in capital assets	\$ 2,957,682	\$ 2,664,693
Restricted for capital projects	297,168	778,590
Restricted for debt service	1,078,145	951,038
Restricted for special revenue	232,557	-
Unrestricted	<u>(10,367,063)</u>	<u>(10,287,014)</u>
Total Net Position	<u>\$ (5,801,511)</u>	<u>\$ (5,892,693)</u>

The School District's current net position is (\$5,801,511) compared to (\$5,892,693) last year. Total net position can be separated into five categories: net investment in capital assets, restricted assets for capital projects, restricted assets for debt service, restricted assets for special revenue and unrestricted assets.

Manistique Area Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

Net investment in capital assets is a combination of capital assets less accumulated depreciation and related debt. The original cost of capital assets is \$26,772,528. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with generally accepted accounting principles (GAAP), depreciation expense is recorded on the original cost of the asset, less any estimated salvage value, and is expensed over the estimated useful life of the assets. Total accumulated depreciation is \$14,367,876, compared to \$13,611,264 last year.

Assets held for capital projects and debt services are, by their nature, restricted by laws or regulations of the State of Michigan. As of June 30, 2016, we have \$297,168 as restricted assets in capital projects funds, \$232,557 in special revenue funds, and the debt service funds total \$1,078,145.

Manistique Area Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the District-wide results of operations for the year ended June 30, 2016 and June 30, 2015 is as follows:

	June 30, 2016	June 30, 2015
Program Revenue		
Fees and services	\$ 228,138	\$ 234,376
Operating grants and contributions	<u>935,269</u>	<u>861,513</u>
 Total Program Revenue	 <u>1,163,407</u>	 <u>1,095,889</u>
 General Revenue		
Property taxes levied for general operations	2,778,722	2,753,138
Property taxes levied for restricted purposes	1,303,519	1,324,407
State of Michigan aid - unrestricted	4,259,285	4,190,450
Interest income	20,330	19,528
Federal revenue - unrestricted	145,988	137,077
Other revenue	<u>74,934</u>	<u>71,084</u>
 Total General Revenue	 <u>8,582,778</u>	 <u>8,495,684</u>
 Total Revenue	 <u>\$ 9,746,185</u>	 <u>\$ 9,591,573</u>
 Expenses		
Instruction	\$ 4,669,839	\$ 4,692,467
Support services	3,392,138	3,349,857
Community services	238,763	221,087
Food services	336,336	328,963
Interest and fees on long-term debt	261,315	383,023
Depreciation (unallocated)	<u>756,612</u>	<u>808,092</u>
 Total Expenses	 <u>\$ 9,655,003</u>	 <u>\$ 9,783,489</u>
 Change in Net Position	 <u>\$ 91,182</u>	 <u>\$ (191,916)</u>

Manistique Area Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS

The overall fund balance of the governmental funds has decreased insignificantly from the prior year in the amount of \$199,967. The expenditures increased significantly due to the fact that there were more projects completed through the Sinking Fund. In the General Fund, there was an excess of revenues over expenditures totaling \$77,080. Last year the excess of expenditures over revenues totaled \$229,135.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The School District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known and before the State Aid package and other major grants are finalized. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets as actual enrollments and other variables become known. The most significant fund budgeted is for General Fund operations. The General Fund operation budget is amended three times during the year.

General Fund Operations

In the General Fund operations, the original revenue budget was \$7,445,281. The actual revenues were \$8,037,348, which was under the final budget of \$8,198,404 in the amount of \$161,056, a variance of 1.96%. The original expenditure budget was \$7,667,907. The actual expenditures of the General Fund operations were \$7,960,268, which was below the final budget of \$8,261,076 in the amount of \$300,808, a variance of 3.64%.

The variance between the actual revenues and the final revenue budget is due primarily to the following revenue items:

- State and Federal Grants

The variance between the actual expenditures and the final expenditure budget is due primarily to the following expenditures areas:

- State and Federal Grants
- Equipment Repair
- FICA
- Special Ed Services

Manistique Area Schools
 Management Discussion and Analysis
 For the Fiscal Year Ended June 30, 2016

Sinking Fund Operations

On August 3, 2008, voters approved a sinking fund millage for 1.50 mills over ten years. During the current year, the tax levy was \$459,299 and \$453,914 was actually collected. These funds were used for major projects such as the relocation of the high school office and the administration office, the replacement of windows and doors at the high school, a cement slab near the playground at Emerald, the replacement of flooring in the community/board room and the preschool room, and the refinishing of the high school gym floor. There are currently no major projects planned for the upcoming year.

GOVERNMENTAL FUND EXPENDITURES

Expenditures for all governmental funds totaled \$10,028,467. Below is a summary of the governmental fund expenditures and their percentages as they relate to total governmental funds:

	Total Expenditures	Percentage
General Fund	\$7,960,268	79.38%
Sinking Fund	868,814	8.66%
Debt Service Fund	741,826	7.40%
Other Funds	<u>457,559</u>	<u>4.56%</u>
 Total Expenditures	 <u>\$10,028,467</u>	 <u>100.00%</u>

TOTAL REVENUES

Revenues for all governmental funds totaled \$9,746,185. Below is a summary of the governmental fund revenues and their percentages as they relate to total governmental funds:

	Total Revenues	Percentage
General Fund	\$8,037,348	82.47%
Sinking Fund	484,059	4.97%
Debt Service Fund	724,543	7.43%
Other Funds	<u>500,235</u>	<u>5.13%</u>
 Total Revenues	 <u>\$9,746,185</u>	 <u>100.00%</u>

Unrestricted State Aid

The District is predominately funded by State Aid based on a three year average blended count formula that the State of Michigan utilizes. State revenues to the District have decreased as a result of a slight decrease in enrollment from the previous year. State aid membership was based upon the October student count of 835 and 870 for 2015-2016 and 2014-2015, respectively.

Manistique Area Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

Property Taxes

The District was authorized to levy up to 20.0000 mills (of which 2.0 mills was due to the Headlee millage reduction fraction) at an election held on November 6, 2012 on all nonhomestead property located within the District for General Fund operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the state equalized value, which is approximately 50% of market value. The 2015-2016 nonhomestead property tax levy totaled approximately \$3,010,804.

The District levied 2.50 mills of property taxes on all classes of property located within the District for bonded debt retirement. The levy is not subject to rollback provisions and is used to pay the principal and interest on bond obligations. The total amount levied for debt retirement for fiscal year 2015-2016 was \$682,282. In addition to this, there was a sinking fund levy of 1.50 mills for \$459,299.

Operating Grants-Federal, State, and Local

The primary sources are the Federal Title I program, the State funded At-Risk program and the Special Education Obligation funds required under the Headlee amendment, State of Michigan legislation. Both the Title I and At-Risk programs assist students who are deemed to be at risk in the instructional process. During the 2015-2016 fiscal year, the District was granted \$198,735 for Title I and \$283,184 for the State At-Risk program. For fiscal year 2016, the State, under the Headlee amendment, was obligated to remit to the District \$192,001.

ENROLLMENT

The District's 2015-2016 state aid membership with a three year average blend totaled 854.62. This is a decrease of 14.86 students funded from the previous year. Manistique Area Schools is located in Michigan's Upper Peninsula and is a Class C school with the second largest geographical area in the State of Michigan. It is rapidly turning into a retirement community and the birth rate has declined in recent years. We have been fortunate to obtain several students through the Schools of Choice option during the 2015-2016 school year and we gained students after Tahquamenon Area Schools closed the Curtis Elementary School during the fall of 2008. We also entered into a cooperative agreement with St. Francis de Sales, and during the 2015-2016 school year we were able to claim 17.01 memberships from this program.

Manistique Area Schools
 Management Discussion and Analysis
 For the Fiscal Year Ended June 30, 2016

A general enrollment decline over the last ten years can be illustrated as follows:

Fiscal Year	Fall Count	Increase (Decrease)
2015-2016	834.51	(35.46)
2014-2015	869.97	9.59
2013-2014	860.38	(22.70)
2012-2013	883.08	8.27
2011-2012	874.81	(66.24)
2010-2011	941.05	(58.55)
2009-2010	999.60	(40.59)
2008-2009	1,040.19	(38.84)
2007-2008	1,079.03	16.50
2006-2007	1,062.53	0.82
2005-2006	1,061.71	(70.63)

Student enrollment is important to the financial health of the District, because state funding is based on a per pupil formula.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2016, the School District had \$26,772,528 invested in land and building, furniture and equipment, vehicles and buses. Of this amount \$14,367,876 has been depreciated and the net book value totals \$12,404,652. The District maintains a \$5,000 threshold for capitalization of assets. The date of construction of the District's buildings ranges from 1918 to 2007. The District owns one new elementary building, a 6-12 middle/high school and rents space for an alternative education school. Due to budget constraints related to declining enrollment and the State of Michigan financial status, the ability to maintain these buildings has become increasingly difficult. On August 5, 2008, the District passed a sinking fund millage for 1.5 mils. This brought in revenues of approximately \$453,914 during the 2015-2016 school year.

Manistique Area Schools
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

Outstanding Debt at Year End

As of June 30, 2016 the School District had \$9,193,969 in bonds outstanding for capital projects. The District collects property taxes for bonded debt across the total of property values. Therefore, total growth in valuation, which has increased at a steady pace in recent years, is an important element in determining the District's ability to retire bonded debt and/or to incur additional debt. Other long-term liabilities as of June 30, 2016 were accrued employee benefits in the amount of \$750,694 and the District's proportionate share of the MPSERS pension liability of \$11,511,483.

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this report.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to give an overview of the financial conditions of the Manistique Area School District. If you should desire additional detailed financial information, it can be obtained by contacting the following person:

Donna M. Winkel
Business Manager
Manistique Area Schools
100 N. Cedar Street
Manistique, MI 49854
Office Telephone (906) 341-4326
Fax (906) 341-2374
Email: dwinkel@manistique.k12.mi.us

MANISTIQUE AREA SCHOOLS

STATEMENT OF NET POSITION

June 30, 2016

		Governmental Activities
ASSETS		
Current Assets:		
Cash	\$	2,772,771
Due from other governmental units		1,017,742
Other receivables		44,173
Inventory		5,441
Restricted cash available to pay current liabilities		45,229
TOTAL CURRENT ASSETS		3,885,356
Capital Assets:		
Cost		26,772,528
Less: accumulated depreciation		(14,367,876)
Restricted Assets:		
Cash		1,607,870
TOTAL ASSETS		17,897,878
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount from bond refunding, net of amortization		182,732
Amounts related to pension plan		1,431,391
TOTAL DEFERRED OUTFLOWS OF RESOURCES		1,614,123
LIABILITIES		
Current Liabilities:		
Accounts payable		252,246
Due to other governmental units		1,665,429
Accrued salaries and employee benefits		253,992
Accrued interest on long-term debt		45,229
Unearned revenues		140,479
State aid note payable		1,000,000
Current portion of accumulated unpaid employee benefits		-
Current portion of long-term debt		436,776
TOTAL CURRENT LIABILITIES		3,794,151
Noncurrent Liabilities:		
Noncurrent portion of accumulated unpaid employee benefits		750,694
Noncurrent portion of long-term debt		8,757,193
Unamortized bond premiums		388,438
Net pension liability		11,511,483
TOTAL LIABILITIES		25,201,959
DEFERRED INFLOWS OF RESOURCES		
Deferred amount from bond refunding, net of amortization		47,295
Amount related to pension plan		64,258
TOTAL DEFERRED INFLOWS OF RESOURCES		111,553
NET POSITION		
Net investment in capital assets		2,957,682
Restricted for:		
Debt service		1,078,145
Special revenue funds		232,557
Capital projects and improvements		297,168
Unrestricted		(10,367,063)
TOTAL NET POSITION	\$	(5,801,511)

See accompanying notes to financial statements.

MANISTIQUE AREA SCHOOLS

STATEMENT OF ACTIVITIES

For the year ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net position</u>
		<u>Charges for Services and Fees</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$ 4,669,839	\$ -	\$ 534,325	\$ (4,135,514)
Support services	3,392,138	116,115	120,348	(3,155,675)
Community services	238,763	53,009	-	(185,754)
Food services	336,336	59,014	280,596	3,274
Interest and fees on long-term debt	261,315	-	-	(261,315)
Unallocated depreciation	756,612	-	-	(756,612)
Total governmental activities	\$ <u>9,655,003</u>	\$ <u>228,138</u>	\$ <u>935,269</u>	<u>(8,491,596)</u>
General Revenues:				
Property taxes:				
General operation				2,778,722
Restricted purposes				1,303,519
State of Michigan - unrestricted				4,259,285
Interest income				20,330
Federal revenues-unrestricted				145,988
Other revenue				74,934
			Total general revenues	<u>8,582,778</u>
			Change in net position	91,182
			Net position - July 1, 2015	<u>(5,892,693)</u>
			Net position - June 30, 2016	<u>\$ (5,801,511)</u>

See accompanying notes to financial statements.

MANISTIQUE AREA SCHOOLS

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2016

	General Fund	Sinking Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
<u>ASSETS</u>					
Cash	\$ 2,772,771	\$ -	\$ -	\$ -	\$ 2,772,771
Receivables:					
Accounts	44,173	-	-	-	44,173
Other governmental units	1,017,742	-	-	-	1,017,742
Inventories	-	-	-	5,441	5,441
Cash in restricted accounts	-	297,168	1,123,374	232,557	1,653,099
	<u>3,834,686</u>	<u>297,168</u>	<u>1,123,374</u>	<u>237,998</u>	<u>5,493,226</u>
TOTAL ASSETS					
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Payables:					
Accounts	252,246	-	-	-	252,246
Other governmental units	1,665,429	-	-	-	1,665,429
State aid note payable	1,000,000	-	-	-	1,000,000
Accrued salaries and employee benefits	253,992	-	-	-	253,992
Unearned revenue	140,479	-	-	-	140,479
	<u>3,312,146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,312,146</u>
TOTAL LIABILITIES					
Fund Balance:					
Nonspendable	-	-	-	5,441	5,441
Restricted for:					
Debt service	-	-	1,123,374	-	1,123,374
Capital projects and improvements	-	297,168	-	-	297,168
Special revenue funds	-	-	-	232,557	232,557
Unassigned	522,540	-	-	-	522,540
	<u>522,540</u>	<u>297,168</u>	<u>1,123,374</u>	<u>237,998</u>	<u>2,181,080</u>
TOTAL FUND BALANCES					
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>3,834,686</u>	\$ <u>297,168</u>	\$ <u>1,123,374</u>	\$ <u>237,998</u>	\$ <u>5,493,226</u>

MANISTIQUE AREA SCHOOLS

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

June 30, 2016

Total fund balances of governmental funds	\$ 2,181,080
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in the government funds but are reported in the statement of net position.	12,404,652
Deferred outflows of resources are not currently available financial resources and therefore are not reported in the governmental funds but are reported in the statement of net position.	1,614,123
Noncurrent liabilities are not payable with currently available resources and therefore are not reported as liabilities in the governmental funds but are reported in the statement of net position.	(21,407,808)
Deferred inflows of resources are not payable from currently available resources and therefore are not reported in governmental funds but are reported in the statement of net position.	(111,553)
The current portion of long-term debt and accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the governmental funds but is reported in the statement of net position.	<u>(482,005)</u>
Total net position of governmental activities	\$ <u><u>(5,801,511)</u></u>

See accompanying notes to financial statements.

MANISTIQUE AREA SCHOOLS

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

For the year ended June 30, 2016

	General Fund	Sinking Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
<u>REVENUES</u>					
Local sources	\$ 2,919,752	\$ 483,144	\$ 723,018	\$ 219,639	\$ 4,345,553
State sources	4,561,588	-	-	31,794	4,593,382
Federal sources	495,918	915	1,525	248,802	747,160
Interdistrict and other sources	60,090	-	-	-	60,090
	<u>8,037,348</u>	<u>484,059</u>	<u>724,543</u>	<u>500,235</u>	<u>9,746,185</u>
TOTAL REVENUES					
<u>EXPENDITURES</u>					
Current:					
Instruction	4,642,083	-	-	-	4,642,083
Supporting services	3,060,948	-	-	-	3,060,948
Community services	114,071	-	-	-	114,071
Food services	-	-	-	334,354	334,354
Public library	-	-	-	123,205	123,205
Capital projects and improvements	129,666	868,814	-	-	998,480
Debt Service:					
Principal retirement	13,346	-	415,000	-	428,346
Interest expense and fiscal charges	154	-	326,826	-	326,980
	<u>7,960,268</u>	<u>868,814</u>	<u>741,826</u>	<u>457,559</u>	<u>10,028,467</u>
TOTAL EXPENDITURES					
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	77,080	(384,755)	(17,283)	42,676	(282,282)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	-	96,667	-	96,667
Transfers out	-	(96,667)	-	-	(96,667)
Proceeds from long-term debt	82,315	-	-	-	82,315
	<u>159,395</u>	<u>(481,422)</u>	<u>79,384</u>	<u>42,676</u>	<u>(199,967)</u>
NET CHANGE IN FUND BALANCES					
Fund Balance, July 1	363,145	778,590	1,043,990	195,322	2,381,047
FUND BALANCE, JUNE 30	<u>\$ 522,540</u>	<u>\$ 297,168</u>	<u>\$ 1,123,374</u>	<u>\$ 237,998</u>	<u>\$ 2,181,080</u>

See accompanying notes to financial statements.

MANISTIQUE AREA SCHOOLS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the year ended June 30, 2016

Total net change in fund balance of governmental funds	\$	(199,967)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures, but in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which depreciation exceeded capital outlay in the current period is as follows:

Assets capitalized	\$ 685,628	
Depreciation expense	<u>756,612</u>	(70,984)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Similarly, the proceeds from the issuance of bonds are reported as revenue in the governmental funds, but increase long-term liabilities in the statement of net assets. In addition, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, but these amounts are amortized in the statement of activities.

Proceeds from issuance of long-term debt	(82,315)	
Current long-term debt repayments	428,346	
Amortization of deferred amount from bond refunding and bond premiums	<u>17,942</u>	363,973

Interest on long-term debt in the statement of activities includes accrued interest, while the governmental funds statement does not. The current year effect of differences in interest expense recognition.	47,723
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Governmental funds report expenditures for payment of unpaid sick leave and early retirement incentive benefits as they become due. However, in the statement of activities those expenditures are accrued as they are earned. The current year effect of differences in recording these benefits.	68,041
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Certain pension plan expenses and related deferred outflows and inflows of resources do not require the use of current available resources and therefore, are not recorded as expenditures in the governmental funds.

Change in net pension liability	(1,341,998)	
Change in the net deferred inflows and outflows of resources related to the pension plan	<u>1,224,394</u>	<u>(117,604)</u>

Change in net position of governmental activities	\$	<u>91,182</u>
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See accompanying notes to financial statements.

MANISTIQUE AREA SCHOOLS

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2016

	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
<u>ASSETS</u>		
Cash	\$ 1,096,852	\$ 109,699
Investments - common stock	137,480	-
Dividends receivable	920	-
	<u>1,235,252</u>	<u>109,699</u>
TOTAL ASSETS		
<u>LIABILITIES</u>		
Liabilities:		
Due to student groups	<u>-</u>	<u>109,699</u>
	<u>-</u>	<u>\$ 109,699</u>
TOTAL LIABILITIES		
<u>NET POSITION</u>		
Net position held in trust for scholarships and other designated purposes	<u>\$ 1,235,252</u>	

See accompanying notes to financial statements.

MANISTIQUE AREA SCHOOLS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2016

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS</u>	
Contributions	\$ 17,000
Interest and dividends	24,270
Changes in fair value of investments	<u>31,510</u>
TOTAL ADDITIONS	<u>72,780</u>
 <u>DEDUCTIONS</u>	
Scholarships	<u>19,700</u>
TOTAL DEDUCTIONS	<u>19,700</u>
CHANGE IN NET POSITION	53,080
NET POSITION, JULY 1	<u>1,182,172</u>
NET POSITION, JUNE 30	\$ <u><u>1,235,252</u></u>

See accompanying notes to financial statements.

MANISTIQUE AREA PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Manistique Area Schools (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Michigan. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). A summary of the significant accounting policies of the District applied in the preparation of the accompanying financial statements is provided below.

Reporting Entity

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units as required under Governmental Accounting Standards Board Statement Number 14, "The Financial Reporting Entity". Based upon the criteria outlined in this statement, the financial statements of the District contain all the funds controlled by the District's Board. There are no other entities which meet the criteria to be considered a blended component unit or a discretely presented component of the District, nor is the District a component unit of another entity.

District-wide and Fund Financial Statements

The District-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. Substantially all interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, grants, and other intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the District's government-wide activities are considered governmental activities.

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

MANISTIQUE AREA PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The effect of interfund activity has been substantially eliminated from the District-wide financial statements. It is the District's policy to use available restricted resources prior to unrestricted resources.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-based Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The District's policy is to apply expenditures first against restricted resources, when allowable, and then to apply expenditures against other District resources.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

MANISTIQUE AREA PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Sinking Fund - The Sinking Fund is used for the purpose of the accumulation and disbursement of tax revenues for capital improvements and related debt service requirements of the District.

Debt Service Fund - The Debt Service Fund is used for accumulation of resources for the annual payment of principal and interest due on the District's outstanding bond debt.

Additionally, the District reports the following nonmajor governmental fund types:

Special Revenue Funds - Special revenue funds are used to account for restricted revenues used for school lunch and public library activities.

Fiduciary Funds

The District reports the following fiduciary funds:

Private Purpose Trust Funds - The District maintains seven private purpose trust funds. These funds account for trust arrangements created for the benefit of individuals in the form of scholarships.

Agency Funds - Agency funds account for assets held by the District in a custodial capacity. The District's agency fund is the Student Activities Fund.

Other Accounting Policies

Restricted Cash - Cash balances that are use restricted by external agreement are reported as restricted cash.

Investments - All investments held by the District are reported at their fair value, based on quoted market prices.

MANISTIQUE AREA PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory - The District utilizes the purchase method for recording the inventories of material and supplies. Under the purchase method, inventories are recorded as an expenditure when acquired, regardless of when used.

The District utilizes the consumption method for recording food inventories and, accordingly, the inventory is recorded as an expenditure when used. The inventory is valued at the lower of cost (first-in, first-out) or market.

Due From Other Governmental Units - Amounts due from other governmental units consist of various revenues due from federal, state and interdistrict sources. These revenues represent amounts used for the operation of special programs and grant projects, and for the final payments of 2016 state aid which will be received after year-end.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the District-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The District does not have infrastructure assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Land improvements	15 years
Buildings and additions	15 - 40 years
Computers and related equipment	5 years
Furniture and other equipment	5 - 15 years
Buses and other vehicles	10 years

In the fund financial statements, capital assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements and other restricted revenue received before the eligibility requirements are met are recorded as unearned revenue. Unearned revenues will generally be recorded as revenues when grant or other restricted revenues are expended.

MANISTIQUE AREA PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated unpaid benefits - The liability for accumulated unpaid benefits reported in the District-wide statements consists of accumulated unpaid vacation, accumulated unpaid sick leave, and an obligation for accumulated early retirement benefits. The liability has been calculated using the vesting method which includes accumulated leave amounts for currently eligible employees and other employees who are expected to become eligible in the future.

Long-term Obligations - In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. In the fund financial statements governmental fund types recognize bond proceeds in the period received.

Pensions - The District participates in the Michigan Public School Employees' Retirement System (MPERS), a cost-sharing, multiple-employer defined benefit pension plan. The net pension liability, deferred outflows and inflows of resources related to the pension plan, pension expense, and information about the fiduciary position and related additions and deductions have been determined using the economic resources measurement focus and the accrual basis of accounting, consistent with the basis these items are reported on by MPERS. Benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources - Deferred outflows of resources are the consumption of net assets which are applicable to a future reporting period. The reporting of deferred outflows of resources is restricted to specific items established in account standards, and the recording thereof has a positive effect on net position or fund balance, as applicable.

Deferred Inflows of Resources - Deferred inflows of resources are the acquisition of net assets which are applicable to a future reporting period. The reporting of deferred inflows of resources is restricted to specific items established in accounting standards, and the recording thereof has a negative effect on net position or fund balance, as applicable.

Subsequent Events - The District has evaluated subsequent events through September 16, 2016, the date the financials statements were available to be issued.

MANISTIQUE AREA PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position Classifications - In the District-wide financial statements, net position equals assets plus deferred outflows of resources less liabilities less deferred inflows of resources. Net position is classified and reported in the following components:

1. Invested in capital assets, net of related debt - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position - consists of net assets with constraints on their use that are externally imposed (by creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation.
3. Unrestricted net position - all other net assets that do not meet the definition of either of the other two components.

Fund Balance Classifications - In the governmental fund financial statements, equity is classified as fund balance and reported in four components:

1. Nonspendable - consists of fund balance amounts that are not in a spendable form, such as inventory or prepaid expenses, or that are legally required to be maintained intact.
2. Restricted fund balances - consists of fund balance amounts that can be spent only for specific purposes as stipulated by external resource providers or by law through constitutional provisions or enabling legislation.
3. Assigned fund balances - consists of all fund balances of governmental funds, excluding the General Fund, that are not classified as nonspendable or restricted.
4. Unassigned fund balance - the residual classification for the District's General Fund and includes all spendable amounts not reported in other classifications.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting - The District follows these procedures in establishing the governmental fund budgets as reflected in the financial statements:

1. In June, the Superintendent submits to the Board proposed operating budgets for the fiscal year commencing on July 1.

MANISTIQUE AREA PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. A public hearing is conducted during June to obtain taxpayer comments.
3. Prior to June 30, the budgets are legally enacted through passage of a resolution.
4. For purposes of meeting emergency needs of the District, transfers of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board at its next regularly scheduled meeting.
5. The Superintendent is charged with general supervision of the budget.
6. During the year, the budgets are monitored and amendments to the budget resolution are made when deemed necessary.
7. The budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts reported in the basic financial statements are as originally adopted, or as amended by the Board.

Sinking Fund - The District's Sinking Fund is funded with a restricted tax levy. The District has complied with applicable requirements of the Michigan School Code and the Michigan Department of Treasury regarding the expenditures made from the fund.

Property Taxes - The District's property tax is levied on July 1 and December 1 and is based on taxable valuation of property as of the preceding December 31. Taxes are collected and remitted to the District by the tax collecting units within the District and generally become delinquent seventy-five days after the levy date. Unpaid real property taxes as of February 28 are turned over to the County Treasurer for collection. The County maintains a tax revolving fund which permits the County to pay the District 100% of the delinquent real taxes within approximately two to three months after the delivery of the delinquent tax bills.

State Aid - The District reports State of Michigan aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan school aid appropriation acts.

Upcoming Accounting and Reporting Changes - The Government Accounting Standards Board (GASB) has issued *Statement No. 75, Accounting for Postemployment Benefits Other Than Pensions* which will require the recording of the unfunded postemployment benefit obligation as a liability in the District's Statement of Net Position, and which will be effective for District's year ended June 30, 2018.

MANISTIQUE AREA PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE B - CASH DEPOSITS AND INVESTMENTS

State statutes govern the types of investments in which the District is allowed to invest. In general, the District is authorized to invest funds held by its governmental funds in savings and deposit accounts in qualified financial institutions. In addition, it may also invest in bonds, securities and other obligations of the United States in which the principal and interest is fully guaranteed by the United States, investments in commercial paper rated prime at the time of purchase and which matures not more than 270 days after the date of purchase and mutual funds and investment pools holding conforming investments.

A summary of cash and investment balances as of June 30, 2016 is as follows:

Governmental Activities:	
Deposits (checking and savings)	\$ 2,772,771
Restricted deposit accounts	1,653,099
Fiduciary Funds:	
Deposits (checking and savings)	236,555
Certificates of deposit	969,996
Equity investments at market value	<u>137,480</u>
	\$ <u>5,769,901</u>

Deposits and investments are by their nature subject to varying degrees of risk that may limit the District's ability to (1) maintain the fair value of deposits and investment, (2) insure issuer's compliance with the terms and commitments of deposits and investments and (3) insure the return of principal amounts deposited or invested. The District has managed these risks by maintaining liquidity in their deposits and investments.

Deposits - The District's cash consists of various interest bearing savings and checking accounts and certificates of deposit held at financial institutions located in the State of Michigan. At June 30, 2016, the carrying value of the District's deposits was \$5,632,421 and the total bank balances were \$5,767,179. Bank balances subject to custodial credit risk because balances were uninsured and uncollateralized totaled \$5,232,109.

Investments - Investments in the Fiduciary Funds consists of common stock donated to the scholarship funds which has a market value and original cost of \$137,480 and \$35,567, respectively, at June 30, 2016. Market value is determined using readily available quoted price.

MANISTIQUE AREA PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE C - SHORT-TERM DEBT ACTIVITY

The District issues state aid anticipation notes in advance of receiving its first state aid payment for the year. Short-term debt activity for the year ended June 30, 2016 was as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>June 30, 2016</u>
State Aid Note	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>
	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>

The short-term note outstanding at June 30, 2016 carries an interest rate of .68% and a maturity date of August 20, 2016. In addition to the pledge of state aid, the District has pledged unencumbered tax levies and other District resources as security on the outstanding state aid note.

NOTE D - INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2016 included the following:

Transfer from the Sinking Fund to the QZAB Bond Fund for future debt payments	\$ <u>96,667</u>
Total Interfund Transfers	\$ <u>96,667</u>

NOTE E - CAPITAL ASSETS

Capital asset activity of the School District's governmental activities was as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital assets not being depreciated:				
Land	\$ 385,084	\$ -	\$ -	\$ 385,084
Capital assets being depreciated:				
Land improvements	1,305,839	-	-	1,305,839
Buildings and improvements	22,400,799	555,962	-	22,956,761
Computers and related equipment	493,877	47,351	-	541,228
All other equipment	358,679	-	-	358,679
Buses and other vehicles	<u>1,142,622</u>	<u>82,315</u>	<u>-</u>	<u>1,224,937</u>
TOTAL COST	<u>26,086,900</u>	<u>685,628</u>	<u>-</u>	<u>26,772,528</u>

MANISTIQUE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE E - CAPITAL ASSETS (Continued)

Accumulated depreciation:				
Buildings and improvements	12,073,711	605,103	-	12,678,814
Equipment and vehicles	<u>1,537,553</u>	<u>151,509</u>	<u>-</u>	<u>1,689,062</u>
 Total Accumulated Depreciation	 <u>13,611,264</u>	 <u>756,612</u>	 <u>-</u>	 <u>14,367,876</u>
 NET CAPITAL ASSETS	 <u>\$12,475,636</u>	 <u>(\$ 70,984)</u>	 <u>\$ -</u>	 <u>\$12,404,652</u>

Depreciation for the fiscal year ended June 30, 2016 amounted to \$756,612. The District has not allocated depreciation among the various governmental activities.

NOTE F - ACCUMULATED UNPAID EMPLOYEE BENEFITS

The District, as part of the various employment contracts with its personnel, allows annual sick and vacation days. Each employment contract specifies an accumulation policy for unused sick and vacation days.

Administrative and auxiliary employees may accumulate up to a maximum of five weeks of vacation, depending on years of service. In addition, these employees may accumulate up to 150 days of unused sick leave. Upon retirement from the District, qualifying employees, based on years of service with the District, are entitled to a termination payment based on three-quarters of the accumulated sick leave days computed at current pay rates.

Teachers in the District may accumulate up to a maximum of 130 days of unused sick leave. Upon retirement from the District, teachers with over ten years of service are entitled to a termination payment equal to one-half of their accumulated sick leave days computed at current pay rates.

A summary of changes in accumulated unpaid employee benefits for the year ended June 30, 2016, is as follows:

	Balance			Estimated	
	July 1, 2015	Additions	Reductions	Balance	Within One
				June 30, 2016	Year
Accrued vacation pay	\$ 35,453	\$ -	\$ 4,288	\$ 31,165	\$ -
Accumulated sick pay	<u>783,282</u>	<u>-</u>	<u>63,753</u>	<u>719,529</u>	<u>-</u>
 Total	 <u>\$ 818,735</u>	 <u>\$ -</u>	 <u>\$ 68,041</u>	 <u>\$ 750,694</u>	 <u>\$ -</u>

MANISTIQUE AREA PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G - LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2016 is summarized as follows:

	Balance			Balance	Amount Due
	<u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2016</u>	<u>Within One</u>
					<u>Year</u>
General Obligation Bonds:					
2009 School Improvement	\$ 1,450,000	\$ -	\$ -	\$ 1,450,000	\$ -
2012 Refunding Bond	1,605,000	-	190,000	1,415,000	205,000
2015 Refunding Bond	6,485,000	-	225,000	6,260,000	220,000
Bus installment note	<u>-</u>	<u>82,315</u>	<u>13,346</u>	<u>68,969</u>	<u>11,776</u>
Total	\$ <u>9,540,000</u>	\$ <u>82,315</u>	\$ <u>428,346</u>	\$ <u>9,193,969</u>	\$ <u>436,776</u>

Outstanding long-term debt as of June 30, 2016 consisted of the following:

2009 School Improvement Qualified Zone Academy Bond Series I general obligation bond issued August 26, 2009 with single maturity date of August 26, 2024. The bond was issued at a 0% interest rate and requires approximate equal annual deposits into a debt sinking escrow account maintained at the financial institution bondholder. Annual transfers to the debt sinking account are estimated to be approximately \$97,000. As of June 30, 2016, the escrow deposit account has a balance of \$631,616.

2012 Refunding Bonds general obligation bonds issued March 14, 2012 in the original amount of \$2,050,000. The bond interest rates vary from 2.0% to 3.25% and annual principal payments vary between \$55,000 to \$225,000. The final principal payment is due May 1, 2027.

2015 Refunding Bonds general obligation bonds issued February 19, 2015 in the original amount of \$6,485,000. The bond interest rates vary from 3.0% to 4.0% and annual principal payments vary between \$220,000 to \$570,000. The final principal payment is due May 1, 2031.

The bus note payable requires annual payments of \$13,500, including interest at 2.5%, through 2020.

MANISTIQUE AREA PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G - LONG-TERM DEBT (continued)

The estimated debt service requirements for principal and interest to maturity as of June 30, 2016 are as follows:

<u>Years Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 436,776	\$ 267,929	\$ 704,705
2018	447,070	254,885	701,955
2019	457,372	241,533	698,905
2020	467,681	229,164	696,845
2021	490,070	216,077	706,147
2022 - 2026	4,055,000	801,700	4,856,700
2027 - 2031	<u>2,840,000</u>	<u>277,187</u>	<u>3,117,187</u>
TOTAL	\$ <u>9,193,969</u>	\$ <u>2,288,475</u>	\$ <u>11,482,444</u>

NOTE H - PENSION PLAN POSTEMPLOYMENT BENEFITS

Plan Description, Benefit Payments and Plan Contributions

Plan Description - The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing, multiple-employer, state-wide public employee defined benefit pension plan governed by the State of Michigan. MPERS provides retirement, survivor and disability benefits to the State's public school employees. In addition, employees can elect to receive postemployment health care benefits for themselves and their beneficiaries.

The MPERS is a qualified pension trust under section 401(a) of the Internal Revenue Code. As of September 30, 2015, there were 680 participating employers in the MPERS, and a total of 436,070 plan members, including 225,096 retired members receiving or entitled to receive plan benefits and 210,974 active members.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement Services at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

MANISTIQUE AREA PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H - PENSION PLAN POSTEMPLOYMENT BENEFITS (Continued)

Plan Description, Benefit Payments and Plan Contributions (continued)

Plan Structure - The amount of member benefit payments, and required member and employer contributions to the MPSERS pension plan is dependent on each member's benefit structure under the Plan. Each member's benefit structure is determined principally based on the beginning date of plan participation and other member decisions regarding their personal required contribution amounts.

Member participation in a particular benefit structure is generally determined by date of enrollment into the MPSERS Plan, as follows:

<u>Benefit Structure</u>	<u>Enrollment Date</u>
Basic Plan	Prior to January 1, 1987
Member Investment Plan(MIP)	After December 31, 1986 and before July 1, 2010
Pension Plus Plan (Hybrid Plan)	After June 30, 2010

Employees hired on or after September 4, 2012 are eligible to participate in either the Pension Plus Plan, a hybrid plan with both defined benefit and defined contribution components, or the Defined Contribution Plan. An election window period ending January 9, 2013, allowed MPSERS plan members the option of discontinuing contributions to the defined benefit plan and converting to the Defined Contribution Plan effective February 1, 2013. Members converting to the Defined Contribution Plan remain eligible for MPSERS defined benefit plan benefits earned prior to the date of conversion.

Benefit Payments - Benefit provisions under the MPSERS defined benefit plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions applied in determining member benefit payments.

Benefit payments for plan members are determined by final average eligible compensation, years of eligible service and the pension benefit multiplier. The pension benefit multiplier for all benefit structures for service time prior to February 1, 2013 was 1.5%. For service time subsequent to January 31, 2013, the pension benefit multiplier is 1.5% for all member under the Pension Plus Plan benefit structure, and for those members of the Basic and Member Investment Plan benefit structures who elected to increase their personal contributions to the MPSERS Plan. For service time earned by nonelecting members subsequent to January 31, 2013, the pension benefit multiplier is 1.25%.

MANISTIQUE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H - PENSION PLAN POSTEMPLOYMENT BENEFITS (Continued)

Plan Description, Benefit Payments and Plan Contributions (continued)

Plan Contributions - The majority of MPSERS Plan members are currently participating on a contributory basis. Member contributions are enacted by state statute and can only be amended by legislative action.

Participating employers of the MPSERS Plan are required to contribute the full actuarial funding contribution amount necessary to fund the defined benefit pension payments. Participating employer contributions are determined on an actuarial basis using the entry age normal actuarial cost method which allocates, on a level basis, the actuarial present value of a member's projected benefits over the member's expected period of service.

The normal cost, that portion of benefits allocated to the current valuation year, is funded on a current basis. The actuarial accrued liability, the actuarial present value of projected benefits net of normal cost, is currently being amortized to required contributions over a 21 year period.

The following table presents the required participating employer and member pension plan contribution rates for active participants that were in effect during the District's year ended June 30, 2016:

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>	
		<u>July 1- September 30</u>	<u>October 1- June 30</u>
Basic Plan	0.0 - 4.0%	23.07%	18.95%
Member Investment Plan(MIP)	3.0 - 7.0%	23.07%	18.95%
Pension Plus Plan	3.0 - 6.4%	21.99%	17.73%
Plans converted to Defined Contributions	0.0%	18.76%	14.56%

Upper limit contribution percentages for the Basic and MIP benefit structures are for members who elected to maintain the pension benefit multiplier at 1.5%. Pension Plus Plan benefit structure member contribution percentages represent graduated rates applied to specific compensation levels. Employer contribution percentages to benefit structures converted to a Defined Contribution Plan do not include funding for the current year normal cost.

MANISTIQUE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H - PENSION PLAN POSTEMPLOYMENT BENEFITS (Continued)

Pension Plan Liability

District's Proportionate Share of MPSERS Net Plan Liability – The District's recorded pension plan liability is based on the District's proportionate share of the MPSERS plan net pension liability. The MPSERS plan net pension liability is determined by the excess of the actuarially computed accrued plan liabilities less the market value of plan assets on the measurement date.

At June 30, 2016, the District reported a pension plan liability of \$11,511,483 for its proportionate share of the MPSERS net pension liability. The MPSERS net pension liability was measured as of September 30, 2015 and was based on the most recent actuarial valuation performed as of September 30, 2014.

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to all projected pension plan contributions, as actuarially determined. The District's proportion as of September 30, 2015 was .047130%, an increase of .000961% from its proportion measured as of September 30, 2014.

Actuarial Valuation and Assumptions – Actuarial valuations for the MPSERS pension plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of future events. Amounts determined regarding the funded status of the plan and future plan contribution funding are subject to continual revisions based on past actual results and revised future estimates.

On each actuarial valuation date, the projection of future benefits considers the types of benefits being provided and the historical cost sharing pattern between the employer and plan members. Actuarial valuation methods and assumptions used are designed to reduce the effects of short-term volatility. The following actuarial assumptions were applied in the most recent actuarial valuation:

Wage inflations rate	3.5%
Investments rates of return-	
MIP and Basic plans (nonhybrid)	8.0%
Pension Plan Plus (hybrid)	7.0%
Salary increases	3.5% to 12.3% including wage inflation at 3.5%
Mortality	RP –2000 Mortality Tables for males and females, adjusted for mortality improvements based on scale BB

MANISTIQUE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H - PENSION PLAN POSTEMPLOYMENT BENEFITS (Continued)

Pension Plan Liability (continued)

Assumption changes as a result of an experience study for the period 2007 through 2012 have been incorporated into the annual valuation process beginning with the September 30, 2014 valuation.

Return on Plan Investments – The long-term expected rate of return on MPSERS plan investments was determined using a method in which estimated ranges of expected future real rates of return, net of investment expenses and inflation, are developed for the target asset allocation of each major asset class of the Plan. The target allocation and estimated rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected rate of Return (net of investment expenses)</u>
Domestic equity pools	28.0 %	5.9 %
Alternative investment pools	18.0	9.2
International equities	16.0	7.2
Fixed income pools	10.5	0.9
Real estate/ infrastructure pools	10.0	4.3
Absolute return pools	15.5	6.0
Short-term investment pools	<u>2.0</u>	0.0
	<u>100.0 %</u>	

For the Plan's fiscal year ended September 30, 2015, the annual rate of return on plan investments, net of investment expenses, was (.02)%.

Discount Rate and Pension Liability Sensitivity – A discount rate of 7% - 8% was used to measure the total MPSERS pension liability, with the actual discount rate applied being dependent upon the specific plan type being measured. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the amount necessary so that all plan contributions equal the actuarially determined required plan contribution. Therefore, the long-term expected rates of return on plan investments was used to discount all periods of projected plan benefit payments to determine the total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the applied discount rate of 7% - 8%, dependent on the specific plan type, and using a discount rate that is 1% point higher and 1% point lower than the applied discount rate:

MANISTIQUE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H - PENSION PLAN POSTEMPLOYMENT BENEFITS (Continued)

Pension Plan Liability (continued)

	1% Lower than Applied Discount Rate <u>(6.0%-7.0%)</u>	Applied Discount Rate <u>(7.0%-8.0%)</u>	1% higher than Applied Discount Rate <u>(8.0%-9.0%)</u>
District's proportionate share of net pension liability	\$ 14,841,253	\$ 11,511,483	\$ 8,704,351

Pension Expense and Pension Related Deferred Outflows and Inflows of Resources

Pension Expense - For the year ended June 30, 2016, the School District recognized pension expense of \$1,104,105.

Pension Related Deferred Outflows and Inflows of Resources - At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to the defined benefit pension plan as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ 38,129
Changes of assumptions	283,437	-
Net difference between projected and actual earnings on plan investments	58,757	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	178,991	26,129
School District contributions subsequent to the measurement date of September 30, 2015	<u>910,206</u>	<u>-</u>
	\$ <u>1,431,391</u>	\$ <u>64,258</u>

School District contributions subsequent to the measurement date of \$910,206 will be recognized as a reduction of the net pension liability in the subsequent school year. Other amounts reported as deferred outflows and inflows of resources related to the defined benefit pension plan will be recognized as a component of pension expense in the following years :

<u>Plan Year Ended September 30,</u>	<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2016	2017	\$ 73,441
2017	2018	73,441
2018	2019	58,072
2019	2020	<u>251,973</u>
		\$ <u>456,927</u>

MANISTIQUE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE I - POSTEMPLOYMENT AND OTHER BENEFIT PLANS

Healthcare Benefits - State law requires the School District to provide post-retirement healthcare benefits for eligible retirees and beneficiaries through MPSERS. Members first hired after September 3, 2012 are automatically enrolled into the Personal Healthcare Fund for the purpose of saving for retirement healthcare costs. Members hired prior to September 4, 2012 had two healthcare options to choose from: (a) continue with the existing premium subsidy provided through the Retiree Healthcare Fund, or (b) convert their healthcare benefits into the Personal Healthcare Fund.

Members enrolled in the Personal Healthcare Fund are required to make a 2% contribution into their 457 deferral account, which is required to be matched by the School District with a 2% contribution into the members 401(k) account. Existing members who elected to convert to the Personal Healthcare Fund from the Retiree Healthcare Fund had their prior required contributions to the Retiree Healthcare Fund refunded into their 401(k) account. Members originally enrolled into the Personal Healthcare Fund can become eligible for a termination contribution into a Health Reimbursement Account upon retirement. The maximum termination contribution is \$2,000.

Members who elected to continue making premium subsidy benefit contributions under the Retiree Healthcare Fund are required to contribute 3% of their compensation into the Fund. Employers are required to fund an actuarially determined contribution amount for all member participants in the Retiree Healthcare Fund. Upon retirement, members receive a premium subsidy towards health, dental and vision insurance. The maximum subsidiary is 80% effective January 1, 2013. Members who were enrolled in insurance and were Medicare eligible on January 1, 2013 are entitled to a maximum subsidy of 90%.

The following table presents the required participating employer and member healthcare contribution rates for active participants that were in effect during the District's year ended June 30, 2016:

<u>Healthcare Benefit</u>	<u>July 1, 2015- September 2015</u>		<u>October 1, 2015- June 30, 2016</u>	
	<u>Member</u>	<u>Employer</u>	<u>Member</u>	<u>Employer</u>
Retiree Healthcare Fund	3.0%	2.71%	3.0%	6.83%
Personal Healthcare Fund	2.0%	4.20%	2.0%	8.40%

Contribution amounts listed above include members 2% contribution into their 457 deferral account and employers 2% matching contribution into the members 401(k) account required under the provisions of the Personal Healthcare Fund.

MANISTIQUE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE I - POSTEMPLOYMENT AND OTHER BENEFIT PLANS (Continued)

Defined Contribution Plan - MPSERS members enrolled in the Pension Plus Plan and other members who have elected out of enrollment in any of the available defined benefit plan options are entitled to receive current employer contributions into their 401(k) accounts at the following required employer contribution rates:

<u>Benefit Structure</u>	<u>Employer Contribution Rate</u>
Pension Plus Plan	1.0%
Pension Plus Plan converted into Defined Contribution Plan	3.0%
Basic and MIP Plans converted into Defined Contribution Plan	4.0%

These contribution amounts are in addition to contributions made under provisions of the Personal Healthcare Fund. Employer contribution rates listed above for Pension Plus Plans, including conversions, represent maximum employer contributions based on 50% matching of member contributions. Members contributions are deposited into their 457 deferral account in amounts up to the maximum allowable by law.

NOTE J - DUE TO OTHER GOVERNMENTAL UNITS

Amounts due to other governmental units amounting to \$1,665,429 as of June 30, 2016 represents excess tax distributions received from tax collecting governmental units within the District in the current and prior years. Management of the District is in the process of the resolving the issue with parties of interest in the matter.

NOTE K- RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty risks and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. Each of the pools maintain reinsurance for excess claims. The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

MANISTIQUE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE L - COMMITMENTS AND CONTINGENCIES

The District has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the District. However, in the opinion of the management, any such disallowed claims will not have a material effect on any of the financial statements of the individual funds or on the overall financial position of the School District at June 30, 2016.

REQUIRED SUPPLEMENTAL INFORMATION

MANISTIQUE AREA SCHOOLS

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>REVENUES</u>				
Local sources	\$ 2,824,131	\$ 2,915,916	\$ 2,919,752	\$ 3,836
State sources	4,104,611	4,716,674	4,561,588	(155,086)
Federal sources	495,389	517,387	495,918	(21,469)
Interdistrict and other sources	<u>21,150</u>	<u>48,427</u>	<u>60,090</u>	<u>11,663</u>
TOTAL REVENUES	<u>7,445,281</u>	<u>8,198,404</u>	<u>8,037,348</u>	<u>(161,056)</u>
 <u>EXPENDITURES</u>				
Instruction	4,477,668	4,855,724	4,642,083	213,641
Supporting services	3,053,643	3,284,091	3,204,114	79,977
Community services	<u>136,596</u>	<u>121,261</u>	<u>114,071</u>	<u>7,190</u>
TOTAL EXPENDITURES	<u>7,667,907</u>	<u>8,261,076</u>	<u>7,960,268</u>	<u>300,808</u>
EXCESS OF REVENUES OVER(UNDER) EXPENDITURES	(222,626)	(62,672)	77,080	139,752
 <u>OTHER FINANCING SOURCES(USES)</u>				
Proceeds of long-term debt	<u>-</u>	<u>-</u>	<u>82,315</u>	<u>82,315</u>
NET CHANGE IN FUND BALANCE	(222,626)	(62,672)	159,395	222,067
FUND BALANCE, JULY 1	<u>363,145</u>	<u>363,145</u>	<u>363,145</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 140,519</u>	<u>\$ 300,473</u>	<u>\$ 522,540</u>	<u>\$ 222,067</u>

See accompanying notes to required supplemental information.

MANISTIQUE AREA PUBLIC SCHOOLS

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY-

MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

For the last ten one year periods starting with the year ended June 30, 2016
Presented on a plan year basis ending September 30 within each fiscal year of the District

	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Proportion of net pension liability (%)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.047130%	0.046169%
Proportionate share of net pension liability	-	-	-	-	-	-	-	-	11,511,483 \$	10,169,485
Covered employee payroll	-	-	-	-	-	-	-	-	3,971,105 \$	3,922,662
Proportionate share of net pension liability as a percentage of covered employee payroll (%)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	289.8811%	259.2496%
Plan fiduciary net position as a percentage of total pension liability	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	66.9200%	66.2000%

MANISTIQUE AREA PUBLIC SCHOOLS
SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS-
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

For the last ten one year periods starting with the year ended June 30, 2016

	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Statutorily required contributions	-	-	-	-	-	-	-	-	952,615 \$	906,404
Contributions in relation to statutorily required contributions	-	-	-	-	-	-	-	-	952,615	906,404
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	- \$	-
Reporting unit's covered employee payroll	-	-	-	-	-	-	-	-	3,649,175 \$	3,975,703
Contributions as a percentage of covered employee payroll	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	26.1049%	22.7986%

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See accompanying notes to required supplemental information.

MANISTIQUE AREA PUBLIC SCHOOLS

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2016

General Fund Budget Comparison - The budgetary comparison schedule is prepared on a basis consistent with the format used by the School District in the preparation of the General Fund budget.

Required Schedule Information - Schedules presented on pages 42 and 43 are required to present ten years of data. These schedules will be updated on an annual basis until ten years of information is available and provided.

Pension Plan Benefits - There were no changes in pension benefit terms or benefit assumptions during the most recent pension plan year ended September 30, 2015.

OTHER SUPPLEMENTAL INFORMATION

MANISTIQUE AREA SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2016

	Special Revenue		
	School Lunch	Public Library	Total
<u>ASSETS</u>			
Cash	\$ 15,808	\$ 216,749	\$ 232,557
Inventories	5,441	-	5,441
TOTAL ASSETS	21,249	216,749	237,998
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts payable	-	-	-
TOTAL LIABILITIES	-	-	-
Fund Balance:			
Nonspendable	5,441	-	5,441
Restricted	15,808	216,749	232,557
TOTAL FUND BALANCE	21,249	216,749	237,998
TOTAL LIABILITIES AND FUND BALANCE	\$ 21,249	\$ 216,749	\$ 237,998

MANISTIQUE AREA SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

For the year ended June 30, 2016

	<u>Special Revenue</u>		
	<u>School Lunch</u>	<u>Public Library</u>	<u>Total</u>
<u>REVENUES</u>			
Local sources	\$ 59,014	\$ 160,625	\$ 219,639
State sources	31,794	-	31,794
Federal sources	<u>248,802</u>	<u>-</u>	<u>248,802</u>
TOTAL REVENUES	<u>339,610</u>	<u>160,625</u>	<u>500,235</u>
<u>EXPENDITURES</u>			
Current Operating:			
Food services	334,354	-	334,354
Public Library	<u>-</u>	<u>123,205</u>	<u>123,205</u>
TOTAL EXPENDITURES	<u>334,354</u>	<u>123,205</u>	<u>457,559</u>
NET CHANGE IN FUND BALANCES	5,256	37,420	42,676
FUND BALANCE, JULY 1	<u>15,993</u>	<u>179,329</u>	<u>195,322</u>
FUND BALANCE, JUNE 30	<u>\$ 21,249</u>	<u>\$ 216,749</u>	<u>\$ 237,998</u>

MANISTIQUE AREA SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the year ended June 30, 2016

	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Revenue from Local Sources:			
Property taxes	\$ 2,780,016	\$ 2,778,722	\$ (1,294)
Student fees	41,500	41,095	(405)
Athletic admissions and fees	60,150	62,154	2,004
Rents received	11,300	11,740	440
Interest income	11,500	12,186	686
Other local revenue	<u>11,450</u>	<u>13,855</u>	<u>2,405</u>
TOTAL REVENUE FROM LOCAL SOURCES	<u>2,915,916</u>	<u>2,919,752</u>	<u>3,836</u>
Revenue from State Sources:			
State aid:			
Foundation - membership aid	3,495,623	3,495,623	-
At risk and carryover	342,946	221,040	(121,906)
MPSERS stabilization and cost offset	507,129	507,129	-
Other state aid	259,767	257,896	(1,871)
Other state revenues	<u>111,209</u>	<u>79,900</u>	<u>(31,309)</u>
TOTAL REVENUE FROM STATE SOURCES	<u>4,716,674</u>	<u>4,561,588</u>	<u>(155,086)</u>
Revenue from Federal Sources:			
Title I	220,012	198,735	(21,277)
Title II - Part A	86,529	86,529	-
Title VI - Part B	20,706	20,706	-
Impact aid	68,000	68,366	366
Indian education	44,975	44,975	-
Payments in lieu of taxes	75,181	75,182	1
Medicaid reimbursement	<u>1,984</u>	<u>1,425</u>	<u>(559)</u>
TOTAL REVENUE FROM FEDERAL SOURCES	<u>517,387</u>	<u>495,918</u>	<u>(21,469)</u>
Revenue from Interdistrict and Other Sources:			
Other grants and revenues	20,777	16,490	(4,287)
Refunds, reimbursements and other	25,500	41,427	15,927
Proceeds from sale of property and equipment	<u>2,150</u>	<u>2,173</u>	<u>23</u>
TOTAL REVENUE FROM INTERDISTRICT AND OTHER SOURCES	<u>48,427</u>	<u>60,090</u>	<u>11,663</u>
TOTAL REVENUES	\$ <u>8,198,404</u>	\$ <u>8,037,348</u>	\$ <u>(161,056)</u>

MANISTIQUE AREA SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the year ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>EXPENDITURES</u>			
EXPENDITURES FOR INSTRUCTION			
Elementary:			
Salaries:			
Teachers	\$ 819,831	\$ 819,381	\$ 450
Substitutes and aides	6,295	5,910	385
Employee benefits	583,274	563,858	19,416
Purchased services	23,500	22,413	1,087
Teaching supplies	11,000	9,966	1,034
Equipment repair and replacement	26,000	18,432	7,568
Miscellaneous	200	147	53
	<u>1,470,100</u>	<u>1,440,107</u>	<u>29,993</u>
TOTAL ELEMENTARY			
Middle School:			
Salaries:			
Teachers	477,428	476,112	1,316
Substitutes and aides	3,000	2,726	274
Employee benefits	314,494	311,448	3,046
Purchased services	44,122	40,831	3,291
Teaching supplies	8,500	6,657	1,843
Equipment repair and replacement	2,700	381	2,319
Miscellaneous	500	-	500
	<u>850,744</u>	<u>838,155</u>	<u>12,589</u>
TOTAL MIDDLE SCHOOL			
Secondary:			
Salaries:			
Teachers	756,786	754,856	1,930
Substitutes and aides	9,242	8,282	960
Employee benefits	523,723	518,217	5,506
Purchased services	34,667	32,558	2,109
Teaching supplies	24,825	13,828	10,997
Tuition	120,600	119,923	677
Equipment repair and replacement	6,700	2,942	3,758
ISD tuition and services	72,568	72,568	-
Miscellaneous	2,300	1,464	836
	<u>1,551,411</u>	<u>1,524,638</u>	<u>26,773</u>
TOTAL SECONDARY			

MANISTIQUE AREA SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the year ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Special Education:			
Salaries:			
Teachers	132,446	131,808	638
Substitutes and aides	6,812	5,772	1,040
Employee benefits	109,694	108,565	1,129
Purchased services	129,200	115,514	13,686
Teaching supplies	4,150	1,152	2,998
Equipment repair and replacement	3,000	-	3,000
Miscellaneous	300	26	274
	<u>385,602</u>	<u>362,837</u>	<u>22,765</u>
TOTAL SPECIAL EDUCATION			
Title I Instruction:			
Salaries:			
Teachers	44,595	62,620	(18,025)
Substitutes and aides	44,584	30,897	13,687
Employee benefits	58,568	56,687	1,881
Purchased services	8,403	5,039	3,364
Purchased services (Title II)	25,430	22,251	3,179
Teaching supplies	4,300	3,642	658
Teaching supplies (Title IV)	20,295	20,295	-
	<u>206,175</u>	<u>201,431</u>	<u>4,744</u>
TOTAL TITLE I INSTRUCTION			
At Risk Instruction:			
Salaries:			
Teachers	100,924	65,977	34,947
Substitutes and aides	42,290	15,373	26,917
Employee benefits	80,304	66,316	13,988
Purchased services	18,750	12,703	6,047
Teaching supplies	6,166	4,763	1,403
Miscellaneous	500	-	500
	<u>248,934</u>	<u>165,132</u>	<u>83,802</u>
TOTAL AT RISK INSTRUCTION			
Indian Education:			
Salaries:			
Teachers	17,780	11,257	6,523
Substitutes and aides	10,900	7,060	3,840
Employee benefits	9,662	8,867	795
Purchased services	3,500	9,931	(6,431)
Supplies	2,234	7,234	(5,000)
	<u>44,076</u>	<u>44,349</u>	<u>(273)</u>
TOTAL INDIAN EDUCATION			

MANISTIQUE AREA SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the year ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Early Childhood/Readiness:			
Purchased services	69,571	53,304	16,267
Teaching supplies	12,784	3,771	9,013
Equipment repair and replacement	5,408	1,330	4,078
Miscellaneous	200	230	(30)
	<u>87,963</u>	<u>58,635</u>	<u>29,328</u>
TOTAL EARLY CHILDHOOD/READINESS			
Summer School:			
Salaries:			
Teachers	4,640	3,866	774
Substitutes and aides	2,495	-	2,495
Employee benefits	3,125	2,875	250
Teaching supplies	459	58	401
	<u>10,719</u>	<u>6,799</u>	<u>3,920</u>
TOTAL SUMMER SCHOOL			
TOTAL INSTRUCTION	<u>4,855,724</u>	<u>4,642,083</u>	<u>213,641</u>
EXPENDITURES FOR SUPPORT SERVICES			
Noon Supervision:			
Salaries	5,289	5,003	286
Employee benefits	2,348	2,273	75
Purchased services	200	38	162
	<u>7,837</u>	<u>7,314</u>	<u>523</u>
TOTAL NOON SUPERVISION			
Guidance:			
Salaries:			
Counselors	30,193	30,093	100
Clerical	6,704	6,480	224
Employee benefits	26,948	26,642	306
Purchased services	25,306	25,129	177
Equipment repair and replacement	1,500	1,500	-
Supplies	1,750	686	1,064
Miscellaneous	400	255	145
	<u>92,801</u>	<u>90,785</u>	<u>2,016</u>
TOTAL GUIDANCE			

MANISTIQUE AREA SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the year ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Social work:			
Truant and D.A.R.E. programs	<u>64,701</u>	<u>3,000</u>	<u>61,701</u>
TOTAL SOCIAL WORK	<u>64,701</u>	<u>3,000</u>	<u>61,701</u>
Health:			
Purchased services	22,778	22,642	136
Supplies	<u>500</u>	<u>389</u>	<u>111</u>
TOTAL HEALTH	<u>23,278</u>	<u>23,031</u>	<u>247</u>
Speech:			
Purchased services	75,200	72,882	2,318
Supplies	500	-	500
Equipment repair and replacement	500	-	500
Miscellaneous	<u>400</u>	<u>55</u>	<u>345</u>
TOTAL SPEECH	<u>76,600</u>	<u>72,937</u>	<u>3,663</u>
Support Staff - other:			
Life insurance	1,000	656	344
Miscellaneous	<u>500</u>	<u>-</u>	<u>500</u>
TOTAL SUPPORT STAFF - OTHER	<u>1,500</u>	<u>656</u>	<u>844</u>
Improvement of Instruction:			
Salaries:			
Title I	12,804	14,356	(1,552)
Title II	3,800	6,877	(3,077)
Employee benefits:			
Title I	5,428	6,125	(697)
Title II	1,200	3,008	(1,808)
Purchased services:			
Title II	4,500	3,614	886
Readiness	<u>1,992</u>	<u>235</u>	<u>1,757</u>
TOTAL IMPROVEMENT OF INSTRUCTION	<u>29,724</u>	<u>34,215</u>	<u>(4,491)</u>
Supervision of Instructional Staff:			
Salaries	2,813	2,813	-
Employee benefits	1,245	1,224	21
Purchased services	<u>2,250</u>	<u>2,250</u>	<u>-</u>
TOTAL SUPERVISION OF INSTRUCTIONAL STAFF	<u>6,308</u>	<u>6,287</u>	<u>21</u>

MANISTIQUE AREA SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the year ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Educational Media Services:			
Salaries:			
Administrative	20,718	20,717	1
Substitutes and aides	13,524	12,894	630
Clerical	25,682	24,489	1,193
Employee benefits	39,907	39,215	692
Purchased benefits	1,500	539	961
Books and periodicals	4,100	3,976	124
Equipment repair and replacement	31,000	23,538	7,462
Supplies	7,000	6,609	391
Miscellaneous	550	50	500
	<u>143,981</u>	<u>132,027</u>	<u>11,954</u>
TOTAL EDUCATIONAL MEDIA SERVICES			
Instructional Technology:			
Salaries	30,741	30,741	-
Employee benefits	22,923	22,705	218
Purchased services	23,382	23,073	309
Equipment repair and replacement	63,000	60,082	2,918
Supplies	16,795	14,670	2,125
Supplies (Title I)	1,448	1,178	270
	<u>158,289</u>	<u>152,449</u>	<u>5,840</u>
TOTAL INSTRUCTIONAL TECHNOLOGY			
Student Body Activities:			
Salaries	16,082	16,082	-
Employee benefits	7,121	7,234	(113)
Purchased services	450	72	378
Supplies	250	-	250
Miscellaneous	200	-	200
	<u>24,103</u>	<u>23,388</u>	<u>715</u>
TOTAL STUDENT BODY ACTIVITIES			
Athletic Activities:			
Salaries	73,094	72,413	681
Employee benefits	34,140	33,944	196
Purchased services	61,530	60,555	975
Equipment repair and replacement	5,500	4,995	505
Supplies	10,600	10,013	587
Miscellaneous	950	682	268
	<u>185,814</u>	<u>182,602</u>	<u>3,212</u>
TOTAL ATHLETIC ACTIVITIES			

MANISTIQUE AREA SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the year ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Board of Education:			
Purchased services	14,000	11,627	2,373
Professional fees	19,704	18,708	996
Advertising	13,000	11,875	1,125
Miscellaneous	<u>1,000</u>	<u>204</u>	<u>796</u>
TOTAL BOARD OF EDUCATION	<u>47,704</u>	<u>42,414</u>	<u>5,290</u>
Executive Administration:			
Salaries	95,790	95,790	-
Employee benefits	64,597	64,124	473
Purchased services	10,350	9,630	720
Equipment repair and replacement	6,000	4,970	1,030
Supplies	1,500	1,006	494
Miscellaneous	<u>3,935</u>	<u>3,762</u>	<u>173</u>
TOTAL EXECUTIVE ADMINISTRATION	<u>182,172</u>	<u>179,282</u>	<u>2,890</u>
School Administration:			
Salaries:			
Administrative	173,309	173,302	7
Clerical	76,437	75,456	981
Employee benefits	171,050	168,274	2,776
Purchased services	40,393	35,761	4,632
Equipment repair and replacement	6,300	1,880	4,420
Office supplies	4,800	3,972	828
Miscellaneous	<u>2,950</u>	<u>1,636</u>	<u>1,314</u>
TOTAL SCHOOL ADMINISTRATION	<u>475,239</u>	<u>460,281</u>	<u>14,958</u>
Business Administration:			
Salaries	71,028	70,075	953
Employee benefits	42,430	41,944	486
Purchased services	92,550	91,723	827
Unallocated expenditures and adjustments	45,000	61,847	(16,847)
Equipment repair and replacement	14,500	11,674	2,826
Supplies	3,000	1,596	1,404
Insurances	12,885	12,885	-
Interest expense	6,800	6,800	-
Miscellaneous	<u>3,500</u>	<u>2,252</u>	<u>1,248</u>
TOTAL BUSINESS ADMINISTRATION	<u>291,693</u>	<u>300,796</u>	<u>(9,103)</u>

MANISTIQUE AREA SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the year ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Operation and Maintenance of Plant:			
Salaries	282,398	280,275	2,123
Employee benefits	196,220	193,648	2,572
Purchased services	40,336	39,209	1,127
Equipment repair and replacement	4,200	2,945	1,255
Supplies	60,100	47,082	13,018
Telephone	12,000	13,596	(1,596)
Utilities	319,350	315,971	3,379
Trash disposal	10,000	9,818	182
Insurances	35,549	35,549	-
Repairs and maintenance	45,000	39,022	5,978
Rents	11,750	11,132	618
Miscellaneous	500	-	500
	<u>1,017,403</u>	<u>988,247</u>	<u>29,156</u>
TOTAL OPERATION AND MAINTENANCE OF PLANT			
Pupil Transportation:			
Salaries:			
Administrative	16,853	16,851	2
Drivers and mechanics	147,349	141,258	6,091
Substitute drivers	24,500	24,046	454
Clerical	7,000	7,000	-
Employee benefits	122,962	118,075	4,887
Purchased services	24,800	21,000	3,800
Equipment repair and replacement	2,500	-	2,500
Bus purchase	-	82,315	(82,315)
Supplies and parts	78,212	68,512	9,700
Repairs and maintenance	9,000	4,217	4,783
Insurance	6,768	6,768	-
Debt service payment	13,500	13,500	-
Miscellaneous	1,500	861	639
	<u>454,944</u>	<u>504,403</u>	<u>(49,459)</u>
TOTAL PUPIL TRANSPORTATION			
TOTAL SUPPORT SERVICES	<u>3,284,091</u>	<u>3,204,114</u>	<u>79,977</u>

MANISTIQUE AREA SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the year ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
EXPENDITURES FOR COMMUNITY SERVICE			
Community Schools:			
Salaries	39,445	38,538	907
Employee benefits	27,347	25,276	2,071
Purchased services	38,048	37,255	793
Equipment repair and replacement	1,000	-	1,000
Supplies	14,821	12,767	2,054
Miscellaneous	<u>600</u>	<u>235</u>	<u>365</u>
 TOTAL COMMUNITY SERVICES	 <u>121,261</u>	 <u>114,071</u>	 <u>7,190</u>
 TOTAL EXPENDITURES	 \$ <u>8,261,076</u>	 \$ <u>7,960,268</u>	 \$ <u>300,808</u>
 EXCESS OF REVENUES OVER(UNDER) EXPENDITURES	 (62,672)	 77,080	 139,752
 <u>OTHER FINANCING SOURCES(USES)</u>			
Proceeds of long-term debt	<u>-</u>	<u>82,315</u>	<u>82,315</u>
 NET CHANGE IN FUND BALANCE	 (62,672)	 159,395	 222,067
 FUND BALANCE, JULY 1	 <u>363,145</u>	 <u>363,145</u>	 <u>-</u>
 FUND BALANCE, JUNE 30	 \$ <u><u>300,473</u></u>	 \$ <u><u>522,540</u></u>	 \$ <u><u>222,067</u></u>

MANISTIQUE AREA SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SCHOOL LUNCH FUND

For the year ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Local Sources:			
Food and milk sales	\$ 58,000	\$ 59,014	\$ 1,014
State Sources:			
State aid	20,801	21,141	340
Other state sources	10,093	10,653	560
Federal Sources:			
U.S.D.A. donated commodities	27,000	21,268	(5,732)
Federal school lunch/breakfast program	<u>230,500</u>	<u>227,534</u>	<u>(2,966)</u>
TOTAL REVENUES	<u>346,394</u>	<u>339,610</u>	<u>(6,784)</u>
<u>EXPENDITURES</u>			
Supporting Services:			
Salaries	97,890	96,645	1,245
Employee benefits	63,832	62,914	918
Purchased services	12,192	11,694	498
Advertising	625	583	42
Equipment repair and replacement	8,000	1,727	6,273
Food purchases and commodities	153,500	147,203	6,297
Supply purchases	12,150	12,012	138
Vehicle expenses	1,577	1,077	500
Miscellaneous	<u>11,343</u>	<u>499</u>	<u>10,844</u>
TOTAL EXPENDITURES	<u>361,109</u>	<u>334,354</u>	<u>26,755</u>
NET CHANGE IN FUND BALANCE	(14,715)	5,256	19,971
FUND BALANCE, JULY 1	<u>15,993</u>	<u>15,993</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 1,278</u>	<u>\$ 21,249</u>	<u>\$ 19,971</u>

MANISTIQUE AREA SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC LIBRARY FUND

For the year ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Local Sources:			
Property taxes	\$ 79,381	\$ 105,501	\$ 26,120
Library fees	1,500	1,639	139
Penal fees	51,369	51,370	1
Donations	<u>2,000</u>	<u>2,115</u>	<u>115</u>
TOTAL REVENUES	<u>134,250</u>	<u>160,625</u>	<u>26,375</u>
<u>EXPENDITURES</u>			
Supporting Services:			
Salaries	52,871	52,128	743
Employee benefits	39,579	38,951	628
Purchased services	5,000	4,251	749
Books and periodicals	9,500	8,990	510
Equipment repair and replacement	14,500	7,971	6,529
Dues and fees	9,000	8,411	589
Miscellaneous	<u>3,800</u>	<u>2,503</u>	<u>1,297</u>
TOTAL EXPENDITURES	<u>134,250</u>	<u>123,205</u>	<u>11,045</u>
NET CHANGE IN FUND BALANCE	-	37,420	37,420
FUND BALANCE, JULY 1	<u>179,329</u>	<u>179,329</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 179,329</u>	<u>\$ 216,749</u>	<u>\$ 37,420</u>

MANISTIQUE AREA SCHOOLS

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS

June 30, 2016

	Fyvie/Waters Medical Science Scholarship	Derber Schwartz Scholarship	J.J. Herbert Scholarship	Foundation Scholarship	Wehner Memorial Scholarship	James & Verna Goudreau Memorial Scholarship	Lisa Weber Memorial Scholarship	Totals
<u>ASSETS</u>								
Cash	\$ 7,889	\$ 61,054	\$ 16,234	\$ 974,973	\$ 35,070	\$ 62	\$ 1,570	\$ 1,096,852
Investments - common stock	-	137,480	-	-	-	-	-	137,480
Dividends receivable	-	920	-	-	-	-	-	920
TOTAL ASSETS	<u>7,889</u>	<u>199,454</u>	<u>16,234</u>	<u>974,973</u>	<u>35,070</u>	<u>62</u>	<u>1,570</u>	<u>1,235,252</u>
<u>NET POSITION</u>								
Net assets held in trust for scholarships and other designated purposes	<u>7,889</u>	<u>199,454</u>	<u>16,234</u>	<u>974,973</u>	<u>35,070</u>	<u>62</u>	<u>1,570</u>	<u>1,235,252</u>
NET POSITION	<u>\$ 7,889</u>	<u>\$ 199,454</u>	<u>\$ 16,234</u>	<u>\$ 974,973</u>	<u>\$ 35,070</u>	<u>\$ 62</u>	<u>\$ 1,570</u>	<u>\$ 1,235,252</u>

MANISTIQUE AREA SCHOOLS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS

For the year ended June 30, 2016

	<u>Fyvie/Waters Medical Science Scholarship</u>	<u>Derber Schwartz Scholarship</u>	<u>J.J. Herbert Scholarship</u>	<u>Foundation Scholarship</u>	<u>Wehner Memorial Scholarship</u>	<u>James & Verna Goudreau Memorial Scholarship</u>	<u>Lisa Weber Memorial Scholarship</u>	<u>Totals</u>
<u>ADDITIONS</u>								
Contributions	\$ -	\$ -	\$ -	\$ 17,000	\$ -	\$ -	\$ -	\$ 17,000
Investment income	12	35,395	24	20,334	14	-	1	55,780
TOTAL ADDITIONS	12	35,395	24	37,334	14	-	1	72,780
<u>DEDUCTIONS</u>								
Scholarships	500	2,000	500	16,200	500	-	-	19,700
TOTAL DEDUCTIONS	500	2,000	500	16,200	500	-	-	19,700
CHANGE IN NET POSITION	(488)	33,395	(476)	21,134	(486)	-	1	53,080
Net Position, July 1	8,377	166,059	16,710	953,839	35,556	62	1,569	1,182,172
NET POSITION, JUNE 30	\$ 7,889	\$ 199,454	\$ 16,234	\$ 974,973	\$ 35,070	\$ 62	\$ 1,570	\$ 1,235,252

MANISTIQUE AREA SCHOOLS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
STUDENT ACTIVITIES FUND

For the year ended June 30, 2016

	<u>Balances</u> 06/30/15	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> 06/30/16
<u>ASSETS</u>				
Cash	\$ 87,913	\$ 189,514	\$ 167,728	\$ 109,699
TOTAL ASSETS	<u>87,913</u>	<u>189,514</u>	<u>167,728</u>	<u>109,699</u>
 <u>LIABILITIES</u>				
Due to Student Groups:				
ABC fund	18	-	-	18
Alternative education	455	1,405	1,125	735
Anti-bullying	-	3,400	-	3,400
AP testing	398	3,220	3,025	593
Art club	1,408	180	40	1,548
Athletics	1,397	3,260	2,249	2,408
Band	5,609	25,136	20,388	10,357
Basketball, girls	1,584	2,497	3,638	443
Basketball, boys	95	2,306	2,029	372
Cheerleaders	455	10,262	10,535	182
Class trip, 6th grade	6	-	-	6
Class of 2019	13	20	-	33
Class of 2018	83	20	20	83
Class of 2017	2,467	4,066	6,308	225
Class of 2016	1,420	200	1,550	70
Class of 2015	214	-	-	214
Class of 2014	1,637	-	-	1,637
Class of 2013	1,967	-	-	1,967
Class of 2012	1,080	-	-	1,080
Class of 2011	1,134	-	-	1,134
Class of 2010	1,070	-	-	1,070
Class of 2009	1,000	-	-	1,000
Class of 2008	1,000	-	-	1,000
Class of 2007	1,078	-	-	1,078
Class of 2006	934	-	934	-
Class of 2005	1,000	-	1,000	-
Cross country	3,419	4,374	3,586	4,207
Drama club	9,396	3,220	5,003	7,613
Ecology club	190	-	40	150
Elementary ABC	476	-	40	436

MANISTIQUE AREA SCHOOLS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
STUDENT ACTIVITIES FUND

For the year ended June 30, 2016

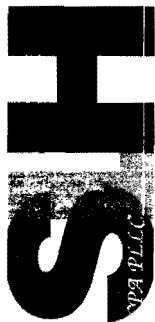
	<u>Balances</u> 06/30/15	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> 06/30/16
LIABILITIES (Continued):				
Elementary art	1,716	1,230	818	2,128
Elementary activity fund	1,301	25,410	19,142	7,569
Emerald after school	15	-	-	15
Elementary cross country	115	620	309	426
Elementary drama/music	3,904	1,806	2,819	2,891
Elementary PE	34	-	-	34
Fifth grade science camp	1,377	5,965	6,039	1,303
Emerald elementary study island	2,240	-	193	2,047
Football teams	116	4,665	3,395	1,386
General fund	483	2,250	2,166	567
Glee club	3,263	3,349	2,148	4,464
Golf	612	1,442	1,053	1,001
Honor Level I	1,023	-	580	443
Library	1,884	1,825	1,242	2,467
Little explorers snack	3	-	-	3
Middle school cheerleading	660	1,332	700	1,292
Middle school drama club	360	547	632	275
Middle school girls basketball	-	2,155	1,937	218
Middle school pencils	135	116	40	211
Middle school year book	121	1,014	819	316
National Honor Society	313	2,538	2,609	242
Native American education	6,914	4,500	362	11,052
Physics class	571	1,601	1,482	690
Robotics	2,398	2,964	3,227	2,135
Softball HS	1,973	7,010	8,190	793
Spanish	33	-	-	33
Student council	762	6,250	5,289	1,723
Swimming	235	778	775	238
TATU	51	-	20	31
Track and field	3,066	3,231	2,388	3,909
Tribute trail	1,223	25	74	1,174
Volleyball - HS	1,070	8,878	6,187	3,761
Volleyball - JV	10	-	-	10
Welding	1,147	40	40	1,147

MANISTIQUE AREA SCHOOLS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
STUDENT ACTIVITIES FUND

For the year ended June 30, 2016

	<u>Balances</u> <u>06/30/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>06/30/16</u>
LIABILITIES (Continued):				
Woodshop	1,371	574	503	1,442
Wrestling	6	774	731	49
Yearbook	1,411	8,757	6,566	3,602
Yeti	4,994	23,703	23,178	5,519
Youth basketball	-	599	565	34
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES \$	<u>87,913</u>	\$ <u>189,514</u>	\$ <u>167,728</u>	\$ <u>109,699</u>



*Schneider, Larche,
Haapala & Co., PLLC*

**CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS**

David P. Pechawer, C.P.A., P.C.
Denise M. Boyle, C.P.A., P.C.
Bruce D. Dewar, C.P.A.
Karen L. Meiers, C.P.A., P.C.

September 16, 2016

Members of the Board of Education
Manistique Area Schools
Manistique, Michigan

COMMUNICATIONS TO GOVERNING BODY

We have audited the financial statements of Manistique Area Schools as of and for the year ended June 30, 2016. Professional standards require that we communicate certain information that is presented below.

Auditor's Responsibility

Required communication about our responsibility under generally accepted auditing standards and the scope and timing of our audit procedures are communicated in our engagement letter dated July 25, 2016.

Accounting Policies and Disclosures

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Manistique Area Schools are described in the financial statements. No significant new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2016. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper year.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experiences about past and current events and assumptions about future events. Certain accounting estimates can be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements of the School District for the year ended June 30, 2016.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no known corrected or uncorrected misstatements noted during our audit procedures.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 16, 2016.

Management Consultations with Other Independent Accountants

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

Other Information in Documents Containing Audited Financial Statements

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to and during the audit process. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the management of Manistique Area Schools and is not intended to be and should not be used by anyone other than these specified parties.

Schneider Luske Haydel & Co., PLLC
Certified Public Accountants



*Schneider, Larche,
Haapala & Co., PLLC*

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September 16, 2016

**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**

Board of Education
Manistique Area Schools
Manistique, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Manistique Area Schools, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Manistique Area School's basic financial statements, and have issued our report thereon dated September 16, 2016.

Internal Control Over Financial Reporting

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

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


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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.


Schneider, Larche, Haapala & Co., PLLC