MESICK CONSOLIDATED SCHOOLS

REPORT ON FINANCIAL STATEMENTS

JUNE 30, 2016

Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
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MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016

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July 22, 2016

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Mesick Consolidated Schools
Mesick, 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 Mesick Consolidated Schools, Mesick, Michigan as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mesick Consolidated Schools, Mesick, Michigan as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages iv through xi and 34-37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mesick Consolidated Schools, Michigan's basic financial statements. The Combining Fund Financial Statements section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2016, on our consideration of Mesick Consolidated Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mesick Consolidated Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2016

This section of Mesick Consolidated Schools' (the "District") annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements.

Financial Highlights Section

Government-Wide

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by $1,648,800 creating a deficit net position amount.

- The government's total net position increased by $252,661.

Fund Level

- As the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $1,269,729, a decrease of $148,204 in comparison with the prior year.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $520,093.

A. Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents the information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods.

Both of the government-wide statements distinguish functions of the District that are principally supported by state aid and property taxes (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, supporting services, community activities, food service activities, building improvement services, interest on long-term debt, other transactions, and depreciation.

B. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Mesick Consolidated Schools, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories, governmental funds and fiduciary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Fiduciary Funds The District is a trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in both the government-wide and the fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

C. Summary of Net Position

The following schedule summarizes the net position at fiscal year ended June 30.

	2015	2016
Assets		
Current Assets	$ 2,133,655	$ 1,932,011
Non Current Assets		
Capital Assets	12,102,638	12,245,062
Less Accumulated Depreciation	(4,882,883)	(5,142,604)
Total Non Current Assets	7,219,755	7,102,458
Total Assets	9,353,410	9,034,469
Deferred Outflows of Resources		
Deferred Outflows of Resources Related to Pensions	809,136	927,750
Total Assets and Deferred Outflows of Resources	10,162,546	9,962,219
Liabilities		
Current Liabilities	1,367,154	1,297,465
Non Current Liabilities	9,843,373	10,046,427
Total Liabilities	11,210,527	11,343,892
Deferred Inflows of Resources		
Deferred Inflows of Resources Related to Pensions	853,480	267,127
Net Position		
Net Investment in Capital Assets	4,644,074	5,168,917
Restricted	76,600	303,555
Unrestricted (Deficit)	(6,622,135)	(7,121,272)
Total Net Position (Deficit)	$ (1,901,461)	$ (1,648,800)

D. Analysis of Financial Position

During the fiscal year ended June 30, 2016, the District's net position increased by $175,817. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

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

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2016, $312,737 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2016, $196,673 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets, the current year's depreciation and current year disposal of capital assets is a decrease to capital assets in the amount of $116,064 for the fiscal year ended June 30, 2016. A decrease to net capital assets is a reduction in net position.

3. Pension Expense

GASB 68 now requires the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension liability increases or decreases in any given year. For the year ended June 30, 2016, the District reported a decrease in net position related to GASB 68, which indicates that the District's proportionate share of the net pension liability increased.

E. Change in Net Position

The following schedule summarizes the results of operations, on a district-wide basis, for the year ended June 30.

	2015	2016
General Revenues		
Property Taxes	$ 1,800,029	$ 1,792,785
Investment Earnings	2,308	1,282
State Sources	3,449,302	3,371,731
Gain on Sale of Capital Assets	1,501	0
Other	67,383	71,952
Total General Revenues	5,320,523	5,237,750
Program Revenues		
Charges for Services	125,269	127,662
Operating Grants and Contributions	1,605,724	1,434,438
Total Program Revenues	1,730,993	1,562,100
Total Revenues	7,051,516	6,799,850
Expenses		
Instruction	3,567,673	3,733,679
Supporting Services	2,089,745	2,088,087
Community Activities	2,411	1,974
Food Service	373,819	351,733
Building Improvement Services	0	3,729
Interest on Long-Term Debt	63,542	55,000
Other Transactions	8,598	250
Unallocated Depreciation	307,067	312,737
Total Expenses	6,412,855	6,547,189
Change in Net Position	$ 638,661	$ 252,661

F. Financial Analysis of the District's Funds

The financial performance if the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

	2015	2016	Increase (Decrease)
Major Funds			
General Fund	$ 805,797	$ 708,518	$ (97,279)
Capital Projects Fund	521,029	448,538	(72,491)
Nonmajor Funds			
Food Service	34,683	59,043	24,360
2014 Debt Retirement Fund	56,424	53,630	(2,794)
Total Governmental Funds	$ 1,417,933	$ 1,269,729	$ (148,204)

In 2015-2016, the General Fund had a decrease in its fund balance primarily due to expenditures being high in 2014-2015. Reductions were made in 2015-2016 but were not large enough to cover the legacy costs of the prior years.

The Capital Projects Fund decreased due to using reserves to install new bleachers at the football field and make improvements at the track.

The Food Service Fund balance increased primarily due to changes in employee contracts.

The 2014 Debt Retirement Fund decreased its fund balance due to the debt service payments being in excess of the millage levied.

G. General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES	$ 5,902,863	$ 6,092,041	$ 6,027,859
EXPENDITURES			
Instruction	$ 3,705,613	$ 3,848,379	$ 3,808,854
Supporting Services	2,255,809	2,275,756	2,197,595
Community Activities	0	3,000	1,985
Debt Service	116,704	116,704	116,704
Total Expenditures	$ 6,078,126	$ 6,243,839	$ 6,125,138

The change between original budget and final budget revenues resulted from an anticipated increase in federal and state grants. Actual revenues were lower than final budgeted revenues due to carrying over some federal grants.

The total expenditure variance is due to some staffing costs being lower than anticipated and individuals being frugal with their budgets and not completely spending them. The minimal variances will not have a significant effect on future services or the liquidity of the District.

H. Capital Asset and Debt Administration

1. Capital Assets

At June 30, 2016, the District had $7,102,458 (net of depreciation) in a broad range of capital assets, including school buildings and facilities and various types of equipment. This represents a net decrease of $117,297 over the prior fiscal year. Depreciation expense for the year amounted to $312,737, bringing the accumulated depreciation to $5,142,604 as of June 30, 2016.

The addition to capital assets included:

- Track Surface $33,500
- Bleachers $59,208
- Track Equipment $24,713
- School Bus $79,252

2. Long-Term Debt

At June 30, 2016, the District had $1,933,541 in bonded debt outstanding. This represents a decrease of $642,140 from the amount outstanding at the close of the prior fiscal year. Other long-term debt includes compensated absences of $186,125 and net pension liability of $8,553,901.

Additional information on the District's long-term debt can be found in the notes to this report.

I. Factors Bearing on the District's Future

Due to decreasing enrollments, the District is able to take advantage of using a 3 year blended count for determining their state aid. In 2016-2017, the year that drops out of the blend is larger than the remaining ones. This loss alone will result in a decrease of 7 students. At an anticipated foundation allowance of $7,511, this is a potential decrease in revenue of $52,577.

Retirement costs continue to be a concern for the district. In 2016-2017, the district anticipates spending $1,063,655 for employee retirement costs. This is approximately 18% of their total budget.

The cost of health care also continues to be a concern for the district. The staff recently changed to a less costly plan. However, the district still anticipates health insurance to cost approximately $677,493 for 2016-2017. This is approximately 11% of the total budget.

As a cost savings measure, the district is moving the sixth grade students to the high school building beginning in the fall of 2016. This will allow the district to not replace a teacher that retired. In addition, the change in configuration will allow the district to utilize existing staff differently and will allow more class offerings to the students.

Mesick Consolidated Schools is the charter authorizer for Highpoint Virtual Academy. The Academy is now accepting students for the fall of 2016. The district is renting office space to the academy. In addition, they will receive an administrative fee based on the number of students enrolled in the academy.

Mesick Consolidated Schools is striving to meet the challenges facing them while remaining a school of excellence.

J. Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Wexford-Missaukee Intermediate School District, 9907 East 13th Street, Cadillac, Michigan 49601.

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MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2016

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	1,140,859
Investments		11
Accounts Receivable		13,018
Due from Other Governmental Units		776,121
Inventories		2,002
Total Current Assets		1,932,011
NON CURRENT ASSETS		
Capital Assets		12,245,062
Less Accumulated Depreciation		(5,142,604)
Total Non Current Assets		7,102,458
Total Assets		9,034,469
DEFERRED OUTFLOWS OF RESOURCES		
Changes of Pension Assumptions		210,615
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		43,661
District Pension Contributions Subsequent to the Measurement Date		673,474
Total Deferred Outflows of Resources		927,750
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable		7,684
Salaries and Benefits Payable		552,490
Accrued Interest Payable		8,043
State Aid Anticipation Note Payable		83,383
Unearned Revenue		18,725
Current Portion of Non Current Liabilities		627,140
Total Current Liabilities		1,297,465
NON CURRENT LIABILITIES		
Bonds Payable		1,933,541
Compensated Absences		186,125
Net Pension Liability		8,553,901
Less Current Portion of Non Current Liabilities		(627,140)
Total Non Current Liabilities		10,046,427
Total Liabilities		11,343,892
DEFERRED INFLOWS OF RESOURCES		
Changes in Proportion and Differences Between District Pension Contributions and Proportionate Share of Contributions		4,636
Differences Between Expected and Actual Experience for Pension Plan		28,333
Section 147c Revenue Related to District Pension Contributions Subsequent to the Measurement Date		234,158
Total Deferred Inflows of Resources		267,127
NET POSITION		
Net Investment in Capital Assets		5,168,917
Restricted for Capital Projects		252,000
Restricted for Debt Service		51,555
Unrestricted (Deficit)		(7,121,272)
TOTAL NET POSITION (Deficit)	$	(1,648,800)

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS & CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES					
Instruction	$ 3,733,679	$ 24,013	$ 848,261	$ 0	$ (2,861,405)
Supporting Services	2,088,087	35,778	236,417	0	(1,815,892)
Community Activities	1,974	0	1,985	0	11
Food Service	351,733	67,871	311,368	0	27,506
Building Improvement Services	3,729	0	0	0	(3,729)
Interest on Long-Term Debt	55,000	0	36,407	0	(18,593)
Other Transactions	250	0	0	0	(250)
Unallocated Depreciation	312,737	0	0	0	(312,737)
TOTAL GOVERNMENTAL ACTIVITIES	$ 6,547,189	$ 127,662	$ 1,434,438	$ 0	(4,985,089)
GENERAL REVENUES					
Property Taxes - General Purposes					1,213,702
Property Taxes - Debt Service					579,083
Investment Earnings					1,282
State Sources					3,371,731
Other					71,952
Total General Revenues					5,237,750
Change in Net Position					252,661
NET POSITION - Beginning of Year (Deficit)					(1,901,461)
NET POSITION - End of Year (Deficit)					$ (1,648,800)

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2016

	GENERAL FUND	CAPITAL PROJECTS FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	$ 579,716	$ 448,538	$ 112,605	$ 1,140,859
Investments	11	0	0	11
Accounts Receivable	13,018	0	0	13,018
Due from Other Governmental Units	773,781	0	2,340	776,121
Inventories	0	0	2,002	2,002
TOTAL ASSETS	$ 1,366,526	$ 448,538	$ 116,947	$ 1,932,011
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 7,684	$ 0	$ 0	$ 7,684
Salaries and Benefits Payable	550,823	0	1,667	552,490
State Aid Anticipation Note Payable	83,383	0	0	83,383
Unearned Revenue	16,118	0	2,607	18,725
Total Liabilities	658,008	0	4,274	662,282
FUND BALANCES				
Nonspendable, Inventory	0	0	2,002	2,002
Restricted for Food Service	0	0	57,041	57,041
Restricted for Debt Service	0	0	53,630	53,630
Restricted for Capital Projects	0	252,000	0	252,000
Committed for Compensated Absences	177,034	0	0	177,034
Committed for Capital Projects	0	196,538	0	196,538
Assigned for Subsequent Year Budget Shortfall	11,391	0	0	11,391
Unassigned	520,093	0	0	520,093
Total Fund Balances	708,518	448,538	112,673	1,269,729
TOTAL LIABILITIES AND FUND BALANCES	$ 1,366,526	$ 448,538	$ 116,947	$ 1,932,011

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2016

Total Governmental Fund Balances		$ 1,269,729
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		
The cost of the capital assets is	$ 12,245,062	
Accumulated depreciation is	(5,142,604)	7,102,458
Long-term liabilities are not due and payable in the current period and are not reported in the funds		
Bonds Payable		(1,933,541)
Compensated Absences		(186,125)
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability		(8,553,901)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Changes in Pension Assumptions		210,615
Changes in Proportionate and Differences Between District Pension Contributions and Proportionate Share of Contributions		(4,636)
District Pension Contributions Subsequent to the Measurement Date		673,474
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		43,661
Differences Between Expected and Actual Experience for Pension Plan		(28,333)
Section 147c Revenue Related to District Pension Contributions Subsequent to the Measurement Date		(234,158)
Accrued interest on bonds is not included as a liability in government funds, it is recorded when paid		(8,043)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (1,648,800)

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2016

	GENERAL FUND	CAPITAL PROJECTS FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Local Sources	$ 1,287,615	$ 48,659	$ 647,022	$ 1,983,296
State Sources	4,234,846	0	18,264	4,253,110
Federal Sources	384,424	0	293,104	677,528
Other Transactions	120,974	0	100	121,074
Total Revenues	6,027,859	48,659	958,490	7,035,008
EXPENDITURES				
Instruction				
Basic Programs	2,958,532	0	0	2,958,532
Added Needs	850,322	0	0	850,322
Supporting Services				
Pupil	160,621	0	0	160,621
Instructional Staff	52,756	0	0	52,756
General Administration	283,067	0	0	283,067
School Administration	331,216	0	0	331,216
Business	70,945	0	0	70,945
Operation and Maintenance	588,074	0	0	588,074
Pupil Transportation Services	414,306	0	0	414,306
Central Services	138,641	0	0	138,641
Athletic Activities	157,969	0	0	157,969
Community Activities				
Community Activities	1,985	0	0	1,985
Food Service	0	0	354,989	354,989
Building Improvement Services	0	121,150	0	121,150
Debt Service				
Principal	77,140	0	565,000	642,140
Interest	39,564	0	16,685	56,249
Other Transactions	0	0	250	250
Total Expenditures	6,125,138	121,150	936,924	7,183,212
Net Change in Fund Balance	(97,279)	(72,491)	21,566	(148,204)
FUND BALANCE - Beginning of Year	805,797	521,029	91,107	1,417,933
FUND BALANCE - End of Year	$ 708,518	$ 448,538	$ 112,673	$ 1,269,729

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

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

YEAR ENDED JUNE 30, 2016

Net Change in Fund Balances Total Governmental Funds	$	(148,204)
Amounts reported for governmental activities are different because:		
Governmental funds report capital outlay as expenditures. In the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.		
Depreciation Expense		(312,737)
Capital Outlay		196,673
In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. The change in net position differs from the change in fund balance by the cost of the capital assets sold net of accumulated depreciation.		(1,233)
Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:		
Accrued Interest Payable - Beginning of Year		9,292
Accrued Interest Payable - End of Year		(8,043)
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the Statement of Activities (where it is a reduction of liabilities)		642,140
Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as a pension		
Net Pension Liability - Beginning of the Year		7,719,968
Net Pension Liability - End of the Year		(8,553,901)
Change in Changes of Pension Assumptions		(74,235)
Change in Changes in Proportion and Differences Between District Pension Contributions and Proportionate Share of Contributions		(4,602)
Change in District Pension Contributions Subsequent to Measurement Date		149,188
Change in Net Difference Between Projected and Actual Earnings on Pension Plan Investments		897,107
Change in Differences Between Expected and Actual Experience		(28,333)
Change in Section 147c Revenue Related to District Pension Contributions Subsequent to the Measurement Date		(234,158)
Employees Early Retirement and Compensated Absences are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the		
Compensated Absences - Beginning of Year		189,864
Compensated Absences - End of Year		(186,125)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	252,661

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2016

	AGENCY FUND
ASSETS	
Cash and Cash Equivalents	$ 67,558
LIABILITIES	
Due to Groups and Organizations	67,558
NET POSITION	$ 0

The notes to the financial statements are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Mesick Consolidated Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The School District (the "District") is located in Wexford and Manistee Counties with its administrative offices located in Mesick, Michigan. The District operates under an elected 7-member board of education and provides services to its students in elementary, high school, special education instruction, guidance, health, transportation, food service, athletics and recreation. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a signification extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The School District does not have any business-type activities or component units.

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

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

The District reports the following major governmental funds:

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

The *Capital Projects Fund* accounts for the acquisition of fixed assets or construction of major capital projects.

Other Non-Major Funds:

The *special revenue (School Service) fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes. The District accounts for its food service activities in a special revenue fund.

The *2014 debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

Additionally, the District reports the following fund type:

Fiduciary funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. This fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following fiduciary fund:

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

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

In the government-wide statement of net position, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position are reported in three parts – net investment in capital assets, net of related debt; restricted net position; and unrestricted net position.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year-end, value outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year’s budget pursuant to state regulations.

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

a) In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.

b) A public hearing is conducted during June to obtain taxpayer comments.

c) Prior to June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.

d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.

e) For purposes of meeting emergency needs of the school district, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.

g) Budgeted amounts are as originally adopted on June 25, 2015, or as amended by the School Board of Education throughout the year.

2. Excess of Expenditures Over Appropriations

General Fund:
Supporting Services:

a) School Administration expenditures of $331,216 exceeded appropriations of $326,832.

b) Operation and Maintenance expenditures of $588,074 exceeded appropriations of $584,999.

These overages were funded with available fund balance.

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

1. Cash and Investments

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

(a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States.

(b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.

(c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

(d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

(e) United States government or federal agency obligation repurchase agreements.

(f) Bankers' acceptances issued by a bank that is a member of the federal deposit insurance corporation.

(g) Mutual funds composed entirely investment vehicles that are legal for direct investment by a school district.

(h) Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

The District's deposits and investments are held separately by several of the District's funds.

2. *Inventory and Prepaid Items*

Inventory is valued at cost. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

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

The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year-end to indicate the portion of the governmental fund balances that are nonspendable.

3. *Capital Assets*

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

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

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	25 - 50 years
Furniture and other equipment	5 - 20 years

The District's capitalization policy is to capitalize individual amounts exceeding $5,000.

4. Pension

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category, which is related to the pension plan for its employees. Details can be found in footnote 3 - F.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category, which is related to the pension plan for its employees. Details can be found in footnote 3 - F.

6. Long-Term Obligations

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

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

***7. Compensated* Absences**

It is the District's policy to permit employees to accumulate certain earned but unused benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

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

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

11. Use of Estimates

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

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2016 the foundation allowance was based on pupil membership counts taken in February 2015 and October of 2015, and blended with the two prior years counts. For fiscal year ended June 30, 2016, the per pupil foundation allowance was $7,391 for Mesick Consolidated Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2015 to August 2016. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

2. Program Revenues

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are billed as of December 1. The due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

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

Fund	Mills
General Fund – Non-Principal Residence Exemption (PRE)	18.0000
General Fund – Commercial Personal Property	6.0000
2014 Debt Retirement – PRE, Non-PRE, Commercial Personal Property	3.7000

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note 1.F.2, on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2016.

NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2016, the District's bank balance was $1,291,685 and $715,231 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. Since the District utilizes pooled checking accounts, the concentration of this risk is spread amongst all funds. Of the uninsured funds, the entire amount is in governmental funds. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

Foreign Currency Risk. The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

Custodial Credit Risk –Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name. At year-end all of the District's investments were uncategorized as to risk.

At year-end, the only investments were investment trust funds.

Investments not subject to categorization:	
Investment Trust Funds	$ 11

The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2016, the fair value of the District's investments is the same as the value of the pool shares.

Balance sheet classifications:

	Deposits	Investments	Fiduciary Assets	Total
Cash	$ 1,140,859	$ 0	$ 67,558	$ 1,208,417
Investments	0	11	0	11
TOTAL	$ 1,140,859	$ 11	$ 67,558	$ 1,208,428

B. Receivables/Unearned Revenue

Receivables as of year-end for the government's individual major funds and nonmajor are as follows:

	General	Non-Major	Total
Receivables:			
Accounts	$ 13,018	$ 0	$ 13,018
Due from Other Governmental Units	773,781	2,340	776,121
TOTAL	$ 786,799	$ 2,340	$ 789,139

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

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, The District reported unearned revenue of $18,725, which is made up of grant receipts and other revenue that has been received, but not yet earned.

C. Capital Assets

Capital assets activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Assets Not Being Depreciated				
Land	$ 200,631	$ 0	$ 0	$ 200,631
Other Capital Assets:				
Land Improvements	410,960	92,708	0	503,668
Buildings and Additions	9,719,782	0	0	9,719,782
Machinery and Equipment	717,826	24,713	0	742,539
Textbooks and Library Books	127,850	0	0	127,850
Transportation Equipment	925,589	79,252	54,249	950,592
Subtotal	11,902,007	196,673	54,249	12,044,431
Accumulated Depreciation				
Other Capital Assets:				
Land Improvements	365,765	18,491	0	384,256
Buildings and Additions	3,181,810	212,283	0	3,394,093
Machinery and Equipment	624,641	16,056	0	640,697
Textbooks and Library Books	127,850	0	0	127,850
Transportation Equipment	582,817	65,907	53,016	595,708
	4,882,883	312,737	53,016	5,142,604
Net Capital Assets Being	7,019,124	(116,064)	1,233	6,901,827
Net Capital Assets	$ 7,219,755	$ (116,064)	$ 1,233	$ 7,102,458

Depreciation for the fiscal year ended June 30, 2016, amounted to $312,737. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Defined Benefit Plan and Post-Retirement Benefits

Plan Description – The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members – eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

The System's separately issued financial statements are available at www.michigan.gov/mpsers-cafr.

Benefit Provisions- Pension

Introduction

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

Plan Name	**Plan Type**	**Plan Status**
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Pension Reform 2010

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

Pension Reform 2012

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

Regular Retirement

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

Annual Amount – Total credited service as of the transition date times 1.5% of final average compensation.

Pension Plus

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

Option 1: Credited service after the transition date times 1.5% times final average compensation.

Option 2: Credited service after the transition date (until total service reaches 30 years) times 1.5% times final average compensation, plus credited service after the transition date and over 30 years times 1.25% times final average compensation.

Option 3: Credited service after the transition date times 1.25% times final average compensation.

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

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

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

Contributions

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

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21 year period for the 2015 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2015.

Pension Contribution Rates

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

The District’s pension contributions for the year ended June 30, 2016 were equal to the required contribution total. Pension contributions were approximately $675,602. These amounts include contributions funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

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

Pension Liabilities

At June 30, 2016, the District reported a liability of $8,553,901 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2014 and rolled-forward using generally accepted actuarial procedures. The District’s proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2015 and 2014, the District's proportion was .03502105% and .06585000%.

MPSERS (Plan) Net Pension Liability – As of September 30, 2015 and September 30, 2014

	September 30, 2015	September 30, 2014
Total Pension Liability	$ 66,312,041,902	$ 65,160,887,182
Plan Fiduciary Net Position	41,887,015,147	43,134,384,072
Net Pension Liability	$ 24,425,026,755	$ 22,026,503,110
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.17%	66.20%
Net Pension Liability as a Percentage of Covered-Employee Payroll	292.61%	250.11%

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

For the year ended June 30, 2016, the District recognized total pension expense of $721,738. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 0	$ 28,333
Section 147c revenue related to District pension contributions subsequent to the measurement date	0	234,158
Changes of assumptions	210,615	0
Net difference between projected and actual earnings on pension plan investments	43,661	0
Changes in proportion and differences between District contributions and proportionate share of contributions	0	4,636
District contributions subsequent to the measurement date	673,674	0
Total	$ 927,950	$ 267,127

$927,750 reported as deferred outflows of resources and $234,158 reported as deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2017	$ 22,753
2018	22,753
2019	11,335
2020	164,466
	$ 221,307

F. Actuarial Valuations and Assumptions of the Pension Plan

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.50%
Investment Rate of Return	
-MIP and Basic Plans (Non-Hybrid):	8.00%
-Pension Plus Plan (Hybrid):	7.00%
Projected Salary Increases:	3.5-12.3 % including wage inflation at 3.5%
Cost of Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combine Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2014, and rolled forward using generally accepted actuarial procedures, including the experience study.

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.7158.

- Recognition period for assets in years is 5.0000.

- Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report.

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

Investment Category	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Pools	28.00%	5.90%
Alternative Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.90%
Real Estate & Infrastructure Pools	10.00%	4.30%
Absolute Return Pools	15.50%	6.00%
Short-Term Investment Pools	2.00%	0.00%
	100%	

*Long-term rate does not include 2.1% inflation.

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 8.0 percent (7.0% for the Pension Plus plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%
$ 11,028,171	$ 8,553,901	$ 6,497,990

G. Pension Plan Fiduciary Net Position

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

H. Payables to the Pension Plan

As of June 30, 2016, the District is current on all required pension plan payments. As of June 30, 2016, the District reported payables in the amount of $112,940 to the pension plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

I. Benefit Provisions – Other Post-Employment

Introduction

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

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees. Dependents are eligible for health care coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Retiree Healthcare Reform of 2012

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

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

Employer Contributions

The employer contribution rate ranged from 5.52% - 6.45% of covered payroll for the period October 1, 2013 to March 9, 2015; from 2.20% - 2.71% of covered payroll for the period from March 10, 2015 to September 30, 2015; and from 6.40% - 6.83% of covered payroll for the period from October 1, 2015 through June 30, 2016 dependent upon the employee's date of hire and plan election.

The District's contributions to MPSERS for post-employment healthcare contributions for the years ended June 30, 2016 and 2015 were approximately $173,965 and $77,900.

J. Risk Management

Mesick Consolidated Schools are exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation).

The Schools participate in a distinct pool within educational institutions within the State of Michigan for self-insuring workers' disability compensation as well as liability insurance. The pools are considered public entity risk pools. The Schools pay annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Schools have not been informed of any special assessments being required.

K. Long-Term Liabilities

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

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

	COMPENSATED ABSENCES AND SEVERANCE PLAN	BONDS	NET PENSION LIABILITY	TOTAL
Balance, July 1, 2015	$ 189,864	$ 2,575,681	$ 7,719,968	$ 10,485,513
Additions	18,500	0	833,933	852,433
Deletions	(22,239)	(642,140)	0	(664,379)
Balance, June 30, 2016	186,125	1,933,541	8,553,901	10,673,567
Less current portion	0	(627,140)	0	(627,140)
Total due after one year	$ 186,125	$ 1,306,401	$ 8,553,901	$ 10,046,427

The District's liability obligations at June 30, 2016, are comprised of the following issues:

General Obligation Serial Bonds	
2014 refunding bonds due in annual installments of $530,000 of $565,000 through May 1, 2018, interest at 0.75% to 1.35%.	$ 1,085,000
2012 Energy Conservation Improvement QZAB Bond	
Energy Improvement Bonds, due in monthly installments of $77,140 to $77,141 through May 1, 2027, interest at 4.22%.	848,541
Compensated Absences Payable	
Accumulated Sick Pay and Vacation Pay	186,125
Net Pension Liability	
Proportionate Share of State of MI Pension Liability	8,553,901
TOTAL LONG-TERM DEBT	$ 10,673,567

Annual debt service requirements to maturity for the above obligations except for compensated absences and net pension liability.

The annual requirements to amortize all long-term liability outstanding as of June 30, 2016, including interest payments of $234,520 are as follows:

Year ending June 30,	Principal	Interest	Amounts Payable
2017	$ 627,140	$ 48,256	$ 675,396
2018	612,140	39,775	651,915
2019	77,140	29,298	106,438
2020	77,140	26,042	103,182
2021	77,140	22,787	99,927
2022-2026	385,700	65,106	450,806
2027	77,141	3,256	80,397
	$ 1,933,541	$ 234,520	$ 2,168,061

Interest on the 2012 Energy Conservation Improvement QZAB Bond is expected to be offset nearly entirely by a federal interest subsidy.

The annual requirements to amortize the accrued compensated absences and net pension liability are uncertain because it is unknown when the employees will use the benefit. Compensated absences and net pension liability will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

L. Short-Term Debt

On August 20, 2015, the District issued a State Aid Note in the amount of $250,000. The note matures on July 20, 2016 with interest at 0.760%. The District pledged its State Aid revenue for payment of this liability at maturity and has made required payments to an irrevocable set-aside account in the amount of $168,120 to cover a portion of the principal amount plus interest. At year-end, these payments are considered defeased debt and are not included in the year-end balance. The balance, $83,383 will be deducted from the District's July state aid payment. The purpose of the note was to provide for cash flow needs at the beginning of the school year. Interest expense for the year was $1,503.

The following is a summary of the Short-Term Debt transactions for the School District for the year ended June 30, 2016:

Short-Term Debt at July 1, 2015	$ 110,299
New Debt Issued	250,000
Debt Retired and Paid	(276,916)
Short-Term Debt at June 30, 2016	$ 83,383

M. Interfund Receivables and Payables

There were no interfund receivables or payables.

N. Lease Information

The School District leases various office equipment and a tractor. The total rental expense for the fiscal years ended June 30, 2016, and June 30, 2015, was $6,336 and $5,808 respectively. The future minimum payments are summarized below:

YEAR-ENDING	AMOUNTS
2017	$ 4,066
2018	4,067
2019	4,066
2020	4,067
2021	4,067
	$ 20,333

O. Other Information

1. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the district.

2. Subsequent Events

The District is in the process of borrowing short-term debt for cash flow purposes in the amount of $350,000.

No adjustment was made to the financial statements for the year ending June 30, 2016 related to these subsequent events.

P. Accounting pronouncements

GASB 72 – Fair Market Value Disclosure

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

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

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

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

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

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

Q. Upcoming Accounting Pronouncements

Governmental Accounting Standards Board (GASB) Statement No. 77 – Tax Abatement Disclosures

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

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatements recipients.

- The gross dollar amount of taxes abated during the period.

- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

This statement will improve the user's ability on how tax abatements affect the reporting unit's financial positions and results of operations, including their ability to raise resources in the future. The District is still evaluating how, if at all, it will be affected by this new pronouncement.

Governmental Accounting Standards Board (GASB) Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

This statement is effective for fiscal years beginning after June 15, 2017. However, early implementation is encouraged. The District is evaluating the effects this statement will have on the District's net position.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES			
Local Sources	$ 1,299,759	$ 1,305,169	$ 1,287,615
State Sources	4,125,429	4,234,888	4,234,846
Federal Sources	346,643	431,490	384,424
Other Transactions	131,032	120,494	120,974
Total Revenues	5,902,863	6,092,041	6,027,859
EXPENDITURES			
Instruction			
Basic Programs	2,813,053	2,989,511	2,958,532
Added Needs	892,560	858,868	850,322
Supporting Services			
Pupil	186,526	164,138	160,621
Instructional Staff	9,438	68,411	52,756
General Administration	249,159	290,390	283,067
School Administration	321,823	326,832	331,216
Business	70,307	73,162	70,945
Operation and Maintenance	615,149	584,999	588,074
Pupil Transportation Services	494,714	432,083	414,306
Central Services	146,767	174,714	138,641
Athletic Activities	161,926	161,027	157,969
Community Activities			
Community Activities	0	3,000	1,985
Debt Service			
Principal	77,140	77,140	77,140
Interest	39,564	39,564	39,564
Total Expenditures	6,078,126	6,243,839	6,125,138
Excess (Deficiency) of Revenues Over Expenditures	(175,263)	(151,798)	(97,279)
OTHER FINANCING SOURCES (USES)			
Transfer to Lunch Fund	0	(6,289)	0
Net Change in Fund Balance	(175,263)	(158,087)	(97,279)
FUND BALANCE - Beginning of Year	805,678	805,797	805,797
FUND BALANCE - End of Year	$ 630,415	$ 647,710	$ 708,518

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)
JUNE 30, 2016

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)									0.03502%	0.03505%
District's proportionate share of net pension liability									$ 8,553,901	$ 7,719,968
District's covered-employee payroll									2,929,216	2,990,431
District's proportionate share of net pension liability as a percentage of its covered-employee payroll									292.02%	258.16%
Plan fiduciary net position as a percentage of total pension liability									63.17%	66.20%

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2016

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions									$ 817,983	$ 663,279
Contributions in relation to statutorily required contributions *									817,983	663,279
Contribution deficiency (excess)									$ 0	$ 0
Covered-Employee Payroll									$ 2,979,516	$ 2,931,473
Contributions as a percentage of covered-employee payroll									27.45%	22.63%

* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2016

A. Changes of Benefit Terms:

There were no changes of benefit terms in 2016.

B. Changes of Assumptions:

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. There were no changes of assumptions in 2016.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2016

	FOOD SERVICE FUND	2014 DEBT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	$ 58,975	$ 53,630	$ 112,605
Due from Other Governmental Units	2,340	0	2,340
Inventories	2,002	0	2,002
TOTAL ASSETS	$ 63,317	$ 53,630	$ 116,947
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Salaries and Benefits Payable	$ 1,667	$ 0	$ 1,667
Unearned Revenue	2,607	0	2,607
Total Liabilities	4,274	0	4,274
FUND BALANCE			
Nonspendable, Inventory	2,002	0	2,002
Restricted for Food Service	57,041	0	57,041
Restricted for Debt Service	0	53,630	53,630
Total Fund Balances	59,043	53,630	112,673
TOTAL LIABILITIES AND FUND BALANCES	$ 63,317	$ 53,630	$ 116,947

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2016

	FOOD SERVICE FUND	2014 DEBT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Local Sources	$ 67,881	$ 579,141	$ 647,022
State Sources	18,264	0	18,264
Federal Sources	293,104	0	293,104
Other Transactions	100	0	100
Total Revenues	379,349	579,141	958,490
EXPENDITURES			
Food Service	354,989	0	354,989
Debt Service			
Principal	0	565,000	565,000
Interest	0	16,685	16,685
Other Transactions	0	250	250
Total Expenditures	354,989	581,935	936,924
Net Change in Fund Balance	24,360	(2,794)	21,566
FUND BALANCE - Beginning of Year	34,683	56,424	91,107
FUND BALANCE - End of Year	$ 59,043	$ 53,630	$ 112,673