

# **BARK RIVER HARRIS PUBLIC SCHOOLS**

Audited Financial Statements and  
Additional Supplemental Information

For the Year Ended  
June 30, 2016

# Bark River Harris Public Schools

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# Bark River Harris Public Schools

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To the Board of Education  
Bark River Harris Schools  
Harris, Michigan

**INDEPENDENT AUDITOR'S REPORT**

**REPORT ON FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Bark River Harris Public Schools, Harris Michigan as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the School'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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements which, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the School'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 School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

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

**OPINION**

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 Bark River Harris Public Schools as of June 30, 2016, and the respective changes in financial position where applicable, thereof for the year then ended, accordance with accounting principles generally accepted in the United States of America.

## **OTHER – MATTERS**

### **Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and budgetary comparison information on pages 3 through 8, the Schedule of Bark River Harris Public Schools Contributions on page 34 and the Schedule of Bark River Harris Public Schools Proportionate Share of the Net Pension Liability on page 35, 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 response to my inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bark River Harris Public School's, Harris, Michigan, basic financial statements. The non-major fund financial statements and other supplemental schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

### **OTHER REPORTING REQUIRED BY GOVERNMENTAL AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report letter dated August 22, 2016, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bark River Harris Public School's internal control over financial reporting and compliance.

Johnson & Rennie, LLC  
Menominee, Michigan  
August 22, 2016



**Bark River Harris Public Schools**  
Management's Discussion and Analysis  
Year Ended June 30, 2016

**Management's Discussion and Analysis**

This section of the Bark River Harris Public School's Districts annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2016. It is to be read in conjunction with the School District's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending June 30, 2016.

**District-wide Financial Statements**

The District-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the School District as a whole. The statements prepared using the accrual basis of accounting which is the accounting method used by most private sector businesses. The statement of net position includes all of the School District's assets and liabilities. All current year revenues and expenses are reported for in the statement of activities. The two statements report the Governmental activities of the School District that include all services performed by the School District including but not limited to instruction, support services, food services, athletics and debt service. These activities are funded mostly by State aid as determined by pupil counts, Federal and State grants and local property taxes.

The statement of net position as stated previously, shows the School District's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficits of the School District. A deficit occurs when there are more liabilities than there are assets to pay those liabilities. This statement measures the financial strength of the School District; the greater the net asset figure, the healthier the School District generally is. This shows if the School District will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net position on a revenue less expenditure basis. It generally shows the operating results for a given year of the School District. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net position (or reduces a deficit) available to fund future needs of the School District.

**Fund Financial Statements**

The School District's fund financial statements show detail of funds that are determined to be significant, called major funds. The funds that is separately stated as a major fund is the General Fund which is the operating fund of the School District. All other funds of the School District are considered non-major and are reported as one column. Separate funds are often required to be set up and separately recorded due to State or Federal statutes or by bond covenants or other contractual agreements. The School District may also choose to set up separate funds to better control and track certain monies. All of the School District's services are reported in Governmental types. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

## Management's Discussion and Analysis (continued)

The School District has the following non-major Governmental Funds. The School District operates the Food Service Fund which accounts for the breakfast and hot lunch programs and Debt Service Fund accounting for Bond Activities.

Fiduciary Funds are funds that account for certain activities in which the School District acts as a trustee or in an agent capacity. The agency fund accounts for various student and other activity groups who raise funds for specific purposes to be spent on whatever purpose the group wants. The school also maintains a student loan fund used to account for scholarship loans to eligible students and their subsequent repayments. These activities are not included in the District-wide financial statements as they represent resources that are not available for the School District's operations.

Governmental Funds are accounted for by using an accounting method called modified accrual accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The Governmental Fund financial statements show detail of operations for a given year according to this method of accounting. This is similar to how the School District reported their finances in the past. The individual fund statement helps determine what financial resources are available on a short-term basis to fund operations.

Since the District-wide financial statements and the fund financial statements use different methods of accounting to report the School District's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

Management's Discussion and Analysis (continued)

**District-wide Financial Statements - Condensed Financial Information**

Statement of Net Position

The following table shows the Governmental Activities condensed statement of net position with a detailed analysis of the statement below.

	Governmental Activities	
	June 30, 2015	June 30, 2014
<b>Assets</b>		
Current Assets:		
Cash and investments	\$ 1,627,828	\$ 2,219,206
Accounts receivable	1,115,299	1,065,537
Other current assets	123,463	84,664
<b>Total Current Assets</b>	<b>2,866,590</b>	<b>3,369,407</b>
Noncurrent Assets:		
Capital assets, net of accumulated depreciation and amortization of \$331,547	3,882,078	3,415,473
<b>Total Noncurrent Assets</b>	<b>3,882,078</b>	<b>3,415,473</b>
<b>Total Assets</b>	<b>6,748,668</b>	<b>6,784,880</b>
<b>Deferred Outflow of Resources - Employee Retirement System</b>	<b>1,084,275</b>	<b>1,118,254</b>
<b>Total Assets and Deferred Outflow</b>	<b>\$ 7,832,943</b>	<b>\$ 7,903,134</b>
<b>Liabilities</b>		
Accrued salaries and benefits	\$ 656,961	\$ 620,103
Other current liabilities	338,491	416,285
<b>Total Current Liabilities</b>	<b>995,452</b>	<b>1,036,388</b>
<b>Long-Term Liabilities, net of current portion of \$160,000</b>		
Bonds payable	705,000	875,000
Compensated absences	465,571	440,100
Net pension liability	9,230,963	8,248,654
Capital lease	-	-
<b>Total Liabilities</b>	<b>10,401,534</b>	<b>9,563,754</b>
<b>Total Liabilities</b>	<b>11,396,986</b>	<b>10,600,142</b>
<b>Deferred Inflow of Resources</b>		
Unavailable revenue	29,962	7,650
Employee retirement system	31,178	911,892
<b>Total Deferred Inflow of Resources</b>	<b>61,140</b>	<b>919,542</b>
<b>Total Noncurrent Liabilities</b>		
<b>Net Position</b>		
Investment (deficit) in capital assets, net of related debt	3,004,526	2,305,476
Restricted	36,510	42,418
Unrestricted	(6,666,219)	(5,964,444)
<b>Total Net Position</b>	<b>(3,625,183)</b>	<b>(3,616,550)</b>
<b>Total Liabilities, Deferred Inflow &amp; Net Position</b>	<b>\$ 7,832,943</b>	<b>\$ 7,903,134</b>



## Management's Discussion and Analysis (continued)

### District-wide Financial Statements - Condensed Financial Information (continued)

#### Statement of Net Assets (continued)

The previous table shows the School District's net position in a deficit of \$3,625,183 at June 30, 2016. Capital assets net of related debt is reported as an investment of \$3,004,526. This figure is derived by taking the original costs of the School District's assets accumulated depreciation to date and comparing this figure to the amount of long-term debt used to finance the acquisition of those assets. Most of the debt related to the capital assets will be repaid from voter-approved property taxes collected as the debt service comes due.

Restricted net position of \$36,510 is restricted for Debt Retirement and Food Service. As previously mentioned, the Debt Retirement monies come from voter approved property taxes. The net position is restricted as they are not allowed to be used for daily School District operations.

The unrestricted net position is reported as a deficit of \$6,666,219 as of June 30, 2016. This is the net accumulated results of past years' operations. The deficit in the unrestricted net position shows that the School District does not have an ample amount of assets to fund liabilities at June 30, 2016. The general fund operating results impact the unrestricted net position on a yearly basis.

#### Statement of Activities

The results of operations for the School District as a whole are reported in the statement of activities (see condensed table below). This statement shows the changes in net position for the fiscal year ended June 30, 2016 and 2015 for the Governmental Activities.

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<b>Revenue</b>		
Program Revenue:		
Charges for services	\$ 243,475	\$ 173,419
Operating grants and entitlements	761,523	615,578
State categoricals	625,924	654,827
General Revenue:		
Property taxes	530,566	522,200
State aid	5,014,086	4,936,851
Other	11,458	40,806
<b>Total Revenue</b>	<u>7,187,032</u>	<u>6,943,681</u>
<b>Functions/Program Expenses</b>		
Instruction	4,682,833	4,132,246
Supporting services	1,663,329	1,607,229
Food services	398,379	359,588
Athletics	94,269	100,441
Interest on long-term debt	20,643	25,259
Depreciation (unallocated)	330,556	309,186
Special items - loss or asset disposals	5,656	-
<b>Total Expenses</b>	<u>7,195,665</u>	<u>6,533,949</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ (8,633)</u>	<u>\$ 409,732</u>

### **Statement of Activities (continued)**

As reported in the Statement of Activities, the School District had an overall decrease in net position of \$8,633. The School District reports a total net position deficit of \$3,265,183. The unrestricted net position shows a deficit of \$6,666,219.

The School District's revenues totaled \$7,187,032. Of this amount, the State aid accounts for 70% of total revenues or \$5,014,086. Property taxes assessed to the residents of the School District not restricted for other purposes totaled \$349,197. This accounts for 5% of total revenue to be spent on general education and operating needs.

The School District's total cost to fund all Governmental activities was \$7,195,665. Approximately 22% or \$1,630,922 of these costs were financed by those who benefitted from the service or funded by grants from other Governmental agencies. This shows the importance of budgeting and determining what programs the School District will fund with unrestricted revenues on a yearly basis.

### **Fund Financial Statements**

The Governmental Fund financial statements report the School District's finances under the modified account basis of accounting. Under this method revenues are recognized when available and expenditures when incurred. The fund balance reported a surplus of \$2,013,728 at June 30, 2016. It decreased for all Governmental Funds by \$541,736 for the year. The General Fund reported a decrease in the fund balance of \$535,848.

This overall decrease in the General Fund balance was a result of construction costs for improvements to the School of \$808,140 being paid by the General Fund.

The debt retirement fund balance decreased by \$2,638. This decrease was a result of a lower tax assessment by the School due to prior years Bond refinancing.

The food service fund had a \$3,250 decrease. This decrease resulted from higher costs than budgeted in this fund.

### **Major Governmental Funds Budgeting and Operating Highlights**

The School Districts budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, usually before the State of Michigan enacts its budget or most grants are awarded. Therefore, it is expected that there will be significant changes between the initial budget and subsequent budgets, as actual grant awards are known. The most significant fund budgeting is the General Fund. The budget is amended at least two times during the year. The budget includes estimated State revenues until the actual amount is determined. Since a major portion of the District is funded by these revenues, budget amendments are necessary to include these funds.

## Management's Discussion and Analysis (continued)

### General Fund

#### *General Fund Revenue Budget vs. Actual History*

<u>Fiscal Year</u>	<u>Revenues Original Budget</u>	<u>Revenues Final Budget</u>	<u>Revenues Final Actual</u>	<u>Rev. Var. Actual vs. Final Budget</u>
2012-2013	5,303,789	6,020,220	6,022,033	(1,813)
2013-2014	5,792,984	6,146,925	6,107,341	39,584
2014-2015	6,012,143	6,446,385	6,432,109	14,276
2015-2016	6,379,637	6,659,651	6,630,484	29,167

#### *General Fund Expenditures Budget vs. Actual History*

<u>Fiscal Year</u>	<u>Expenditures Original Budget</u>	<u>Expenditures Final Budget</u>	<u>Expenditures Final Actual</u>	<u>Exp. Var. Actual vs. Final Budget</u>
2012-2013	5,610,177	5,934,801	5,831,128	(103,673)
2013-2014	5,765,511	6,665,825	6,688,393	22,568
2014-2015	6,193,400	6,252,442	6,141,972	(110,470)
2015-2016	6,438,552	7,310,072	7,087,534	(222,538)

### **Capital Assets**

At June 30, 2016, the School District had \$3,878,157 invested in Capital Assets. This included a net increase during the past fiscal year of \$465,786, consisting of additions of \$808,148 and depreciation charges of \$330,566. The major investment came from construction costs for improvements to the School. This was paid by the General Fund which was set aside in prior years.

### **Debt**

The School District has \$1,340,571 of long-term debt, including \$185,312 due in the next fiscal year. This includes bonds issued for construction, capital leases on equipment purchases and employee related benefits such as early retirement incentives, health insurance and sick pay future expenses for accruals. The long-term debt decreased by \$201,605 during the year. The State allows districts to issue general obligation debt up to 15% of the assessed value of all taxable property within the School District's boundaries. The School District is under this limit by a considerable amount. The notes to the financial statements provide detail of each long-term debt issue.

### **Future Considerations**

With the outlook calling for no increase in State school aid funding, cuts in other categorical aid and the inability for the School District to obtain additional property tax revenues for operations due to State Statute, the School District is under increased pressure to adopt a budget that will include cost reducing measures. A modest increase in student enrollment and the stagnant local economy will also weigh heavily on the amount of expenditure cuts that need to be made. A thorough analysis of all areas of the School District will need to be made.

### **Contacting the School District**

If you have any questions about this report or need additional information, contact the Superintendent's office at Bark River Harris Public Schools; Harris, Michigan.

**Bark River Harris Public Schools**  
**Statement of Net Position**  
June 30, 2016

	Governmental Activities
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 1,627,828
Due from other Governmental units	1,094,655
Accounts receivable	20,644
Inventories	1,562
Prepaid expense	121,901
<b>Total Current Assets</b>	<b>2,866,590</b>
<b>Noncurrent Assets:</b>	
Capital assets	8,680,385
Less: accumulated depreciation	(4,802,228)
Bond Discounts	7,845
Less: accumulated amortization	(3,924)
<b>Total Noncurrent Assets</b>	<b>3,882,078</b>
<b>Deferred Outflow of Resources - Pension</b>	<b>1,084,275</b>
<b>Total Assets and Deferred Outflow</b>	<b>\$ 7,832,943</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 115,924
Accrued salaries and withholding	656,961
Accrued interest	2,552
Bonds payable, due within 1 year	170,000
Compensated absences and severance pay	50,015
<b>Total Current Liabilities</b>	<b>995,452</b>
<b>Non-Current Liabilities</b>	
Bonds payable	705,000
Compensated absences	465,571
Not pension liability	9,230,963
<b>Total Non-Current Liabilities</b>	<b>10,401,534</b>
<b>Total Liabilities</b>	<b>11,396,986</b>
<b>Deferred Inflow of Resources</b>	
Unavailable revenue	29,962
Pension	31,178
<b>Total Deferred Inflow of Resources</b>	<b>61,140</b>
<b>Net Position</b>	
Invested in capital assets, net of related debt	3,004,526
Restricted for debt service	34,755
Restricted for hot lunch	1,755
Unrestricted	(6,666,219)
<b>Total Net Position</b>	<b>(3,625,183)</b>
<b>Total Liabilities, Deferred Inflow of Resources &amp; Net Position</b>	<b>\$ 7,832,943</b>

**Bark River Harris Public Schools**  
Statement of Activities  
June 30, 2016

		Program Revenues		Governmental Activities
				Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
<b>GOVERNMENTAL FUNCTIONS</b>				
Current:				
Instruction	(4,682,833)	29,976	1,120,709	(3,532,148)
Supporting services	(1,663,329)	33,918	25,404	(1,604,007)
Food services	(398,379)	139,615	241,334	(17,430)
Athletics	(94,269)	39,966	-	(54,303)
Interest on long-term debt	(20,643)	-	-	(20,643)
Depreciation (unallocated)	(330,556)	-	-	(330,556)
Total Governmental Functions	(7,190,009)	243,475	1,387,447	(5,559,087)
<b>GENERAL REVENUES</b>				
Property taxes				
General purposes				354,992
Debt services				175,574
State aid not restricted for specific purpose				5,014,086
Interest and investment earnings				6,658
Other				4,800
Total General Revenues				5,556,110
Special Item - Loss on disposal of assets				(5,656)
Change in Net Position for the Year				(8,633)
Net Position at July 1, 2015				(3,616,550)
Net Position June 30, 2016				<u>\$ (3,625,183)</u>

# Bark River Harris Public Schools

## Balance Sheet Governmental Fund Types June 30, 2016

	General	Other Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 1,591,989	\$ 35,839	\$ 1,627,828
Due from other Governmental units	1,086,629	8,026	1,094,655
Accounts receivable	19,618	1,026	20,644
Inventory	-	1,562	1,562
Due from other funds	-	-	-
Prepaid expenses	116,452	5,449	121,901
<b>Total Assets</b>	<b>\$ 2,814,688</b>	<b>\$ 51,902</b>	<b>\$ 2,866,590</b>
<b>Liabilities, and Fund Balances</b>			
<b>Liabilities</b>			
Due from other funds	\$ -	\$ -	\$ -
Accounts payable	103,466	12,458	115,924
Accrued payroll and benefits	706,976	-	706,976
<b>Total Liabilities</b>	<b>810,442</b>	<b>12,458</b>	<b>822,900</b>
<b>Deferred Inflow of Resources</b>			
Unavailable Revenue	27,048	2,914	29,962
<b>Fund Balances</b>			
Non-spendable			
Inventory	-	1,562	1,562
Prepays	116,452	5,449	121,901
Restricted for:			
Debt retirement	-	34,755	34,755
Hot lunch	-	(5,236)	(5,236)
Committed to:			
Capital projects	100,000	-	100,000
Early retirement incentive	500,000	-	500,000
Unassigned	1,260,746	-	1,260,746
<b>Total Fund Equity</b>	<b>1,977,198</b>	<b>36,530</b>	<b>2,013,728</b>
<b>Total Liabilities, Deferred Inflow of Resources and Fund Balances</b>	<b>\$ 2,814,688</b>	<b>\$ 51,902</b>	<b>\$ 2,866,590</b>



**Bark River Harris Public Schools**  
Reconciliation of Governmental Funds  
Balance Sheet with the Statement of Net Position  
June 30, 2016

Total Government Fund Balances		\$ 2,013,728
<i>Amounts Reported for Governmental Activities are in the Statement of Net Position Because:</i>		
Capital Assets used in Governmental Activities are not financial resources and are not reported in the funds		
The Cost of Capital Assets are:	8,680,385	
Accumulated Depreciation is:	<u>(4,802,228)</u>	3,878,157
Long-term debt refinancing is not included as an asset in the Debt Retirement Fund		
Amortization	<u>3,921</u>	3,921
Long-term liabilities are not due and payable in the current period and are not reported in the funds		
Bonds Payable		(875,000)
Compensated Absences		(465,571)
Accrued interest is not included as a liability in Governmental Fund Types		(2,552)
Net Pension obligations are not due and payable in the current period and therefore, are not reported in the funds		
Net Pension Liability		(9,230,963)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds		
Deferred outflows of resources related to pensions		1,084,275
Deferred inflows of resources related to pensions		<u>(31,178)</u>
Net Position of Governmental Activities		<u>\$ (3,625,183)</u>

**Bark River Harris Public Schools**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Year Ended  
June 30, 2016

	General	Other Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUE</b>			
Local sources	\$ 446,655	\$ 315,214	\$ 761,869
State sources	5,775,609	17,982	5,793,591
Federal sources	359,186	223,352	582,538
Inter-district & other sources	49,034	-	49,034
<b>Total Revenue</b>	<u>6,630,484</u>	<u>556,548</u>	<u>7,187,032</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	4,521,788	-	4,521,788
Supporting service	1,757,598	398,379	2,155,977
Debt Service:			
Principal retirement	-	160,000	160,000
Interest	-	18,237	18,237
Capital outlay	808,148	-	808,148
<b>Total Expenditures</b>	<u>7,087,534</u>	<u>576,616</u>	<u>7,664,150</u>
<b>Excess of Revenues - (Expenditures)</b>	(457,050)	(20,068)	(477,118)
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of School property	4,350	-	4,350
Transfers out	(14,180)	14,180	-
Payment on Capital lease	(68,968)	-	(68,968)
<b>Total Other Financing Sources</b>	<u>(78,798)</u>	<u>14,180</u>	<u>(64,618)</u>
 Net Change in Fund Balance	 (535,848)	 (5,888)	 (541,736)
Fund balance July 1	<u>2,513,046</u>	<u>42,418</u>	<u>2,555,464</u>
Fund Balance June 30	<u><u>\$ 1,977,198</u></u>	<u><u>\$ 36,530</u></u>	<u><u>\$ 2,013,728</u></u>

**Bark River Harris Public Schools**  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Year Ended June 30, 2016

**Net Changes in Fund Balances - Total Governmental Funds** **\$ (541,736)**

*Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:*

Governmental Funds report Capital Outlays as expenditures in the Statement of Activities. These costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(330,556)	
Capital Outlay	<u>808,148</u>	477,592

Governmental Funds report a bond discount as an expenditure in the Statement of Activities. These costs are amortized over the life of the bonded debt

Amortization		(981)
--------------	--	-------

In the statement of activities the net book value of assets disposed of during the year are reported as a loss		(10,006)
--	--	----------

Accrued interest is recorded in the Statement of Activities when incurred and is not reported in Governmental Funds until paid		467
--	--	-----

Repayment of bond principal is an expenditure in the Governmental Funds but not in the Statement of Activities (where it reduces long-term debt)		160,000
--	--	---------

Repayment of Capital Lease is an expenditure in the Governmental Funds but not in the Statement of Activities (where it increase long-term debt)		67,076
--	--	--------

Governmental Funds report district pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense.

In the statement of activities, operating expenses for pension related items are measured by amounts earned during the year while the governmental funds report expenditures as amounts paid. This year the amount paid for pension related items was less than the amount earned.		(135,574)
--	--	-----------

Decreases in compensated absences are reported as expenditures when financial resources are used in the Governmental Funds		<u>(25,471)</u>
--	--	-----------------

<b>Change in Net Position as Governmental Activities</b>		<b><u>\$ (8,633)</u></b>
--	--	--------------------------

# Bark River Harris Public Schools

## Statement of Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2016

	Private Purpose Trust	Agency Fund Student Activities	Total
<b>ASSETS</b>			
Cash	\$ 8,748	\$ 67,958	\$ 76,706
Accounts receivable	-	-	-
<b>Total Assets</b>	<u>\$ 8,748</u>	<u>\$ 67,958</u>	<u>\$ 76,706</u>
<b>LIABILITIES</b>			
Due to student groups	\$ -	\$ 67,958	\$ 67,958
<b>NET POSITION</b>			
Reserve for student loans	8,748	-	8,748
<b>Total Liabilities and Net Position</b>	<u>\$ 8,748</u>	<u>\$ 67,958</u>	<u>\$ 76,706</u>

## Statement of Changes in Fiduciary Net Position - Private Purpose Trust Fund

<b>REVENUES</b>	
Interest	\$ 5
<b>Total Revenues</b>	<u>5</u>
<b>EXPENDITURES</b>	
Student loans	-
<b>Total Expenditures</b>	<u>-</u>
Excess Revenues Over (Under) Expenditures	5
Net Position	
Beginning Balance July 1	8,743
Ending Balance June 30	<u>\$ 8,748</u>

**Bark River Harris Public Schools**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE A      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Bark River Harris Public Schools have been prepared as prescribed by the Michigan Department of Education. These policies are in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the School District's entity financial reporting purposes nor is the School District a component unit of another entity. The criteria established for determining the various governmental organizations to be included in the School District's financial statements include oversight responsibility, scope of public service and special financing relationships. Based upon the application of these criteria the financial statements of the School District contain all the funds controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the District.

Basis of Presentation

District-Wide Financial Statements

The School District-wide financial statements (Statement of Net Position and statement of Activities) report information on all of the activities of the School District except for the fiduciary activities. All of the School District's activities are considered to be governmental activities. Interfund activity including operating transfers between activities and amounts due to and from governmental activities has been eliminated in the School District-wide statements.

Fund-Based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental as well as fiduciary funds are provided. The various fund types are grouped in the financial statements as major funds or non-major funds. The School District reports the following major governmental fund:

General Fund - is the general operating fund of the School District. The fund is used to account for all financial resources except those required to be accounted for in another fund.

**Bark River Harris Public Schools**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE A**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**  
Basis of Presentation (continued)

*All other governmental funds are considered to be non-major. They include:*

Debt Service Fund - is used to account for the payment of principal and interest on the school building and site bonds payable.

Special Revenue Fund - is used by the School District to account for food services.

**Fiduciary Funds**

Private-Purpose Trust Fund - is used to account for assets held by the School District in a trustee capacity as administrator of scholarship and other funds under direct control of the School District.

Agency Fund - is used to account for assets held by the Schools District in its capacity as a receiving and paying agent for the several student body activity groups.

**Basis of Accounting**

**District-Wide Financial Statements**

The District-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The statement of Activities reports net cost information based on the School District's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the School District provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state aid and other revenues that are not program revenues are reported as general revenues.

**Fund-Based Financial Statements**

The governmental funds and fiduciary funds are accounted for by using the modified accrual basis of accounting as required by the Michigan Department of Education. Under the modified accrual basis of accounting, revenue is recognized when the revenue is subject to accrual, eligibility requirements are met and the revenues are available to finance expenditures of the fiscal period. Revenue is considered available when the revenue has been collected in the current period or soon enough after the end of the period to use to pay current period liabilities.



**Bark River Harris Public Schools**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE A**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**  
Basis of Accounting (continued)

Fund-Based Financial Statements (continued)

The School District considers revenues to be available if collected within 60 days of the end of the period. Expenditures are recorded when the related liability is incurred. Exceptions to this general rule include certain compensated absences and principal and interest on long-term debt, both of which are recognized when due. Property taxes are recognized in the fiscal year for which the taxes have been levied.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Current property taxes are collected for the School District by the Townships of Bark River and Harris. School taxes are levied on July 1.

Delinquent real property taxes of the School District are purchased annually by the County of Delta.

State Foundation Revenue

The State of Michigan follows a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state wide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information regarding average pupil membership supplied by the districts. The funds received in July and August of 2016 are state appropriations for the year ended June 30, 2016, and, as such, are recorded as accounts receivable.

State Categorical Revenue

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

Federal Revenue

Expenditure-driven grants are recognized as revenue when revenue is available, the qualifying expenditures have been incurred and all other grant requirements have been met.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposit accounts at local financial institutions.

**Bark River Harris Public Schools**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE A      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Investments

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

Short-Term Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund-based financial statements.

Restricted Assets

Restricted assets consist of cash and cash equivalents of the Debt Services Funds required to be set aside for future bond principal and interest payments.

Inventories and Prepaid Items

Inventories are stated at cost and consist principally of supplies, heating fuel and bus fuel. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets and Depreciation

Capital assets include land and improvements, buildings, furniture and fixtures, equipment, school buses and vehicles and are reported in the School District-wide financial statements. Capital assets are defined by the School District as assets with an acquisition cost of more than \$1,000 with an estimated useful life in excess of one year. Assets meeting these criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the District-Wide Statement of Activities and included as a direct expense of an identifiable function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

The capital assets are depreciated using the straight-line method with a half month depreciation taken for assets purchased during the year over the following useful lives (land excluded as not depreciable):

Building and additions	20 - 40 years
Furniture, fixtures and other equipment	05 - 15 years
School buses and vehicles	05 - 10 years

**Bark River Harris Public Schools**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE A      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Compensated Absences

The liability for accumulated vacation and sick pay amounts is recorded in the District-wide statement of net assets.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Defined Benefit Plan

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

Unemployment Insurance

The School District reimburses the Michigan Employment Security Commission for the actual amount disbursed on behalf of the School District.

Long-Term Obligations

The School District reports long-term debt and other long-term obligations in the District-wide statement of net assets. Amounts are recorded at face value along with any accrued interest to June 30, 2016.

Investment in Capital Assets Net of Related Debt

This is a portion of the net assets of the School District that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for notes, bonds and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position

Net position is restricted when there are constraints placed on their use by external parties or by statute.

Unrestricted Net Position

Net position not meeting either criteria above or considered unrestricted.

**Bark River Harris Public Schools**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE A      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fund Balance

In the fund-based financial statements the restricted fund balances represent the amount set aside for constraints placed on them by external creditors or laws of other Governments. The committed fund balances represent the internal reservations by the School District's Board.

The non-spendable balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact.

Use of Estimates

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

Subsequent Events

Management has evaluated subsequent events through the date of the audit report.

**NOTE B      STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets

The School District follows these procedures in establishing the budgetary data reflected in the financial statements for the General and Special Revenue Funds. The School District is not legally required to adopt budgets for the Debt Service Funds.

1. Prior to July 1, the School District Superintendent submits to the Board of Education, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted at a regular meeting by Board of Education approval.
4. Any revisions to the budgeted amounts must be approved by the Board of Education.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. These budgets lapse at the end of each year.
6. Budgeted amounts presented in the financial statements are as originally adopted or as amended by the Board of Education prior to June 30, 2016.

Public Act 621 of 1978 Disclosures

Public Act 621 of 1978 requires local units of government (including School Districts) to prepare and to monitor their fiscal year budgets in accordance therewith. The Act provides that a school district must amend its budget if it becomes apparent that the School Districts actual revenues will deviate from those budgeted or if the School District's expenditures will exceed the amount appropriated. During the year ended June 30, 2016, the School District monitored and amended its budget and was in substantial compliance with the Act.



**Bark River Harris Public Schools**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

Public Act 275 of 1980 Disclosure

There were no deficits in any of the School District's fund-based financial statements as of June 30, 2016.

**NOTE C CASH AND INVESTMENTS**

The carrying amount of various deposits presented on the statement of net assets as "Cash and Investments" were made in financial institutions whose deposits are covered by federal depository insurance or in a municipal investment fund. All deposits were made in accordance with State of Michigan statutes and under authorization of the Board of Education.

At June 30, 2016, cash and investments on deposit in financial institutions totaled \$1,713,934, of which \$534,755 was covered by depository insurance and \$1,179,179 exceeded insurance limits. The School District places its deposits and investments with, what it believes to be, high quality financial institutions. Although such deposits and investments were in uninsured funds, they are, in the opinion of the School District, subject to minimal risk.

**NOTE D CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	Balance 7/1/15	Additions	Disposals and Adjustments	Balance 6/30/16
<b>Assets not being Depr:</b>				
Land	\$ 11,361	\$ -	\$ -	11,361
<b>Capital Assets being Depr:</b>				
Bldg & bldg improvement	6,065,792	763,372	-	6,829,164
Buses & other vehicles	767,070	-	-	767,070
Furniture & equipment	1,044,690	44,776	16,676	1,072,790
Total	7,888,913	808,148	16,676	8,680,385
<b>Accumulated Depreciation:</b>				
Bldg & bldg improvement	3,196,878	192,115	-	3,388,993
Buses & other vehicles	609,109	23,261	-	632,370
Furniture & equipment	672,355	115,180	6,670	780,865
Total	4,478,342	330,556	6,670	4,802,228
<b>Net Capital Assets</b>	<u>\$ 3,410,571</u>	<u>\$ 477,592</u>	<u>\$ 10,006</u>	<u>\$ 3,878,157</u>

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

**Bark River Harris Public Schools**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE E LONG-TERM DEBT**

Changes in Long-Term Debt are summarized as follows:

	Balance 7/1/15	Additions	Deductions	Balance 6/30/16
Notes payable for:				
Compensated absences	\$ 440,100	\$ 25,471	\$ -	\$ 465,571
School bldg & site bonds	1,035,000	-	160,000	875,000
Apple, Inc. capital lease	67,076	-	67,076	-
	<u>\$ 1,542,176</u>	<u>\$ 25,471</u>	<u>\$ 227,076</u>	<u>\$ 1,340,571</u>

1992 School Building and Site Bonds

On June 1, 1992, the School District issued \$1,800,000 of 1992 School Building and Site Bonds for renovation of the School. On September 25, 2003 and January 19, 2015 the School District refinanced these funds. The bonds are unlimited tax general obligations of the School District and bear interest rates of 1.75%. A summary of annual principal and interest requirements to maturity with interest paid November 1 and interest and principal paid May 1 follows:

Maturity	Interest Rate	Principal	Interest Amount		Total
			1-Nov	1-May	
2017	1.750%	\$ 170,000	\$ 7,656	\$ 7,656	\$ 185,312
2018	1.750%	170,000	6,169	6,169	182,338
2019	1.750%	175,000	4,681	4,681	184,362
2020	1.750%	180,000	3,150	3,150	186,300
2021	1.750%	180,000	1,575	1,575	183,150
		<u>\$ 875,000</u>	<u>\$ 23,231</u>	<u>\$ 23,231</u>	<u>\$ 921,462</u>

Apple, Inc. Capital Lease

On July 11, 2014 the School District entered into a Master Purchase Lease Agreement of \$201,280 for the acquisition of computer hardware. This lease bears an interest rate of 2.82% and was paid off during the year ended June 30, 2016.



**Bark River Harris Public Schools**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE E      LONG-TERM DEBT (continued)**

Compensated Absences

Compensated absences consist of amounts due employees for unused accumulated sick leave upon termination of their employment. Support Service Employees can accumulate up to 120 days of sick leave and will be paid at their daily wage per day for unused sick leave upon termination. Teachers can accumulate up to 300 days and will be paid upon termination. The School administrators will be paid accumulated sick days up to a maximum of 160 days upon termination of employment.

Following is a summary of compensated absences due at June 30, 2016:

Teachers	\$        338,727
Administrators	103,940
Support staff	22,904
	<u>\$        465,571</u>

The aggregate amounts due on long-term debt excluding employee benefits for following years as follows:

<u>Year Ending June 30</u>	
2017	\$        185,312
2018	\$        182,338
2019	\$        184,362
2020	\$        186,300
2021	\$        183,150

**Bark River Harris Public Schools**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE F – GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPERS) PENSION PLAN**

**PLAN DESCRIPTION**

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

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

The System's financial statements are available at [www.michigan.gov/mpers-cafr](http://www.michigan.gov/mpers-cafr)

**Benefits Provided**

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

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

**Contributions and Funded Status**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State Statute and may be amended only by action of the State Legislature

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

**Bark River Harris Public Schools**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE F – GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPSERS) PENSION PLAN (continued)**

Contributions and Funded Status (continued)

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0-4.0%	22.52-23.07%
Member Investment Plan	3.0-7.0%	22.52-23.07%
Pension Plus	3.0-6.4%	21.99%
Defined Contribution	0.0%	17.72-18.76%

Required contributions to the pension plan from Bark River Harris Public Schools were \$729,077 for the year ended September 30, 2015.

**PENSION, LIABILITIES, PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

At June 30, 2016, Bark River Harris Public Schools reported a liability of \$9,230,963 for its proportionate share of the MPSERS net pension liability. The next pension liability was measured as of September 30, 2015 and the total pension liability used to calculate the net position was determined by an actuarial valuation rolled forward from September 2014. Bark River Harris Public School's proportion of the net pension liability was determined by dividing each employers statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, Bark River Harris Public Schools proportion was 0.03780 percent, which was an increase of .35 percent from its proportionate measured as of September 30, 2014.

For the year ended June 30, 2016, Bark River Harris Public School's recognized pension expense of \$797,323. At June 30, 2016, Bark River Harris Public School's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ 30,576
Changes of assumptions	227,286	-
Net difference between projected and actual earnings on pension plan investments	47,117	-
Changes in proportion and differences between Bark River Harris Schools contributions and proportionate share of contributions	64,170	602
Bark River Harris Public Schools contributions subsequent to the measurement date	745,702	-
	<u>\$ 1,084,275</u>	<u>\$ 31,178</u>

**Bark River Harris Public Schools**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE F – GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPERS) PENSION PLAN (continued)**

\$751,599 reported as deferred outflows of resources related to pensions resulting from employer 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 as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows: Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflows) and Deferred Outflow of Resources by Year (to Be Recognized in Future Pension Expenses)

Plan Year Ended September 30	Amount
2016	\$ 43,012
2017	\$ 43,012
2018	\$ 30,687
2019	\$ 190,684

Actuarial Assumptions

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

Summary of Actuarial Assumptions

Valuation Date	September 30, 2014
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	3.5%
Investment Rate of Return	
-MIP and Basic Plans (Non-Hybrid)	8.0%
-Pension Plan Plus (Hybrid)	7.0%
Projected Salary Increases	3.5-12.3%, including wage inflation at 3.5%
Cost of Living Pension Adjustments	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

**Bark River Harris Public Schools**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE F – GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPERS) PENSION PLAN (continued)**

Summary of Actuarial Assumptions (continued)

**Notes:**

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2014, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.7158
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2015 MPERS Comprehensive Annual Financial Report. [www.michigan.gov/mpsers-cafr](http://www.michigan.gov/mpsers-cafr)

Long-Term Expected Return on Plan Assets

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity Pools	28.0%	5.9%
% Alternative Investment Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	90.0%
Real Estate and Infrastructure Pools	10.0%	4.3%
Absolute Return pools	15.5%	6.0%
Short-Term Investment Pools	2.0%	0.0%
<b>TOTAL</b>	<b>100.0%</b>	

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



**Bark River Harris Public Schools**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE F – GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPERS) PENSION PLAN (continued)**

Discount Rate

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

Sensitivity of Bark River Harris Public Schools Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents Bark River Harris Public Schools proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what Bark River Harris Public Schools proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

<b>1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%</b>	<b>Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%</b>	<b>1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%</b>
<b>\$11,991,077</b>	<b>\$9,320,963</b>	<b>\$6,979,947</b>

Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR. See the 2015 MPERS.

CAFR ([www.michigan.gov/documents/orsschools/MPERS\\_CAFR\\_2015\\_Final\\_510211\\_7.pdf](http://www.michigan.gov/documents/orsschools/MPERS_CAFR_2015_Final_510211_7.pdf))

Payables to the Michigan Public School Employees' Retirement System (MPERS)

At June 30, 2015, the District reported a payable of \$113,834 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

Postemployment Benefits

Under the MPERS act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage through MPERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare, of the monthly premium amount for the health, dental and vision coverage at the time of receiving the benefits. The MPERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. Members can choose to contribute 3 percent of their covered payroll to the Retiree



**Bark River Harris Public Schools**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE F – GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (MPERS) PENSION PLAN (continued)**

Postemployment Benefits (continued)

Healthcare Fund and keep this premium subsidy benefit or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 401(k) account.

**NOTE G DEFERRED INFLOW (OUTFLOW) OF RESOURCES**

The School District's deferred inflow of resources at June 30, 2016, consisted of:

	Governmental Funds	District-wide Funds
General	\$ 27,048	\$ 27,048
Hot Lunch	2,914	2,914
Employee Retirement System	-	31,178
	<u>\$ 29,962</u>	<u>\$ 61,140</u>

The School District's deferred outflow of resources at June 30, 2016 consisted of:

	Governmental Funds	District-wide Funds
	\$ -	\$ 1,084,275
	<u>\$ -</u>	<u>\$ 1,084,275</u>

**NOTE H INTERFUND RECEIVABLES AND PAYABLES - FUND BASED FINANCIAL STATEMENTS**

There were no Interfund receivables or payables during the year ending June 30, 2016.

**NOTE I INTERFUND TRANSFERS - FUND BASED FINANCIAL STATEMENTS**

The Interfund transfers during the year ending June 30, 2016 were as follows:

	Transfers Out	Transfers In
General	\$ 14,180	\$ -
Hot Lunch	-	14,180
	<u>\$ 14,180</u>	<u>\$ 14,180</u>

**NOTE J RISK MANAGEMENT**

The School District is exposed to various risks of losses to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District has obtained coverage from commercial insurance companies. The School District has comprehensive general liability coverage of \$25,000 per occurrence and a \$1,000,000 aggregate limit with no deductible amount.

**Bark River Harris Public Schools**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE J RISK MANAGEMENT (continued)**

All risk management activities are accounted for in the General Fund and Special Revenue Funds of the School District. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create but for which none have been reported are considered.

Management estimates that the amount or potential claims against the School District as of June 30, 2016 will not materially affect the financial condition of the School District. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**NOTE K OPERATING LEASES**

Operating leases consist of rental copy machines and a postal machine. The current year expenditure amounted to \$8,509. The following are the requirements for charges due with the remaining term of the contract:

2017	\$ 7,607
2018	\$ 4,818
2019	\$ 3,769

**NOTE L FUND BALANCES**

Portions of the fund balances have been classified to include the District's current plans for accumulating funds for use in subsequent periods as follows:

Non-Spendable

Inventory	\$ 1,562
Prepays	121,901
	<u>\$ 123,463</u>

Committed

*General:*

Early retirement incentive	\$ 500,000
Capital outlay reserve	100,000
	<u>\$ 600,000</u>

Restricted

Debt service	\$ 34,755
Hot lunch	(5,236)
	<u>\$ 29,519</u>

**Bark River Harris Public Schools**  
**Notes to Financial Statements**  
**June 30, 2016**

**NOTE M    SHORT-TERM STATE AID ANTICIPATION NOTE PAYABLE**

No short -term State Aid Anticipation note payable was taken out during the year.

**NOTE N    RESTRICTED NET POSITION**

At June 30, 2016, the School District's restricted net position consisted of \$36,510 which \$34,755 is to be used to pay off bond obligations and \$1,755 for Food Service.

**NOTE O    UPCOMING ACCOUNTING PRONOUNCEMENT**

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

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## **Required Supplemental Information**

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**Bark River Harris Public Schools**  
 Budgetary Comparison Schedule – General Fund  
 For the Year Ended  
 June 30, 2016

	Original Budget	Final Amended	Actual	Variance
<b>REVENUE</b>				
Local sources	\$ 437,710	\$ 445,232	\$ 446,655	\$ 1,423
State sources	5,592,149	5,778,222	5,775,609	(2,613)
Federal sources	327,778	388,376	359,186	(29,190)
Inter-district & other sources	22,000	47,821	49,034	1,213
<b>Total Revenue</b>	<u>6,379,637</u>	<u>6,659,651</u>	<u>6,630,484</u>	<u>(29,167)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	4,184,834	4,599,786	4,521,788	(77,998)
Supporting services	2,253,718	1,857,611	1,757,598	(100,013)
Capital outlay	-	852,675	808,148	(44,527)
<b>Total Expenditures</b>	<u>6,438,552</u>	<u>7,310,072</u>	<u>7,087,534</u>	<u>(222,538)</u>
<b>Excess of Revenues - (Expenditures)</b>	<u>(58,915)</u>	<u>(650,421)</u>	<u>(457,050)</u>	<u>193,371</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of School property	-	4,350	4,350	-
Transfers out	-	(14,000)	(14,180)	(180)
Payment of Capital Lease	(68,968)	(68,968)	(68,968)	-
<b>Total Other Financing Sources</b>	<u>(68,968)</u>	<u>(78,618)</u>	<u>(78,798)</u>	<u>(180)</u>
<b>Excess of Revenues and Other Resources Over (Under) Expenditures &amp; Other Uses</b>	<u>(127,883)</u>	<u>(729,039)</u>	<u>(535,848)</u>	<u>193,191</u>
<b>Fund Balance Beginning of Year</b>	<u>2,513,046</u>	<u>2,513,046</u>	<u>2,513,046</u>	<u>-</u>
<b>Fund Balance End of Year</b>	<u>\$ 2,385,163</u>	<u>\$ 1,784,007</u>	<u>\$ 1,977,198</u>	<u>\$ 193,191</u>



Bark River Harris Public Schools  
**Schedule of Bark River Harris Public School's Contributions**  
Michigan Public School Employees Retirement Plan  
Last 10 Reporting Fiscal Years (Amounts determined as of 6/30 of each year)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutory required Contributions										
Contributions in relation to										
Statutory required contributions									745,702	810,262
Contribution deficiency (excess)									745,702	810,262
									\$ -	\$ -
Bark River Harris Public Schools covered employee payroll									\$ 3,262,404	\$ 4,235,265
Contributions as a percentage of covered employee payroll									22.86%	19.13%

Note Disclosures:

Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to MPERS which may differ from the statutorily required contributions

Change of Benefit Terms - there were no changes in 2015

Change of Assumptions - there were no changes in 2015

Bark River Harris Public Schools  
**Schedule of Bark River Harris Public School's Proportionate Share of the Net Pension Liability**  
Michigan Public School Employees Retirement Plan  
Last 10 Reporting Fiscal Years (Amounts determined as of 9/30 of each year)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Bark River's proportion of net pension liability (%)									.03780%	.03745%
Bark River's proportionate share of net pension liability								\$ 9,320,963	\$ 8,248,654	
Bark River's covered - employee payroll							\$ 3,163,196	\$ 3,190,771		
Bark River's proportionate share of net pension liability as a percentage of its covered employee payroll (%)									294.67%	258.52%
Plan fiduciary net position as a percentage of total pension liability									63.17%	66.20%
Note Disclosures:										
Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to MPERS which may differ from the statutorily required contributions										
Change of Benefit Terms - there were no changes in 2015										
Change of Assumptions - there were no changes in 2015										

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available beginning with FYE June 30, 2015

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## **Other Supplemental Information**

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**Bark River Harris Public Schools**  
**Balance Sheet**  
**Non-Major Governmental Funds**  
**For the Year Ended**  
**June 30, 2016**

	Debt Retirement	Hot Lunch	Total
<b>ASSETS</b>			
Cash	\$ 34,755	\$ 1,084	\$ 35,839
Due from other Governmental units	-	8,026	8,026
Accounts receivable	-	1,026	1,026
Inventory	-	1,562	1,562
Prepaid expenditures	-	5,449	5,449
<b>Total Assets</b>	<u>\$ 34,755</u>	<u>\$ 17,147</u>	<u>\$ 51,902</u>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND EQUITY</b>			
Liabilities			
Accounts payable	\$ -	\$ 12,458	\$ 12,458
Due to other funds	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>12,458</u>	<u>12,458</u>
<b>Deferred Inflow of Resources</b>			
Unavailable revenue	<u>-</u>	<u>2,914</u>	<u>2,914</u>
<b>Fund Balances</b>			
Non-Spendable:			
Inventory	-	1,562	1,562
Prepaid	-	5,449	5,449
Restricted	34,755	(5,236)	29,519
<b>Total Fund Balances</b>	<u>34,755</u>	<u>1,775</u>	<u>36,530</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Equity</b>	<u>\$ 34,755</u>	<u>\$ 17,147</u>	<u>\$ 51,902</u>

**Bark River Harris Public Schools**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended**  
**June 30, 2016**

	Debt Retirement	Hot Lunch	Total
<b>REVENUE</b>			
Local sources	\$ 175,599	\$ 139,615	\$ 315,214
State sources	-	17,982	17,982
Federal sources	-	223,352	223,352
Total Revenue	<u>175,599</u>	<u>380,949</u>	<u>556,548</u>
<b>EXPENDITURES</b>			
Supporting service	-	398,379	398,379
Principal retirement	160,000	-	160,000
Interest	<u>18,237</u>	<u>-</u>	<u>18,237</u>
Total Expenditures	<u>178,237</u>	<u>398,379</u>	<u>576,616</u>
Excess of Revenue (Expenditures)	(2,638)	(17,430)	(20,068)
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	14,180	14,180
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>14,180</u>	<u>14,180</u>
Excess revenues and other resources over (under) expenditures and other uses	(2,638)	(3,250)	(5,888)
Fund Balance July 1	<u>37,393</u>	<u>5,025</u>	<u>42,418</u>
Fund Balance June 30	<u><u>\$ 34,755</u></u>	<u><u>\$ 1,775</u></u>	<u><u>\$ 36,530</u></u>



**Bark River Harris Public Schools**  
Schedule of General Fund Revenue  
For the Year Ended  
June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>LOCAL SOURCES</b>			
General property tax levy		\$ 354,992	
Interest in investments		6,633	
Athletics		39,966	
Tuition		29,976	
Driver's ed fees		10,288	
Miscellaneous		4,800	
Total Local Sources	<u>445,232</u>	<u>446,655</u>	<u>1,423</u>
<b>STATE SOURCES</b>			
State school aid		5,014,086	
Headlee		18,536	
Student data MPSRS cost		406,453	
At Risk		202,490	
Special education		120,704	
Other		13,340	
Total State Sources	<u>5,778,222</u>	<u>5,775,609</u>	<u>(2,613)</u>
<b>FEDERAL SOURCES</b>			
Title I		102,501	
Indian education		25,965	
Impact aid		191,704	
Title II teacher quality		24,225	
Title VI rural and low		13,765	
Medicaid		1,026	
Total Federal Sources	<u>388,376</u>	<u>359,186</u>	<u>(29,190)</u>
<b>INTER-DISTRICT AND OTHER SOURCES</b>			
School District - various programs	<u>47,821</u>	<u>49,034</u>	<u>1,213</u>
Total General Fund Revenue	<u>\$ 6,659,651</u>	<u>\$ 6,630,484</u>	<u>\$ (29,167)</u>

**Bark River Harris Public Schools**  
Schedule of General Fund Expenditures for the Year Ended June 30, 2016

	Budget	Actual	Variance
<b>INSTRUCTION - BASIC</b>			
Elementary			
Salaries			
Teacher		\$ 998,177	
Teacher aides		119,383	
Teacher substitute		3,726	
Severance pay		6,270	
Temporary wages		231	
Employee insurance		324,996	
Employee retirement		470,941	
FICA		78,950	
Workers compensation		1,048	
Supplies and materials		28,991	
Rental copier		4,855	
Textbooks		6,158	
Employees benefits		17,038	
Instructional services		38,381	
Dues and fees		215	
Miscellaneous		2,117	
Total Elementary	2,136,322	2,101,477	34,845
Jr. High School			
Salaries			
Teacher		292,716	
Teacher substitute		434	
Severance pay		19,800	
Workers compensation		260	
Employee insurance		72,428	
Employee retirement		148,843	
FICA		22,291	
Supplies and materials		5,786	
Instructional services		3,199	
Rental copier		3,060	
Miscellaneous		220	
Total Junior High	554,330	569,037	(14,707)
High School			
Salaries			
Teacher		581,993	
Teacher substitute/tutor		1,083	
Severance pay		2,543	
Employee insurance		128,344	
Employee retirement		258,713	
FICA		42,517	
Employee benefits		5,156	
Tuition - dual enrollment		61,369	
Supplies and materials		13,723	
Miscellaneous		301	
Instructional services		5,977	
Rental copier		2,661	
Dues and fees		5,000	
Workers compensation		521	
Band/music expense		3,555	
Total High School	1,146,176	1,113,456	32,720
<b>Total Basic Programs</b>	<b>\$ 3,836,828</b>	<b>\$ 3,783,970</b>	<b>\$ 52,858</b>

**Bark River Harris Public Schools**  
Schedule of General Fund Expenditures (Continued)  
For the Year Ended June 30, 2016

	Budget	Actual	Variance
<b>INSTRUCTION - ADDED NEEDS</b>			
Career and Technology			
Salaries			
Teacher		\$ 17,433	
Teacher substitution		22	
Employee retirement		4,731	
Employee insurance		6,948	
FICA		1,261	
Teaching supplies		2,041	
Workers compensation		40	
Instructional services		494	
Total Career and Technology	31,693	32,970	(1,277)
Guidance Services			
Salaries			
Counseling wages		68,581	
Employee retirement		17,680	
Employee insurance		17,789	
FICA		4,807	
Workers compensation		107	
Total Guidance Services	109,820	108,964	856
Special Education			
Salaries			
Teacher		126,927	
Teacher aide		22,984	
Teacher substitute/tutor		1,838	
Employee insurance		40,513	
Employee retirement		39,723	
FICA		12,375	
Workers compensation		395	
Instructional services		6,997	
Severance pay		13,484	
Supplies and materials		658	
Employee benefit		6,472	
Total Special Education	276,798	272,366	4,432
Speech Services			
Salaries		66,940	
Employee retirement		17,257	
Workers compensation		103	
Employee insurance		17,991	
Workshop and conferences		123	
Teaching supplies		187	
FICA		4,696	
Dues and fees		260	
Total Speech Services	107,064	107,557	(493)
Ed Media Services			
Teacher aid		19,656	
Employee retirement		4,291	
FICA		1,444	

**Bark River Harris Public Schools**  
Schedule of General Fund Expenditures (Continued)  
For the Year Ended  
June 30, 2016

	Budget	Actual	Variance
<b>INSTRUCTION - ADDED NEEDS (CONTINUED)</b>			
Ed Media Services (continued)			
Insurance		1,188	
Workers comp		57	
Supplies		486	
Dues and fees		2,675	
Total ED Media Services	29,447	29,316	131
Improvement of Instruction			
Salaries			
Teacher		5,000	
Teacher substitute		130	
Employee retirement		1,273	
FICA		375	
Workers compensation		12	
Workshop and conferences		3,892	
Instructional services		538	
Total Improvement of Instruction	15,817	11,220	4,597
Driver Education			
Salaries			
Teachers		7,191	
Employee retirement		1,854	
FICA		524	
Workers compensation		6	
Bus repairs and supplies		927	
Total Driver Education	10,435	10,502	(67)
Preschool			
Salaries			
Teachers		1,685	
Employee retirement		435	
FICA		116	
Workers compensation		4	
Workshop and conferences		260	
Instructional service		17,430	
Dues and fees		100	
Total Preschool	20,684	20,030	654
Compensatory Education			
Salaries			
Teacher		59,030	
Teacher substitute		152	
Teacher aide		32,983	
Employee retirement		24,272	
Employee insurance		10,729	
Employee benefit		5,163	
Teacher supplies		3,469	
Instructional services		1,675	
FICA		7,128	
Workers compensation		218	
Miscellaneous		74	
Total Title I	161,200	144,893	16,307
Total Added Needs	762,958	737,818	25,140
<b>TOTAL INSTRUCTION</b>	<b>\$ 4,599,786</b>	<b>\$ 4,521,788</b>	<b>\$ 77,998</b>

**Bark River Harris Public Schools**  
Schedule of General Fund Expenditures (Continued)  
For the Year Ended  
June 30, 2016

	Budget	Actual	Variance
<b>SUPPORTING SERVICES - GENERAL ADMINISTRATION</b>			
Board of Education			
Audit		\$ 5,000	
Other professional contracts		17,078	
Dues and fees		3,179	
Advertising		14,643	
Legal expenses		11,880	
Miscellaneous		2,457	
Total Board of Education	58,679	54,237	4,442
Executive Administrative			
Salaries			
Superintendent		91,989	
Tuition		3,400	
Employee insurance		1,664	
Employee retirement		23,715	
FICA		7,438	
Workers compensation		80	
Employee benefit		8,000	
Workshop and conferences		2,121	
Office supplies		48	
Dues and fees		725	
Miscellaneous		456	
Total Executive Administrative	140,118	139,636	482
Other School Administrative			
Graduation expenses		987	
Total Other School Administrative	3,000	987	2,013
Fiscal Services			
Salaries			
Administrative assistant		80,293	
Employee insurance		14,046	
Employee retirement		20,699	
FICA		5,776	
Workers compensation		84	
Workshop and conferences		1,171	
Office supplies		1,142	
Rental copier		1,552	
Dues and fees		885	
Total General Administration	128,568	125,648	2,920



**Bark River Harris Public Schools**  
Schedule of General Fund Expenditures (Continued)  
For the Year Ended  
June 30, 2016

	Budget	Actual	Variance
<b>SUPPORTING SERVICES - OFFICE OF PRINCIPAL</b>			
Salaries			
Principal		166,102	
Secretarial		54,506	
Temporary wages		275	
FICA		15,654	
Employee insurance		67,090	
Employee retirement		56,886	
Workers compensation		358	
Workshop and conferences		1,550	
Other professional contracts		1,732	
Rental copier		1,066	
Office supplies		3,174	
Dues and fees		885	
Total School Administration Services	375,559	369,278	6,281
<b>SUPPORTING SERVICES - OPERATION AND MAINTENANCE</b>			
Salaries			
Custodial		144,167	
Temporary wages		2,449	
Heating/gas		28,253	
Electrical		75,870	
Waste disposal		3,508	
Property liability insurance		16,332	
Repairs and maintenance bldg		41,900	
Telephone		1,937	
Postage		4,325	
Custodial supplies and materials		26,009	
Miscellaneous		1,602	
Employee benefit		15,694	
Employee insurance		23,660	
FICA		11,816	
Employee retirement		38,485	
Workers compensation		264	
Unemployment		2,864	
Total Operation and Maintenance	467,806	439,135	28,671
<b>SUPPORTING SERVICES - ATHLETIC ACTIVITIES</b>			
Salaries			
Coach		35,160	
Employee retirement		9,159	
FICA		2,611	
Workers compensation		148	
Pupil services		15,856	
Advertising		1,527	
Other supplies		18,678	
Dues and fees		4,788	
Workshop and conferences		524	
Athletic tournament		1,430	
Athletic awards		3,799	
Athletic driver meals		137	
Miscellaneous		462	
Total Athletic Activities	115,148	94,269	20,879

**Bark River Harris Public Schools**  
Schedule of General Fund Expenditures (Continued)  
For the Year Ended  
June 30, 2016

	Budget	Actual	Variance
<b>SUPPORTING SERVICES - PUPIL TRANSPORTATION</b>			
Salaries			
Bus driver		119,852	
Bus driver mechanic		40,039	
Temporary wages		1,701	
Overtime salaries		4,938	
Bus contracted services		20,000	
Workshops and conferences		170	
Vehicle repairs and parts		24,327	
Dues and fees		1,533	
Severance pay		15,837	
Gasoline, oil and tires		38,673	
Fleet insurance		6,051	
Trans radio		3,092	
Employee benefit		18,323	
Employee insurance		28,640	
FICA		13,453	
Employee retirement		40,076	
Workers compensation		481	
Total Pupil Transportation	398,332	377,186	21,146
<b>SUPPORTING SERVICES - NON-INSTRUCTIONAL PROF DEVELOPMENT</b>			
Workshops		4,936	
Total Non-Instructional Professional Development	13,088	4,936	8,152
<b>SUPPORTING SERVICES - INTERMEDIATE SCHOOL SERVICES</b>			
Alternative and vocational		16,100	
Special ed bill back		3,371	
General services		14,987	
Total Intermediate School Services	36,087	34,458	1,629
<b>SUPPORTING SERVICES - INFORMATION</b>			
Salaries			
Tech wages		11,180	
Technology		75,573	
Copyright fee & software license		24,164	
Data processing		3,600	
Health insurance		3,311	
Total Information	121,226	117,828	3,398
Total Supporting Services	1,857,611	1,757,598	100,013
<b>CAPITAL OUTLAY</b>			
Supporting Service			
Equipment		44,766	
Improvement building		763,382	
Total Capital Outlay	852,675	808,148	44,527
<b>TOTAL GENERAL FUND EXPENDITURES</b>	\$ 7,310,072	\$ 7,087,534	\$ 222,538

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## **Supplemental Report**

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JOHNSON & RENNIE, LLC  
CERTIFIED PUBLIC ACCOUNTANTS

Rodney R. Johnson, CPA  
Joel T. Rennie, CPA

Members  
American Institute of CPAs  
Michigan Association of CPAs  
Wisconsin Institute of CPAs

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Governmental activities, and the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Bark River Harris Public School's as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise Bark River Harris Public School's basic financial statements and have issued our report thereon dated August 22, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 School District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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. We did identify a certain deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 that we consider to be a significant deficiency.

#### Compliance and other Matters

As part of obtaining reasonable assurance about whether Bark River Harris 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### School's Response to Findings

Bark River Harris Public School's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Bark River Harris Public School's response and, accordingly, we express no opinion on it.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information and use of the Board of Education, management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Johnson & Rennie, LLC  
Menominee, Michigan  
August 22, 2016



**Bark River Harris Public Schools**

**Schedule of Findings and Responses  
For the Year Ended June 30, 2016**

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**#2016-001 - Ability to Prepare Financial Statements and Related Note Disclosures**

*Criteria:* Local units of Government are required to possess the ability to prepare its financial statements and related disclosures in accordance with generally accepted accounting principles.

*Condition:* Like other local units of Government of similar size, limited financial summaries and abbreviated financial statements are made available for the Members of the Board. The School District relies on its auditor to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Members of the Board review and accept the financial statements on behalf of the School District.

*Cause:* The School District does not have staff familiar enough with accounting standards to be able to draft the School District's financial statements and related footnotes.

*Recommendation:* The hiring of additional personnel to prepare the financial statements would not be cost effective. Members of the Board should remain involved in the financial reporting process to provide oversight and independent review functions.

*Response:* The School District agrees and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.

## **Bark River Harris Public Schools**

### **Schedule of Prior Year Findings and Responses For the Year Ended June 30, 2015**

#### **#2015-001 - Ability to Prepare Financial Statements and Related Note Disclosures**

*Criteria:* Local units of Government are required to possess the ability to prepare its financial statements and related disclosures in accordance with generally accepted accounting principles.

*Condition:* Like other local units of Government of similar size, limited financial summaries and abbreviated financial statements are made available for the Members of the Board. The School District relies on its auditor to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Members of the Board review and accept the financial statements on behalf of the School District.

*Cause:* The School District does not have staff familiar enough with accounting standards to be able to draft the School District's financial statements and related footnotes.

*Recommendation:* The hiring of additional personnel to prepare the financial statements would not be cost effective. Members of the Board should remain involved in the financial reporting process to provide oversight and independent review functions.

*Response:* The School District agrees and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.