

BOYNE FALLS PUBLIC SCHOOL
BOYNE FALLS, MICHIGAN
FINANCIAL STATEMENTS
JUNE 30, 2016

BOYNE FALLS PUBLIC SCHOOL

JUNE 30, 2016

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BOYNE FALLS PUBLIC SCHOOL

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Boyne Falls Public School
Boyne Falls, Michigan 49713

Report on Financial Statements

We have audited the accompanying financial statements of the government activities, each major fund, and the aggregate remaining fund information of Boyne Falls Public School as of and for the year ended June 30, 2016, 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 of material misstatement.

An audit includes 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 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 opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 reasonable 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 Boyne Falls Public School as of June 30, 2016, and the respective changes in financial position for the year then ended in conformity 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 budgetary comparison information on pages 3 through 8 and pages 15 through 29 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 Boyne Falls Public School's basic financial statements. The comparative schedules of revenues, expenditures and other financing uses, and the statement of changes in deposits held for others are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The comparative schedules of revenues, expenditures and other financing uses, and the statement of changes in deposits held for others are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements of revenues and expenditures are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2016 on our consideration of Boyne Falls Public School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boyne Falls Public School's internal control over financial reporting and compliance.

Management's Discussion and Analysis

As management of the Boyne Falls Public School (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016.

Financial Highlights

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by (\$154,426) (*net position*). Of this amount, is (\$1,851,709) (*unrestricted net position*), \$1,474,989 is invested in capital assets (*net of related debt*) and \$222,294 is restricted for debt service.
- The District's total net position decreased by \$2,963.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,229,031, a decrease of \$171,074 in comparison with the prior year. Approximately 63%, or \$780,431 is *available for spending* at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$780,431 or 29% percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements. The *District-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 between the two 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 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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick or vacation leave).

Both of the District-wide financial statements present functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, food service, community services, and care and custody of children.. The District has no business-type activities as of and for the year ended June 30, 2016.

The government-wide financial statements can be found on pages 9-10 of this report.

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. The District, like other state and local governments, uses fund accounting to ensure and demonstrate 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 reported as *governmental activities* in the District-wide financial statements. However, unlike the District-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 evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-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*.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service funds, and the other non-major governmental fund (the special revenue fund – food service).

The District adopts an annual appropriated budget for its general and special revenue fund. Budgetary comparison statements or schedules have been provided for the general fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the District-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-29 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of Boyne Falls Public School, liabilities exceeded its' assets by (\$154,426) at the close of the most recent fiscal year.

A portion of the District's net position, \$1,474,989, reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental Activities

	<u>2016</u>	<u>2015</u>
Assets		
Current and Other Assets	\$ 1,650,989	\$ 1,821,196
Capital Assets, Net	6,029,989	6,243,127
Total Assets	<u>7,680,978</u>	<u>8,064,323</u>
Deferred Outflows of Resources		
Deferred Charges on Refunding	53,231	59,886
Related to pensions	467,663	334,263
Total Deferred Outflows of Resources	<u>520,894</u>	<u>394,149</u>
Liabilities		
Current Liabilities	913,094	885,056
Long-term Liabilities	7,432,166	7,410,321
Total Liabilities	<u>8,345,260</u>	<u>8,295,377</u>
Deferred Inflows of Resources		
Related to pensions	<u>11,038</u>	<u>314,558</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	1,474,989	1,253,127
Restricted	222,294	224,049
Unrestricted	<u>(1,851,709)</u>	<u>(1,628,639)</u>
Total Net Position	\$ <u>(154,426)</u>	\$ <u>(151,463)</u>

An additional portion of the District's net position \$222,294 represents resources that are subject to external restrictions on how they may be used. The remaining balance is *unrestricted net position*, (\$1,851,709).

The District's net position decreased by \$2,963 during the current fiscal year. Most of this decrease is attributable to an excess of expenditures, which increased from the prior year, over revenues that remained primarily flat. The District's blended enrollment was approximately 148 students.

District's Changes in Net Position

Governmental Activities

	<u>2016</u>	<u>2015</u>
Revenue		
Program Revenue		
Charges for Services	\$ 93,445	\$ 76,409
Operating Grants and Contributions	478,343	447,630
General Revenue:		
Property Taxes	2,476,337	2,477,394
State School Aid	6,553	24,196
Interest and investment earnings	2,530	3,021
Other	<u>204,859</u>	<u>231,559</u>
Total Revenue	<u>3,262,067</u>	<u>3,260,209</u>
Expenses		
Instruction	1,690,487	1,558,139
Support Services	1,001,926	963,975
Food Service	159,346	159,235
Deferred refunding charges	6,655	6,655
Depreciation - unallocated	235,652	241,072
Interest on Long Term Debt	<u>170,964</u>	<u>178,970</u>
Total Expenses	<u>3,265,030</u>	<u>3,108,046</u>
Increase (Decrease) in Net Position	(2,963)	152,163
Net Position, Beginning of Year	(151,463)	2,558,076
Restatement for GASB 68 implementation	-	(2,861,702)
Net Position, End of Year	<u>\$ (154,426)</u>	<u>\$ (151,463)</u>

Governmental activities. Governmental activities decreased the District's net position by \$2,963.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$1,229,105, a decrease of \$171,074 in comparison with the prior year. Approximately 63% of this total amount (\$780,431) constitutes *unassigned fund balance*, which is available for spending at the District’s discretion. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because the underlying assets are included in debt retirement and food service and are not available for current expenditure. *Committed fund* balance is \$75,000 for a future bus purchase. *Assigned fund balance* of \$151,305 is for 2016-17 budget purposes.

The general fund is the principal operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$780,431. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent approximately 29% and 38% respectively of total general fund expenditures.

The fund balance of the District’s general fund decreased by \$157,059 during the current fiscal year. Revenues increased \$24,081 and expenditures increased by \$123,826 compared to the prior year.

The food service fund has a total fund balance of \$-0-, which decreased by \$12,260 this year.

General Fund Budgetary Highlights

Differences between the original and final amended budgets were relatively small, with expenses only adjusting up by \$54,556 in total from beginning to final. The excess of expenditures over revenues budgetary figure was more than the actual results by \$42,308 for the General Fund. As additional information became known during the fiscal year, budget amendments were made to recognize the increase in revenue and/or planned expenditures related to various District programs.

Capital assets. The District’s investment in capital assets for its governmental activities as of June 30, 2016, amounted to \$6,029,989 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, vehicles and equipment.

There were capital asset acquisitions of \$22,514 and no disposals during the current fiscal year.

District's Capital Assets (net of depreciation)

	<u>2016</u>	<u>2015</u>
Land	\$ 5,000	\$ 5,000
Land Improvement	160,923	189,334
Buildings	5,587,404	5,739,636
Vehicles	4,001	10,241
Equipment	<u>272,661</u>	<u>299,006</u>
Total	\$ <u>6,029,989</u>	\$ <u>6,243,217</u>

Additional information on the District’s capital assets can be found in note 5 on page 21 of this report.

Long-term debt. The district currently has a 2014 Bond issue (refunding of the 2004 issue) with an outstanding balance of \$1,365,000 in bonds and a 2007 Bond issue (refunding of a portion of the 1999 Bond issue) with an outstanding balance of \$3,190,000. Additional information on the District's long term debt can be found in Note 7 on page 22 of this report.

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2016-2017 fiscal year:

- Due to significant increases in the Boyne Falls Public School District's non-principal residence taxable values in prior years, the District became an out of formula district with the State of Michigan. The district is no longer dependant on the State of Michigan to provide per pupil funding, as this will all be collected from the local non-principal residence millage. The future revenue growth for the district will be dependant solely on the increasing non-principal residence property values within the district which have begun to decrease and are forecasted to continue to decline.
- With the increased costs of utilities, health insurance and other contractual obligations the district has adopted a budget projecting a deficit of \$151,305.
- Operating as an out of formula district allows the Boyne Falls School the opportunity to utilize it's facilities and schools of choice program to the maximum benefit of the district's students without facing funding implications from the State of Michigan School Aid Fund.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Boyne Falls Public School
Superintendent's Office
P.O. Box 356
Boyne Falls, MI 49713

BOYNE FALLS PUBLIC SCHOOL
BASIC FINANCIAL STATEMENTS

BOYNE FALLS PUBLIC SCHOOL
DISTRICT WIDE - STATEMENT OF NET POSITION
JUNE 30, 2016

<u>Assets</u>	<u>Governmental Activities</u>
Cash and investments (Note 3)	\$ 1,561,049
Accounts receivable (Note 4)	36,412
Due from governmental units (Note 4)	44,713
Inventory	8,815
Capital assets - net (Note 5)	<u>6,029,989</u>
Total assets	<u>7,680,978</u>
 <u>Deferred outflow of resources</u>	
Deferred charges on refunding	53,231
Related to pensions	<u>467,663</u>
Total deferred outflows	<u>520,894</u>
 <u>Liabilities</u>	
Accounts payable	70,954
Salaries payable	191,682
Accrued interest	26,136
Unearned revenue (Note 4)	159,322
Long-term debt (Note 7)	
Due within one year	465,000
Due in more than one year	4,099,684
Net pension liability	<u>3,332,482</u>
Total Liabilities	<u>8,345,260</u>
 <u>Deferred inflows of resources</u>	
Related to pensions	<u>11,038</u>
 <u>Net Position</u>	
Invested in capital assets, net of related debt	1,474,989
Restricted for debt service	222,294
Unrestricted	<u>(1,851,709)</u>
Total Net Position	<u>\$ (154,426)</u>

See accompanying notes which are an integral part of the financial statements

BOYNE FALLS PUBLIC SCHOOL
DISTRICT WIDE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
Governmental Activities				
Instruction	\$ 1,690,487	\$ 27,767	\$ 393,456	\$ (1,269,264)
Support services	1,001,926	21,815	216	(979,895)
Food services	159,346	43,863	84,671	(30,812)
Interest on long term debt	170,964	-	-	(170,964)
Deferred charges on refunding	6,655	-	-	(6,655)
Depreciation - unallocated	<u>235,652</u>	<u>-</u>	<u>-</u>	<u>(235,652)</u>
 Total Governmental Activities	 <u>\$ 3,265,030</u>	 <u>\$ 93,445</u>	 <u>\$ 478,343</u>	 <u>(2,693,242)</u>
 General Revenues				
Taxes				
Property taxes, levied for general operations				1,868,370
Property taxes, levied for debt service				607,967
State of Michigan aid, unrestricted				6,553
Interest and investment earnings				2,530
Other				<u>204,859</u>
				-
 Total General Revenues				 <u>2,690,279</u>
 Change in Net Position				 (2,963)
 Net position - beginning of year				 <u>(151,463)</u>
 Net position - end of year				 <u>\$ (154,426)</u>

See accompanying notes which are an integral part of the financial statements

BOYNE FALLS PUBLIC SCHOOL
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

		2014 DEBT SERVICE	2007 DEBT SERVICE	NONMAJOR GOVERNMENTAL SPECIAL REVENUE FOOD SERVICE FUND	TOTALS
	GENERAL				
<u>ASSETS</u>					
Cash and investments	\$ 1,326,895	\$ 46,693	\$ 167,371	\$ 20,090	\$ 1,561,049
Accounts receivable	35,138	-	-	-	35,138
Due from other governmental units	39,685	-	-	5,028	44,713
Due from other funds	207,970	1,971	6,259	173,265	389,465
Inventory	-	-	-	8,815	8,815
Total Assets	<u>\$ 1,609,688</u>	<u>\$ 48,664</u>	<u>\$ 173,630</u>	<u>\$ 207,198</u>	<u>\$ 2,039,180</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES:</u>					
Accounts payable	\$ 69,333	\$ -	\$ -	\$ 1,621	\$ 70,954
Accrued salaries and withholdings	191,682	-	-	-	191,682
Unearned revenue	159,322	-	-	-	159,322
Due to other funds	182,614	-	-	205,577	388,191
Total Liabilities	<u>602,951</u>	<u>-</u>	<u>-</u>	<u>207,198</u>	<u>810,149</u>
<u>FUND BALANCES:</u>					
Nonspendable - inventory	-	-	-	8,815	8,815
Restricted for debt retirement	-	48,664	173,630	-	222,294
Restricted for food service	-	-	-	(8,815)	(8,815)
Committed for bus purchase	75,000	-	-	-	75,000
Assigned for 2016-17 budget	151,306	-	-	-	151,306
Unassigned - General Fund	780,431	-	-	-	780,431
Total Fund Balances	<u>1,006,737</u>	<u>48,664</u>	<u>173,630</u>	<u>-</u>	<u>1,229,031</u>
Total Liabilities and Fund Balances	<u>\$ 1,609,688</u>	<u>\$ 48,664</u>	<u>\$ 173,630</u>	<u>\$ 207,198</u>	<u>\$ 2,039,180</u>

Reconciliation of Governmental Fund Balances to District-Wide Government Activities Net Position

Total Governmental Fund Balances	\$ 1,229,031
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 capital assets is	9,736,415
Accumulated depreciation is	(3,706,426)
Deferred outflows used in governmental activities are not financial resources and therefore are not reported in the government funds:	
Deferred charges on refunding	53,231
Related to pensions	467,663
Long term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(4,555,000)
Compensated absences	(9,684)
Net pension liability	(3,332,482)
Accrued interest is not included as a liability in governmental funds	(26,136)
Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in the governmental funds:	
Related to pensions	(11,038)
Net Position of Governmental Activities	<u>\$ (154,426)</u>

BOYNE FALLS PUBLIC SCHOOL
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	GENERAL	2014 DEBT SERVICE	2007 DEBT SERVICE	NONMAJOR GOVERNMENTAL SPECIAL REVENUE FOOD SERVICE FUND	TOTALS
REVENUES:					
Local sources	\$ 1,918,332	\$ 145,448	\$ 461,909	\$ 43,863	\$ 2,569,552
State sources	336,929	229	727	14,086	351,971
Federal sources	63,296	-	-	70,585	133,881
Interdistrict sources	206,663	-	-	-	206,663
Total Revenues	<u>2,525,220</u>	<u>145,677</u>	<u>462,636</u>	<u>128,534</u>	<u>3,262,067</u>
EXPENDITURES:					
Current:					
Instruction	1,659,130	-	-	-	1,659,130
Support services	982,083	-	-	159,346	1,141,429
Debt service	-	142,386	467,682	-	610,068
Capital outlay	22,514	-	-	-	22,514
Intergovernmental payments	-	-	-	-	-
Total Expenditures	<u>2,663,727</u>	<u>142,386</u>	<u>467,682</u>	<u>159,346</u>	<u>3,433,141</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(138,507)</u>	<u>3,291</u>	<u>(5,046)</u>	<u>(30,812)</u>	<u>(171,074)</u>
OTHER FINANCING SOURCES (USES):					
Transfers In (Out)	(18,552)			18,552	-
Loan payments	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(18,552)</u>	<u>-</u>	<u>-</u>	<u>18,552</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(157,059)	3,291	(5,046)	(12,260)	(171,074)
FUND BALANCES - Beginning of year	<u>1,163,796</u>	<u>45,373</u>	<u>178,676</u>	<u>12,260</u>	<u>1,400,105</u>
FUND BALANCES - End of year	<u>\$ 1,006,737</u>	<u>\$ 48,664</u>	<u>\$ 173,630</u>	<u>\$ -</u>	<u>\$ 1,229,031</u>

See accompanying notes which are an integral part of the financial statements

BOYNE FALLS PUBLIC SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (171,074)

Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;
in the statement of activities these costs are allocated
over their estimated useful lives as depreciation.

Depreciation expense	\$	(235,652)	
Capital Outlay		22,514	(213,138)

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	2,829
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(Increase) decrease in compensated absences are reported as expenditures when financial resources are used in the governmental funds	260
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Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	428,345
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	
Pension related items	(50,185)

Change in Net Position of Governmental Activities	\$	(2,963)
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BOYNE FALLS PUBLIC SCHOOL
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

	<u>2016</u>
<u>ASSETS</u>	
Cash	\$ 65,882
Due from other funds	<u>2,680</u>
Total Assets	<u>\$ 68,562</u>
 <u>LIABILITIES</u>	
Due to other funds	\$ 3,954
Deposits held for others	<u>64,608</u>
Total Liabilities	<u>68,562</u>
Net Position	<u>\$ -</u>

See accompanying notes which are an integral part of the financial statements

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Boyne Falls Public School ("the District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the District:

REPORTING ENTITY

The District is governed by an elected seven member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the District's reporting entity, and which organizations are legally separate, component units of the school district. Based on the application criteria, the District does not have any component units.

DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

The district-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the District's government wide activities are considered governmental activities.

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

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

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(continued)

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

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

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 2004 Debt Service Fund is used to record tax, interest and other revenue for the payment of principal, interest, and the payment of principal, interest, and other expenditures of the 2004 bond issue.

The 2007 Debt Service Fund is used to record tax, interest and other revenue for the payment of principal, interest, and the payment of principal, interest, and other expenditures of the 2007 bond issue.

Additionally, the District reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Fund is a Special Revenue Fund that segregates, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of this fund. The School Service Fund maintained by the District is the Food Service Fund.

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary Fund net position and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The District maintains a Student Activities Fund to record the transactions of student and parent groups school-related purposes. The funds are segregated and held in trust for the students and parents.

ASSETS, LIABILITIES AND NET POSITION OR EQUITY

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Property tax and other trade receivable are shown net of an allowance for uncollectible amounts. The taxpayers of the District have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2015 taxable value of the District was \$38,086,014 principal residence and \$102,707,286 non-principal residence. The District levied 18.0000 mills for operating purposes on non-homestead and 4.0500 mills debt service purposes on all property for 2015.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

The District is an out of formula district and does not receive and revenue from the state foundation allowance.

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

Inventories and Prepaid items - Inventories are valued at cost, on a first-in, first-out basis. Inventory is maintained in the General Fund and the Special Revenue Fund (Food Service Fund). Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

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

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

Buildings and additions	20-50 years
Buses and other vehicles	10 years
Furniture and other equipment	10-20 years

Compensated Absences - The liability for compensated absences reported in the government-wide statements consist of unpaid, accumulated sick pay balances computed according to the terms of the negotiated contracts. Vacation days are required to be used annually.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as other bond expenditures.

Fund Equity - Governmental fund equity is classified as fund balance. Government fund report *nonspendable* fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually require to be maintained intact. *Restricted* fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. As applicable, *committed* fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, the School Board. The District reports *assigned* fund balance for amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted or committed. *Unassigned* fund balance is the residual classification for the General Fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, and finally unassigned fund balance.

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

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

Deferred Outflow/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflow 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 or expenditure) until then. The District has two items that qualify for reporting in this category. The first is deferred charges on refunding of bonds which represents the difference in the carrying value of the refunded debt and its reacquisition price with this amount deferred and amortized over the life of the refunded bonds. The second is the pension contributions reported in the government-wide statement of net position. A deferred outflow is recognized for pension contributions made after the plan's measurement date, but before the fiscal year end. The amount is amortized in the plan year in which it applies.

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 (receipts) until that time. The District has one item that qualifies for reporting in this category. It is the future resources yet to be recognized in relation to the pension actuarial calculation. The future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary,

Events Occurring After Reporting Date - Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. During the year the budgets were amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The District did not incur expenditures in excess of the amended budget.

Fund and Function

Appropriation

Expenditure

Variance

NONE

BOYNE FALLS PUBLIC SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end the District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>District Total</u>
Cash and investments	\$ 1,560,799	\$ 65,882	\$ 1,626,681
Total	<u>\$ 1,560,799</u>	<u>\$ 65,882</u>	<u>\$ 1,626,681</u>

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

Deposits (checking, savings)	\$ 1,626,476
Investments (Michigan Liquid Asset Fund)	5
	<u>\$ 1,626,481</u>

The total of cash and investments on the Statement of Net Position includes petty cash of \$250.

As of June 30, 2016 the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Investment pool	\$ 5	<u>31 days</u>

Interest rate risk

In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; investing operating funds primarily in shorter term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk

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

Concentration of credit risk

The District will minimize the concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. At June 30, 2016 the District's investments were in a pooled investment fund.

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2016, \$1,211,157 of the District's bank balance of \$1,656,642 was exposed to custodial risk because it was uninsured. The book balance of these accounts was \$1,626,717.

Custodial credit risk - investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District did not have any custodial credit risk on its investments at June 30, 2016. The District will minimize custodial credit risk, which is the loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and by pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the District will do business.

Foreign currency risk

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

BOYNE FALLS PUBLIC SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 4 - RECEIVABLES

Receivables as of year-end for the District's individual major funds and the nonmajor and fiduciary funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>2004 Debt Service Fund</u>	<u>2007 Debt Service Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Accounts receivable	\$ 35,138	\$ -	\$ -	\$ -	\$ 35,138
Intergovernmental	<u>39,685</u>	<u>-</u>	<u>-</u>	<u>5,028</u>	<u>44,713</u>
Total receivables	<u>\$ 74,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,028</u>	<u>\$ 79,851</u>

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue are as follows:

	<u>Unearned</u>
Grants and categorical aid payment not considered available	\$ -
Payments received prior to meeting all eligibility requirements:	
Vocational education millage	<u>159,322</u>
Totals	<u>\$ 159,322</u>
 Total unearned revenue	 <u>\$ 159,322</u>

BOYNE FALLS PUBLIC SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the District's Governmental activities were as follows:

<u>Assets</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Capital assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Subtotal	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Capital assets being depreciated:				
Land improvements	566,432	-	-	566,432
Buildings & improvements	7,611,564	-	-	7,611,564
Buses	182,904	-	-	182,904
Furniture & equipment	<u>1,348,001</u>	<u>22,514</u>	<u>-</u>	<u>1,370,515</u>
Subtotal	<u>9,708,901</u>	<u>22,514</u>	<u>-</u>	<u>9,731,415</u>
<u>Accumulated Depreciation</u>				
Land improvements	377,188	28,321	-	405,509
Buildings & improvements	1,871,928	152,232	-	2,024,160
Buses	172,663	6,240	-	178,903
Furniture & equipment	<u>1,048,995</u>	<u>48,859</u>	<u>-</u>	<u>1,097,854</u>
Subtotal	<u>3,470,774</u>	<u>235,652</u>	<u>-</u>	<u>3,706,426</u>
Net capital assets being depreciated	<u>6,238,127</u>	<u>(213,138)</u>	<u>-</u>	<u>6,024,989</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 6,243,127</u>	<u>\$ (213,138)</u>	<u>\$ -</u>	<u>\$ 6,029,989</u>

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

NOTE 6 - RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 207,970	General Fund	\$ 182,614
Other Nonmajor Govern.	173,265	2014 Debt Service	-
2014 Debt Service	1,971	Other Nonmajor Govern.	205,577
2007 Debt Service	6,259	Fiduciary fund	3,954
Fiduciary fund	<u>2,680</u>		
Total	<u>\$ 392,145</u>	Total	<u>\$ 392,145</u>
<u>Transfer In</u>		<u>Transfer Out</u>	
Nonmajor-Food Service	<u>\$ 17,365</u>	General	<u>\$ 17,365</u>

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 - LONG-TERM DEBT

The District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge full faith and credit of the school district.

Long-term debt activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:				
General Obligation Bonds:				
2014 Issue	\$ 1,480,000	\$ (115,000)	\$ 1,365,000	\$ 125,000
2007 Issue	3,510,000	(320,000)	3,190,000	340,000
Compensated absences	9,944	(260)	9,684	-
Deferred charges on refunding	<u>(59,886)</u>	<u>6,655</u>	<u>(53,231)</u>	<u>-</u>
Total Governmental Activities	<u>\$ 4,940,058</u>	<u>\$ (428,605)</u>	<u>\$ 4,511,453</u>	<u>\$ 465,000</u>

Annual debt service requirements to maturity for the General Obligation Bonds are as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 465,000	\$ 156,815	\$ 621,815
2018	495,000	138,565	633,565
2019	525,000	122,545	647,545
2020	560,000	105,445	665,445
2021	590,000	86,800	676,800
2022-2024	<u>1,920,000</u>	<u>135,315</u>	<u>2,055,315</u>
Total	<u>\$ 4,555,000</u>	<u>\$ 745,485</u>	<u>\$ 5,300,485</u>

General Obligation Bonds payable at June 30, 2016 are comprised of the following issues:

General obligation bonds:

2014 bonds due in annual installments \$ 1,365,000
ranging from \$110,000 to \$225,000 through
May 1, 2024; interest rates ranging from
.70% to 2.60%

2007 bonds due in annual installments 3,190,000
ranging from \$255,000 to \$430,000 through
May 1, 2024; interest rates ranging from
4.00% to 5.00%

Total General obligation bonds \$ 4,555,000

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District participates in SET-SEG's risk management pools for worker's compensation claims, liability insurance and errors and omissions coverages. SET-SEG was established pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of SET-SEG is to provide cooperative and comprehensive risk financing and risk control services. SET-SEG provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

The District makes annual contributions to SET-SEG based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the General Fund. Such contributions as received by SET-SEG are allocated between its general and member retention funds. Economic resources in SET-SEG's General Fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention fund are used for loss payments and defense costs up to the member's self-insurance retention limits along with certain other member-specific costs. Any refunds from SET-SEG are deposited in the District's General Fund.

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

General Information about the Pension Plan

Plan Description. The District contributes to the Michigan Public School Employees Retirement System ("MPERS"), a cost-sharing multiple-employer pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Services with oversight from a 12-member board. Benefit provisions are established and may be amended by state statute. The Office of Retirement Services issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report can be obtained by writing to Michigan Public School Employees Retirement Services, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling (517) 322-5103.

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 MPERS is as follows:

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

The Member Investment Plan (MIP) includes additional subgroups based on hire date. The MIP Fixed plan includes members hired prior to January 1, 1990. The MIP Graded plan includes members first hired from January 1, 1990 through June 30, 2008. The MIP Plus plan includes members first hired from July 1, 2008 through June 30, 2010. Members who initially enrolled in the MIP plan and made a voluntary election to contribute a higher rate are participants in the MIP 7% plan.

Members hired between July 1, 2010 and September 3, 2012 were enrolled in the Pension Plus plan. Members hired on or after September 4, 2012 are automatically enrolled in this plan unless an election is made to participate in the defined contribution plan. The plan includes a pension component as well as a savings component. Members contributions to the savings component are matched at a rate of 50% by the employer (up to a maximum of 1%) and invested in a 401(k) plan.

Effective February 1, 2013, members that initially enrolled in MIP were provided the option to convert to a defined contribution plan (Basic 4%). In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4% employer contributions to a personal 401(k) account.

BOYNE FALLS PUBLIC SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

A member first enrolling in MPSERS on or after September 4, 2012 may elect to enroll in the defined contribution plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the Pension Plus plan as described above.

Benefits Provided. MPSERS provides retirement, death, disability and postemployment benefits to eligible participants. Retirement benefits are calculated as a percentage of the employee's final average compensation times the employee's years of service. All participants qualify for a benefit multiplier of 1.5% for the first 30 years of service. Certain benefit groups receive a reduced rate of 1.25% for service above 30 years. Disability benefits are calculated the same as regular service retirement. Participants are eligible to receive full retirement benefits upon reaching the age and years of service requirements below. Most plans offer additional options for early retirement if certain stipulations have been met. Voluntary contributions vest immediately.

Plan	Eligibility Based on Years of Service	Vesting
Member Investment Plan (MIP)	Age 46 with 30 years or age 60 with 10 years	10 years
Basic	Age 55 with 30 years or Age 60 with 10 years	10 years
Pension Plus	Age 60 with 10 years	4 years
Defined Contribution	Age 46 with 30 years or age 60 with 10 years	4 years

Contributions. Employer contributions to the plans are based on a percentage of covered payroll that has been actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Member contributions are determined based on date of hire and the plan selected. In addition, the District is invoiced monthly an amount that approximates 7.63% of covered payroll for "MPSERS UAAL Stabilization." This additional contribution is offset by monthly State aid payments equal to the amounts actually billed by the Office of Retirement Services. For the plan year ended September 30, 2015, an additional 1.13% MPSERS liability prepayment was invoiced as a one-time cost. Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization and one-time prepayment rates, range from 27.52% to 31.83% of covered payroll. Plan member contributions range from 0.0% to 7.0% of covered payroll.

The District's contribution to MPSERS under all pension plans for the year ended June 30, 2016, inclusive of the MPSERS UAAL Stabilization and one-time prepayment, was \$294,319.

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

At June 30, 2016, the District reported a liability of \$ 3,332,482 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

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At September 30, 2015, the District's proportion (as calculated by MPSERS) was 0.01364%.

For the year ended June 30, 2016, the District recognized pension expense of \$318,061. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Outflows (Inflows) of Resources
Changes in assumptions	\$ 82,053	\$ -	\$ 82,053
Net difference between projected and actual earnings on pension plan investments	17,010	11,038	5,972
Changes in proportion and differences between employer contributions and proportionate share	<u>135,236</u>	<u>-</u>	<u>135,236</u>
	234,299	11,038	223,261
District contributions subsequent to the measurement date	<u>233,364</u>	<u>-</u>	<u>233,364</u>
Total	<u>\$ 467,663</u>	<u>\$ 11,038</u>	<u>\$ 456,625</u>

The amount of deferred outflows of resources related to 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 pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2016	\$ 45,746
2017	45,746
2018	45,746
2019	<u>90,472</u>
Total	<u>\$ 227,710</u>

Actuarial Assumptions. The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary increases	3.5% to 12.3% including wage inflation of 3.5%
Investment rate of return	8.0% (7.0% for the Pension Plus plan)
Cost of living adjustments	3.0% annual, non-compounded for MIP members
Healthcare cost trend rate	7.5% year 1 graded to 3.5% year 12

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

The mortality table used in this valuation was the RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money Weighted Rate of Return
Domestic equity pools	28.00%	5.90%	1.65%
Alternative investment pool	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.90%	0.09%
Real estate and infrastructure pools	10.00%	4.30%	0.43%
Absolute return pools	15.50%	6.00%	0.93%
Short-term investment pools	2.00%	0.00%	0.00%
	<u>100.00%</u>		<u>5.91%</u>
Inflation			<u>2.10%</u>
Investment rate of return			<u><u>8.01%</u></u>

Discount Rate. The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that District contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the

BOYNE FALLS PUBLIC SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the District, calculated using the discount rate of 8.0%, as well as what the District's net pension liability would be if calculated using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase 9.0%
District's proportionate share of the net pension liability	\$4,296,424	\$3,332,482	\$2,519,840

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan. At June 30, 2016, the District reported a payable of \$34,839 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2016.

Other Postemployment Benefits.

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the Premium Subsidy plan, a defined benefit postemployment healthcare plan, which is funded by employers on a cash disbursement basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 2.20% to 2.71% of covered payroll. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that covers up to 80% of cost.

Plan members enrolled on or after September 4, 2012 participate in the Personal Healthcare Fund. This defined contribution other postemployment benefits plan includes a required 2% employee contribution into a personal tax deferred account, which is matched by an additional 2% employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund Option. Effective February 1, 2013, these members are no longer required to make the 3% employee contribution. Amounts paid in the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund Account. Any contributions made prior to September 4, 2012 are pending a Supreme Court resolution.

The District's contribution to MPSERS for other postemployment benefits amount to \$25,046 for the year ended June 30, 2016.

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 10 - CONTINGENCIES

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

The District is a reimbursing employer to the State of Michigan Unemployment Agency and as such is responsible to pay the Agency for all benefits paid and charged to the District. As of June 30, all known liabilities for claims paid by the Agency are recorded as accounts payable.

REQUIRED SUPPLEMENTAL INFORMATION

BOYNE FALLS PUBLIC SCHOOL
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	2016 Original	2016 Final		
REVENUES				
Local sources	\$ 1,951,346	\$ 1,954,168	\$ 1,918,332	\$ (35,836)
State sources	284,653	336,942	336,929	(13)
Federal sources	55,563	63,535	63,296	(239)
Interdistrict sources	228,305	219,778	206,663	(13,115)
Total Revenues	<u>2,519,867</u>	<u>2,574,423</u>	<u>2,525,220</u>	<u>(49,203)</u>
EXPENDITURES				
Current:				
Instruction:				
Basic programs	1,427,189	1,483,955	1,462,380	(21,575)
Added needs	243,375	197,611	196,750	(861)
Support services:				
Pupil services	67,364	77,894	72,368	(5,526)
Instructional staff	151,853	156,076	141,161	(14,915)
General administration	190,384	187,499	182,629	(4,870)
School administration	127,933	124,395	121,897	(2,498)
Business	76,900	76,900	66,965	(9,935)
Operation & maintenance	254,597	303,938	282,112	(21,826)
Transportation	103,459	92,120	90,615	(1,505)
Central/Other	48,208	48,402	46,850	(1,552)
Total Expenditures	<u>2,691,262</u>	<u>2,748,790</u>	<u>2,663,727</u>	<u>(85,063)</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	-	-	-	-
Outgoing transfers & other transactions	(12,500)	(25,000)	(18,552)	(6,448)
Total Other Financing Sources (Uses)	<u>(12,500)</u>	<u>(25,000)</u>	<u>(18,552)</u>	<u>(6,448)</u>
Excess of Revenues over (under) Expenditures and Other Financing Sources (Uses)	(183,895)	(199,367)	(157,059)	42,308
Budgetary fund balance - July 1, 2015	<u>1,163,796</u>	<u>1,163,796</u>	<u>1,163,796</u>	<u>-</u>
Budgetary fund balance - June 30, 2016	<u>\$ 979,901</u>	<u>\$ 964,429</u>	<u>\$ 1,006,737</u>	<u>\$ 42,308</u>

BOYNE FALLS PUBLIC SCHOOL
 SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY
 MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability	0.01364%	0.01292%
Reporting unit's proportionate share of net pension liability	\$ 3,332,482	\$ 2,845,377
Reporting unit's covered-employee payroll	\$ 1,138,440	\$ 1,053,573
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	292.72%	270.07%
Plan fiduciary net position as a percentage of total pension liability	63.17%	66.15%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year

With the implementation of GASB 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

BOYNE FALLS PUBLIC SCHOOL
 SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS
 MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

	<u>2016</u>	<u>2015</u>
Statutory required contributions	\$ 282,809	\$ 282,484
Contributions in relation to statutorily required contributions*	<u>\$ (282,809)</u>	<u>\$ (282,484)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ 1,158,387	\$ 1,115,538
Contribution as a percentage of covered-employee payroll	24.41%	25.32%

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

With the implementation of GASB 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

BOYNE FALLS PUBLIC SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Changes in benefit terms: There were no changes of benefit terms in 2016.

Changes of assumptions: There were no changes of benefit assumptions in 2016.

OTHER SUPPLEMENTAL INFORMATION

BOYNE FALLS PUBLIC SCHOOL
GENERAL FUND
COMPARATIVE DETAIL OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
REVENUES		
Local Sources:		
Current property taxes	\$ 1,868,370	\$ 1,868,895
Earnings on investments	2,184	2,587
Miscellaneous	47,778	29,823
Total Local Sources	1,918,332	1,901,305
State Sources:		
Grants - Unrestricted:		
State Aid	6,553	24,196
Grants - Restricted:		
Special education	35,872	57,311
Other	168,449	140,756
Received through ISD:		
Other	126,055	91,983
Total State Sources	336,929	314,246
Federal Sources:		
Grants - Restricted:		
Received direct:		
REAP	8,364	7,599
Received through State:		
Title I	40,414	37,844
Title II	14,302	15,120
Received through ISD:		
Medicaid	216	451
21st Century	-	6,016
Total Federal Sources	63,296	67,030
Interdistrict Sources:		
Vocational education millage	153,640	156,059
Special education	45,588	57,294
Other	7,435	5,205
	206,663	218,558
TOTAL REVENUES	\$ 2,525,220	\$ 2,501,139

BOYNE FALLS PUBLIC SCHOOL
GENERAL FUND
COMPARATIVE DETAILS OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2016

INSTRUCTION:	2016	2015
Basic Programs:		
Elementary:		
Salaries	\$ 342,087	\$ 317,507
Employee benefits	241,386	236,258
Purchased services	21,776	11,051
Supplies & materials	7,399	16,737
Other expenses	195	230
Capital outlay	-	-
Total Elementary	612,843	581,783
Middle School:		
Salaries	167,370	159,981
Employee benefits	114,359	91,995
Purchased services	15,920	8,488
Supplies & materials	4,379	3,689
Other expenses	137	143
Total Middle School	302,165	264,296
High School:		
Salaries	237,924	218,413
Employee benefits	149,327	137,770
Purchased services	12,800	10,589
Supplies & materials	10,526	5,660
Other expenses	17,680	23,730
Capital outlay	-	-
Total High School	428,257	396,162
Preschool:		
Salaries	35,490	35,046
Employee benefits	23,465	33,037
Purchased services	49,492	18,639
Supplies & materials	9,708	2,437
Other expenses	293	76
Total Preschool	118,448	89,235
Summer School:		
Salaries	-	1,013
Employee benefits	667	385
Purchased services	-	4,761
Total Summer School	667	6,159
TOTAL BASIC PROGRAMS	1,462,380	1,337,635
Added Needs:		
Special Education:		
Salaries	51,730	90,485
Employee benefits	42,590	53,636
Purchased services	2,012	1,000
Supplies & materials	791	1,052
Other expenses	143	468
Total Special Education	97,266	146,641
Compensatory Education:		
Salaries	38,445	34,055
Employee benefits	28,716	29,292
Purchased services	-	-
Total Compensatory Education	67,161	63,347

BOYNE FALLS PUBLIC SCHOOL
GENERAL FUND
COMPARATIVE DETAIL OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2016

INSTRUCTION:	2016	2015
Added Needs (continued)		
Career Technical Education:		
Salaries	\$ 595	\$ 800
Employee benefits	197	261
Purchased services	462	705
Supplies & materials	30,778	31,211
Other expenses	291	-
Total Career Technical Education	32,323	32,977
TOTAL ADDED NEEDS	196,750	242,965
TOTAL INSTRUCTION	1,659,130	1,580,600
SUPPORT SERVICES:		
Support Services - Pupil:		
Guidance:		
Salaries	41,924	41,946
Employee benefits	24,723	22,540
Purchased services	197	-
Supplies & materials	44	2,377
Other expenses	-	-
Total Guidance	66,888	66,863
Health Services:		
Supplies & materials	288	412
Total Health Services	288	412
Other Pupil Services:		
Salaries	1,179	1,529
Employee benefits	379	574
Purchased services	3,634	2,363
Supplies & materials	-	-
Total Other Pupil Services	5,192	4,466
Total Support Services - Pupil	72,368	71,741
Support Services - Instructional Staff:		
Improvement of Instruction:		
Purchased services	-	908
Supplies & materials	217	527
Other expenses	-	-
Total Improvement of Instruction	217	1,435
Educational Media Services:		
Salaries	37,588	42,004
Employee benefits	31,508	24,552
Purchased services	973	1,026
Supplies & materials	4,931	972
Other expenses	-	-
Total Educational Media Services	75,000	68,554
Technology Assisted Instruction:		
Salaries	1,703	863
Employee benefits	130	66
Purchased services	34,181	33,883
Supplies & materials	24,629	36,162
Capital outlay	3,199	-
Total Technology Assisted Instruction	63,842	70,974

BOYNE FALLS PUBLIC SCHOOL
GENERAL FUND
COMPARATIVE DETAIL OF EXPENDITURES AND OTHER FINANCING USES - (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
SUPPORT SERVICES:		
Support Services - Instructional Staff: (continued)		
Academic Student Assessment:		
Salaries	\$ -	\$ -
Employee benefits	-	-
Purchased services	1,404	-
Supplies & materials	698	-
Other expenses	-	-
Total Academic Student Assessment	2,102	-
Total Support Services - Instructional Staff	141,161	140,963
Support Services - General Administration:		
Board of Education:		
Salaries	2,947	2,625
Employee benefits	242	205
Purchased services	15,845	14,622
Supplies & materials	27	-
Other expenses	2,790	2,650
Capital outlay	-	-
Total Board of Education	21,851	20,102
Executive Administration:		
Salaries	92,958	88,815
Employee benefits	63,908	57,507
Purchased services	3,209	3,222
Supplies & materials	448	1,969
Other expenses	255	75
Capital outlay	-	-
Total Executive Administration	160,778	151,588
Total Support Services - General Administration	182,629	171,690
Support Services - School Administration:		
Office of the Principal:		
Salaries	29,656	27,903
Employee benefits	33,532	31,895
Purchased services	57,229	48,063
Supplies & materials	1,337	1,731
Other expenses	143	413
Capital outlay	-	-
Total Support Services - School Administration	121,897	110,005
Support Services - Business:		
Other Business Services:		
Employee benefits	-	-
Purchased services	60,397	58,976
Supplies & materials	269	-
Other expenses	6,299	16,651
Total Support Services - Business	66,965	75,627

BOYNE FALLS PUBLIC SCHOOL
GENERAL FUND
COMPARATIVE DETAIL OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
SUPPORT SERVICES:		
Support Services - Operation & Maintenance:		
Purchased services	169,409	166,738
Supplies & materials	92,829	92,563
Other expenses	559	763
Capital outlay	19,315	-
Total Support Services - Operation & Maintenance	282,112	260,064
Support Services - Pupil Transportation:		
Salaries	31,923	35,098
Employee benefits	27,190	29,399
Purchased services	24,129	21,012
Supplies & materials	7,223	13,557
Other expenses	150	62
Total Support Services - Transportation	90,615	99,128
Support Services - Staff & Personnel Service		
Purchased services	-	-
Other expenses	40	-
Total Support Services - Staff/Personnel Services	40	-
Support Services - Information Management Services		
Purchased Services	2,000	2,100
Other expenses	-	-
Total Information Management Services	2,000	2,100
Support Services - Athletic Activities:		
Salaries	13,463	12,973
Employee benefits	6,267	5,567
Purchased services	24,504	25,755
Supplies & materials	288	853
Other expenses	288	200
Total Support Services - Athletic Activities	44,810	45,348
TOTAL SUPPORT SERVICES	1,004,597	976,666
TOTAL EXPENDITURES	2,663,727	2,557,266
OTHER FINANCING USES:		
Transfers to other funds	18,552	-
Loan payments	-	-
Total Other Financing Uses	18,552	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 2,682,279	\$ 2,557,266

BOYNE FALLS PUBLIC SCHOOL
TRUST AND AGENCY FUNDS
STATEMENT OF CHANGES IN DEPOSITS HELD FOR OTHERS
FOR THE YEAR ENDED JUNE 30, 2016

	BALANCES July 1, 2015	REVENUES	EXPENDITURES	BALANCES June 30, 2016
Class of 2015	\$ 1,007	\$ 1,087	\$ 2,094	\$ -
Class of 2016	25,783	51,646	75,490	1,939
Class of 2017	10,395	19,379	8,569	21,205
Class of 2018	2,901	10,588	5,655	7,834
Class of 2019	-	5,874	3,742	2,132
Athletics	100	-	-	100
BFPS Flower Fund	449	435	322	562
Baseball	141	-	-	141
Boyne Falls School pavers	2,045	250	134	2,161
Celebration of the Arts	72	-	-	72
Cross country	4,705	1,632	5,060	1,277
Girls basketball	71	-	-	71
Health fund	-	1,445	259	1,186
Library fund	198	1	92	107
Miscellaneous	5,931	844	3,389	3,386
Miscellaneous Administration	919	1,928	2,133	714
Miscellaneous Athletics	473	713	-	1,186
Music department	(27)	-	-	(27)
National honor society	372	126	28	470
Office Water fund	-	350	263	87
One to One	804	340	-	1,144
Preschool activity	2,288	1,542	214	3,616
Robotics club	(361)	4,378	2,080	1,937
Science	-	500	-	500
Soup fund	181	179	360	-
Student assistance	1,329	1,173	1,074	1,428
Student council	218	5,681	5,284	615
Volleyball	362	-	-	362
Yearbook	(427)	2,859	1,958	474
Field trip - elementary	1,094	2,580	1,715	1,959
Boys basketball	1,741	4,556	4,037	2,260
Softball	281	189	281	189
Julius Kowalski scholarship	4,482	-	-	4,482
Jill Stewart scholarship	1,039	-	-	1,039
	<u>68,566</u>	<u>120,275</u>	<u>124,233</u>	<u>64,608</u>
Totals	\$ <u>68,566</u>	\$ <u>120,275</u>	\$ <u>124,233</u>	\$ <u>64,608</u>

BOYNE FALLS PUBLIC SCHOOL
 SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS
 JUNE 30, 2016

DATE OF ISSUE - February 13, 2014

Original amount of issue - \$ 1,590,000

Purpose of issue - Refunding of the 2004 issue bonds that enabled the District in erecting, furnishing, and equipping additions to and partially remodeling Boyne Falls Public School facility; acquiring, installing and equipping the facility for technology; erecting, furnishing and equipping a bus garage and a restroom/storage building; acquiring school bus(es); and developing and improving the site.

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1	Total Fiscal Year Requirements
		November 1	May 1		
1.00%	2016-17	\$ 12,908	\$ 12,907	\$ 125,000	\$ 150,815
1.20%	2017-18	12,282	12,283	135,000	159,565
1.40%	2018-19	11,473	11,472	150,000	172,945
1.65%	2019-20	10,422	10,423	160,000	180,845
1.90%	2020-21	9,103	9,102	170,000	188,205
2.15%	2021-22	7,487	7,488	190,000	204,975
2.40%	2022-23	5,445	5,445	210,000	220,890
2.60%	2023-24	2,925	2,925	225,000	230,850
		<u>\$ 72,045</u>	<u>\$ 72,045</u>	<u>\$ 1,365,000</u>	<u>\$ 1,509,090</u>

BOYNE FALLS PUBLIC SCHOOL
SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS
JUNE 30, 2016

DATE OF ISSUE - MAY 1, 2007

Original amount of issue - \$ 5,095,000

Purpose of issue - To refund a portion of the outstanding 1999 Bond issue, dated May 1, 1999, bonds which are callable on or after May 1, 2009, and are due and payable May 1, 2010 through May 1, 2019, inclusive May 1, 2021 and May 1, 2024; and paying the costs of issuing the bonds.

Optional Redemption - Bonds maturing on or after May 1, 2018, are subject to redemption prior to maturity at the option of the School District in such order as the School District may determine and by lot within any maturity, on any date occurring on or after May 1, 2017, at par and accrued interest to the date fixed for redemption.

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1	Total Fiscal Year Requirements
		November 1	May 1		
5.00%	2016-17	\$ 65,500	\$ 65,500	\$ 340,000	\$ 471,000
4.00%	2017-18	57,000	57,000	360,000	474,000
4.00%	2018-19	49,800	49,800	375,000	474,600
4.00%	2019-20	42,300	42,300	400,000	484,600
4.00%	2020-21	34,300	34,300	420,000	488,600
4.00%	2021-22	25,900	25,900	430,000	481,800
4.00%	2022-23	17,300	17,300	435,000	469,600
4.00%	2023-24	8,600	8,600	430,000	447,200
		<u>\$ 300,700</u>	<u>\$ 300,700</u>	<u>\$ 3,190,000</u>	<u>\$ 3,791,400</u>



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Boyne Falls Public School
Boyne Falls, Michigan 49713

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Boyne Falls Public School as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Boyne Falls Public School's basic financial statements and have issued our report thereon dated September 16, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Board of Education
Boyne Falls Public School
Boyne Falls, Michigan 49713

Purpose of this Report

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

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants
September 16, 2016



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Robert J. Carpenter, CPA
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August 29, 2016

To the Board of Education
Boyne Falls Public School
Boyne Falls, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Boyne Falls Public School for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 26, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Boyne Falls Public School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2016.

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions that have been recognized in the financial statements in the proper period.

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

Management's estimate of the net book value of fixed assets is based on estimated depreciation lives.

Net pension liability.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to

the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

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

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the Required Supplemental Information listed in the Table of Contents pages 30-33, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on Other Supplemental Information listed in the Table of Contents pages 34-43, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Boyne Falls Public School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Robertson & Carpenter CPAs, PC
Certified Public Accountants