



Charlevoix-Emmet Intermediate School District

Financial Statements

**For the Fiscal Year Ended
June 30, 2016**

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

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Management's Discussion and Analysis

Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Charlevoix-Emmet Intermediate School District (the "District") management's overview of the financial results for the year ended June 30, 2016.

FINANCIAL HIGHLIGHTS

The overall condition of all funds remains very strong for the District. All goals related to financial activities have been met in the past year. If current revenue and expenditure patterns can be maintained, the resources for the following year will be available to meet the District's financial needs.

The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$(15,099,628) (net position).

The District's total net position has increased by \$750,648 this fiscal year.

At the end of the current fiscal year, the aggregated fund balance for the District's operational funds (General Fund, Special Education Fund, and Vocational Education Fund) was \$8,010,689.

USING THIS ANNUAL REPORT

GASB 34 requires the District's financial statements be comprised of three components: Government-wide financial statements, fund financial statements, and the notes to the financial statements.

The statements are organized so the reader can understand the District as a whole (government-wide statements), and then to provide an increasingly detailed look at specific financial statements (fund financial statements). Also included are various notes to the financial statements. The audit also contains supplemental information in addition to the basic financial statements themselves.

Reporting the District as a Whole

Government-wide financial statements

One of the most important questions asked regarding the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities to help address this question. These statements include all assets and liabilities of the District accounted for using the accrual basis of accounting similar to that used by the private sector corporations. All of the current year's revenues and expenditures are taken into consideration regardless of when cash is received or paid.

The two statements report the District's net position and any changes in them. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as the property tax base, political conditions at the State level, student enrollment growth, quality of local service, and facility improvements prior to arriving at any conclusion regarding the overall health of the District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the District as a whole. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The two types of funds: Governmental funds and fiduciary funds use different accounting methods as further discussed in the notes to the financial statements.

Management's Discussion and Analysis

Governmental Funds

Most of the District's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Fiduciary Funds

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table I provides a summary of the District's net position as of June 30, 2016 and 2015:

	<u>Governmental Activities</u> (in millions)	
	<u>2016</u>	<u>2015</u>
Assets		
Current assets	\$ 10.07	\$ 9.87
Noncurrent assets	3.22	3.34
Total assets	<u>13.29</u>	<u>13.21</u>
Deferred Outflows of Resources		
Deferred outflow for pension obligation	<u>2.73</u>	<u>2.71</u>
Liabilities		
Current liabilities	1.93	1.73
Noncurrent liabilities	<u>29.09</u>	<u>25.71</u>
Total liabilities	<u>31.02</u>	<u>27.44</u>
Deferred Inflows of Resources		
Deferred inflow of resources for pension obligation	<u>.10</u>	<u>2.83</u>
Net Position		
Invested in capital assets, net of related debt	3.22	3.34
Restricted	6.99	7.05
Unrestricted	<u>(25.31)</u>	<u>(24.74)</u>
Total net position	<u>\$ (15.10)</u>	<u>\$ (14.35)</u>

Management's Discussion and Analysis

The District currently reports positive balances in each category of net position.

Operations for the District as a whole are presented in the statement of activities. The following summary shows the changes in net position for fiscal years 2016 and 2015.

	<u>Governmental Activities</u>	
	(in millions)	
	<u>2016</u>	<u>2015</u>
Revenue		
Program revenue		
Charges for services	\$ 2.69	\$ 2.80
Operating grants and contributions	10.40	10.11
General revenue		
Property taxes	14.56	14.20
State school aid	.55	.55
Other	.01	.01
	<u>28.21</u>	<u>27.67</u>
Function/Program Expenses		
Instruction	4.24	4.68
Supporting services	17.59	17.08
Food service	.00	.00
Transfers to other local units and other services	7.13	7.07
	<u>28.96</u>	<u>28.83</u>
Decrease in net position	<u>\$ (.75)</u>	<u>\$ (1.16)</u>

As reported in the Statement of Activities, the cost of all *governmental activities* this year was \$(28.96) million. While \$14.56 million in revenue was generated directly from local taxpayers, another \$2.69 million was generated through “charges for actual services” by local districts, other ISDs, or individuals that benefited directly from our services. State, Federal and other regional grants and programs brought \$10.40 million to the District. The District received \$.56 million in state school aid and other sources, inclusive of investment earnings.

Net position for the year ended June 30, 2016 decreased by \$.75 million.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The District's budgets are prepared in accordance with Michigan Law. The most significant budgeted funds are the General Fund, Special Education Fund, and the Vocational Education Fund.

During fiscal 2016, the District amended the budgets of these major governmental funds once. With the ongoing changes in the state revenues and uncertainty of the final impact on the ISD, it was deemed unnecessary to amend the budgets until the final figures were known.

Management's Discussion and Analysis

General Fund

During the fiscal year, the General Fund decreased the fund balance by \$33,075. A Data Coach position was added during the fiscal year to meet the growing needs of the local districts to use data to make decisions in their districts to maximize educational impact on students. This position increased expenditures in the general fund by approximately \$56,000. With other activities remaining relatively similar as last fiscal year, this had the largest impact on the bottom line for the general fund.

Special Education

The Special Education Fund increased the fund balance by \$9,996. Revenues increased overall by \$704,931 from the previous fiscal year. Local property tax revenues were increased by \$231,924 as a result of an increase in taxable values; Medicaid Fee-For Service funds decreased by \$63,878. State Aid funds increased by \$582,754. Federal sources have been reduced by \$37,183 due to an overall state-wide reduction in federally funded grants.

Charlevoix-Emmet ISD realigned all special education programs during the fiscal year and recognized a savings of \$388,440. During the fiscal year the ISD realized an increase of \$13,411 in contracted Early Retirement Incentive payments to professional staff. The special education fund shared in funding the new Data Coach position with an additional cost of \$46,036. The ISD invested in a new phone system for \$68,968 to create greater communication efficiency for buildings and staff and bringing the ISD in compliance with upcoming 9-1-1 requirements.

Vocational Education

Vocational Education Fund increased the fund balance by \$47,881. Local revenues were increased by \$100,713 with increased property tax values. Increased property tax collections, coupled with lower replacement costs for a higher paid CTE staff exit an overall savings within the fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The District's investment in capital assets as of June 30, 2016 amounted to \$3,220,745. These assets have accumulated \$2,758,403 of depreciation. The capitalized assets include buildings, land and the transportation fleet. During this fiscal year, the ISD's net capital assets decreased by \$116,082. A categorized listing of the assets is highlighted below:

Capital Assets, Net

	<u>2016</u>	<u>2015</u>
Land	\$ 477,145	\$ 477,145
Land improvements	202,980	225,700
Buildings	1,410,534	1,453,515
Building improvements	346,323	364,713
Non-bus Vehicles	66,350	89,267
Buses	608,981	682,024
Equipment	108,432	44,463
Total net position	<u>\$ 3,220,745</u>	<u>\$ 3,336,827</u>

Further information regarding capital assets can be found in the notes to the financial statements.

Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Charlevoix-Emmet ISD is anticipating a .83% increase in taxable value for the 2016-2017 fiscal year. The ISD had planned on keeping programming and staffing at the same levels as 2015-16. State sources are budgeted to remain the same moving into next fiscal year. Administratively, the ISD is looking at creating efficiencies in service areas such as business and technology. Currently in the planning stages, it is anticipated that in the future the ISD will see greater economies of scale in these service areas.

REQUESTS FOR INFORMATION

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

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Education
Charlevoix-Emmet Intermediate School District
Charlevoix, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of *Charlevoix-Emmet Intermediate School District* (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Charlevoix-Emmet Intermediate School District as of June 30, 2016, and the respective changes in financial position, and where applicable, budgetary comparison for the General Fund, Special Education Fund and Vocational Education Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 5, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the District's internal control over financial reporting and compliance.

Dennis, Gartland & Niergarth

October 5, 2016

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

ASSETS

Current assets

Cash and cash equivalents	\$ 7,962,733
Accounts receivable	78,757
Due from other governmental units	2,028,252
Inventories	5,003

Total current assets 10,074,745

Noncurrent assets

Capital assets not being depreciated	477,145
Capital assets being depreciated, net	2,743,600

Total noncurrent assets 3,220,745

Total assets 13,295,490

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflow for pension obligation	2,726,559
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Total assets and deferred outflows of resources \$ 16,022,049

LIABILITIES

Liabilities

Current liabilities

Accounts payable	\$ 64,645
Accrued liabilities	1,490,648
Due to fiduciary activities	18
Unearned revenue	372,031

Total current liabilities 1,927,342

Noncurrent liabilities

Accrued compensated absences	85,698
Net pension liability	29,011,915

Total noncurrent liabilities 29,097,613

Total liabilities 31,024,955

DEFERRED INFLOWS OF RESOURCES

Deferred inflow of resources for pension obligation	96,722
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NET POSITION

Invested in capital assets, net of related debt	3,220,745
Restricted for:	
Special education	5,858,070
Vocational education	888,957
Capital projects	135,207
Food service	1,507
Northwest transportation consortium	102,755
Unrestricted (deficit)	(25,306,869)

Total net position (15,099,628)

Total liabilities, deferred inflows of resources and net position \$ 16,022,049

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities				
Instruction	\$ 4,242,782	\$ 370,018	\$ -	\$ (3,872,764)
Supporting services	17,590,509	2,322,675	10,395,165	(4,872,669)
Food service	854	-	-	(854)
Transfers to other local units and other services	7,130,417	-	-	(7,130,417)
Total governmental activities	<u><u>\$ 28,964,562</u></u>	<u><u>\$ 2,692,693</u></u>	<u><u>\$ 10,395,165</u></u>	<u><u>(15,876,704)</u></u>
General revenue				
Property taxes				
General				1,047,297
Special education				9,589,574
Vocational education				3,927,363
State school aid				546,920
Unrestricted investment earnings and other				14,902
Total general revenue				<u><u>15,126,056</u></u>
Change in net position				(750,648)
Net position, beginning of year				<u>(14,348,980)</u>
Net position, end of year				<u><u>\$ (15,099,628)</u></u>

The accompanying notes are an integral part of these financial statements.

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Vocational Education Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 969,347	\$ 6,043,192	\$ 813,480	\$ 136,714	\$ 7,962,733
Accounts receivable	77,876	881	-	-	78,757
Due from other funds	91,362	-	25,086	-	116,448
Due from other governmental units	634,742	1,299,052	94,458	-	2,028,252
Inventories	-	5,003	-	-	5,003
Total assets	<u>\$ 1,773,327</u>	<u>\$ 7,348,128</u>	<u>\$ 933,024</u>	<u>\$ 136,714</u>	<u>\$ 10,191,193</u>
Liabilities and fund balances					
Accounts payable	\$ 25,431	\$ 37,944	\$ 1,270	\$ -	\$ 64,645
Accrued liabilities	119,754	1,330,645	40,249	-	1,490,648
Due to other funds	-	116,466	-	-	116,466
Unearned revenue	369,483	-	2,548	-	372,031
Total liabilities	<u>514,668</u>	<u>1,485,055</u>	<u>44,067</u>	<u>-</u>	<u>2,043,790</u>
Fund balances					
Non-spendable					
Inventories	-	5,003	-	-	5,003
Restricted					
Special Education	-	5,858,070	-	-	5,858,070
Vocational Education	-	-	888,957	-	888,957
Capital Projects	-	-	-	135,207	135,207
Food Service	-	-	-	1,507	1,507
Northwest transportation consortium	102,755	-	-	-	102,755
Committed					
Employee conferences	27,129	-	-	-	27,129
Subsequent year's expenditures	234,069	-	-	-	234,069
Assigned					
Employee severances	150,000	-	-	-	150,000
Insurance pool	260,823	-	-	-	260,823
Unassigned	483,883	-	-	-	483,883
Total fund balances	<u>1,258,659</u>	<u>5,863,073</u>	<u>888,957</u>	<u>136,714</u>	<u>8,147,403</u>
Total liabilities and fund balances	<u>\$ 1,773,327</u>	<u>\$ 7,348,128</u>	<u>\$ 933,024</u>	<u>\$ 136,714</u>	<u>\$ 10,191,193</u>

The accompanying notes are an integral part of these financial statements.

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL
FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET
POSITION
JUNE 30, 2016**

Fund balances - total governmental funds	\$	8,147,403
<p>Amounts reported for governmental activities in the statement of net position are different because capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds</p>		
Add - capital assets		5,979,148
Deduct - accumulated depreciation		(2,758,403)
<p>Long-term liabilities are not due and payable in the current period, and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>		
Add - deferred outflow of resources for net pension obligation		2,726,559
Deduct - accrued compensated absences		(85,698)
Deduct - net pension liability		(29,011,915)
Deduct - deferred inflow of resources for net pension obligation		(96,722)
		(15,099,628)
Net position of governmental activities	\$	(15,099,628)

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Vocational Education Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Local sources					
Property taxes	\$ 1,040,596	\$ 9,528,218	\$ 3,902,235	\$ -	\$ 14,471,049
Other taxes	6,700	61,356	25,128	-	93,184
Earnings on investments	1,361	9,063	1,773	404	12,601
Services to local school districts	1,282,692	129,349	-	-	1,412,041
Other local sources	661,523	1,170,142	1,348	-	1,833,013
State sources					
State Aid	2,569,335	4,848,434	447,151	-	7,864,920
State grants from other districts	48,123	-	-	-	48,123
Federal sources	150,744	2,158,459	167,480	-	2,476,683
Total revenues	5,761,074	17,905,021	4,545,115	404	28,211,614
Expenditures					
Instruction	486,520	3,414,710	141,190	-	4,042,420
Supporting services	3,432,867	11,953,661	1,129,238	854	16,516,620
Community services	267,704	4,829	-	-	272,533
Transfers to locals and other services	1,835,949	2,108,480	3,185,988	-	7,130,417
Capital outlay	1,109	215,714	10,818	19,013	246,654
Total expenditures	6,024,149	17,697,394	4,467,234	19,867	28,208,644
Revenues over (under) expenditures	(263,075)	207,627	77,881	(19,463)	2,970
Other financing sources (uses)					
Sale of capital assets	-	2,300	-	-	2,300
Transfers in	230,000	-	-	-	230,000
Transfers out	-	(200,000)	(30,000)	-	(230,000)
Total other financing sources (uses)	230,000	(197,700)	(30,000)	-	2,300
Net change in fund balances	(33,075)	9,927	47,881	(19,463)	5,270
Fund balances, beginning of year	1,291,734	5,853,146	841,076	156,177	8,142,133
Fund balances, end of year	\$ 1,258,659	\$ 5,863,073	\$ 888,957	\$ 136,714	\$ 8,147,403

The accompanying notes are an integral part of these financial statements.

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Net change in fund balances - governmental funds \$ 5,270

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense

Add - capital outlay	191,398
Deduct - depreciation expense	(307,480)

Change in deferred outflows of resources for pension obligation	12,143
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the statement of revenues, expenditures and changes in fund balance

Deduct - increase in accrued compensated absences	(9,233)
Increase in net pension liability	(3,379,757)

Deduct - change in deferred inflows of resources for pension obligation	2,737,011
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Change in net position of governmental activities	\$ (750,648)
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CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund				Special Education Fund			
	Budget Amounts		Actual	Actual Over (Under) Final Budget	Budget Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final			Original	Final		
Revenues								
Local sources	\$ 3,057,208	3,004,390	\$ 2,992,872	\$ (11,518)	\$ 10,817,080	\$ 11,001,634	\$ 10,898,128	\$ (103,506)
State sources	2,720,435	2,664,402	2,617,458	(46,944)	4,093,041	4,848,435	4,848,434	(1)
Federal sources	156,084	150,744	150,744	-	2,185,013	2,176,255	2,158,459	(17,796)
Total revenues	5,933,727	5,819,536	5,761,074	(58,462)	17,095,134	18,026,324	17,905,021	(121,303)
Expenditures								
Instruction								
Compensatory education	511,402	490,172	486,520	(3,652)	-	-	-	-
Added needs	-	-	-	-	3,617,173	3,465,186	3,423,646	(41,540)
Supporting services								
Pupil services	412,096	414,234	406,620	(7,614)	6,688,169	6,652,313	6,610,703	(41,610)
Instructional staff	864,133	564,369	748,765	184,396	1,363,039	1,400,551	1,387,528	(13,023)
Administration and supervision	384,559	675,413	454,186	(221,227)	776,194	909,218	888,003	(21,215)
Other supporting services	1,825,794	1,849,799	1,823,295	(26,504)	3,314,010	3,367,345	3,274,205	(93,140)
Community service	365,734	279,654	268,813	(10,841)	3,100	4,990	4,829	(161)
Payments to other local governmental units	1,974,157	1,896,336	1,835,950	(60,386)	2,062,812	2,109,748	2,108,480	(1,268)
Total expenditures	6,337,875	6,169,977	6,024,149	(145,828)	17,824,497	17,909,351	17,697,394	(211,957)
Revenues under expenditures	(404,148)	(350,441)	(263,075)	87,366	(729,363)	116,973	207,627	90,654
Other financing sources (uses)								
Sale of capital assets	-	-	-	-	-	-	2,300	2,300
Transfers in	230,000	230,000	230,000	-	-	-	-	-
Transfers out	-	-	-	-	(200,000)	(200,000)	(200,000)	-
Total other financing sources (uses)	230,000	230,000	230,000	-	(200,000)	(200,000)	(197,700)	2,300
Net change in fund balances	(174,148)	(120,441)	(33,075)	87,366	(929,363)	(83,027)	9,927	92,954
Fund balances, beginning of year	1,291,734	1,291,734	1,291,734	-	5,853,146	5,853,146	5,853,146	-
Fund balances, end of year	\$ 1,117,586	\$ 1,171,293	\$ 1,258,659	\$ 87,366	\$ 4,923,783	\$ 5,770,119	\$ 5,863,073	\$ 92,954

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS - Continued
FOR THE YEAR ENDED JUNE 30, 2016

	Vocational Education Fund			Actual Over (Under) Final Budget
	Budget Amounts		Actual	
	Original	Final		
Revenues				
Local sources	\$ 3,901,950	\$ 3,931,490	\$ 3,930,484	\$ (1,006)
State sources	353,228	447,151	447,151	-
Federal sources	167,480	167,480	167,480	-
Total revenues	4,422,658	4,546,121	4,545,115	(1,006)
Expenditures				
Instruction				
Compensatory education	162,950	144,097	141,190	(2,907)
Added needs	-	-	-	-
Supporting services				
Pupil services	222,010	247,951	247,212	(739)
Instructional staff	488,837	417,868	413,027	(4,841)
Administration and supervision	94,995	95,471	94,687	(784)
Other supporting services	388,467	378,357	379,853	1,496
Community service	-	-	-	-
Payment to other local governmental units	3,103,035	3,185,990	3,191,265	5,275
Total expenditures	4,460,294	4,469,734	4,467,234	(2,500)
Revenues under expenditures	(37,636)	76,387	77,881	1,494
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(30,000)	(30,000)	(30,000)	-
Total other financing sources (uses)	(30,000)	(30,000)	(30,000)	-
Net change in fund balances	(67,636)	46,387	47,881	1,494
Fund balances, beginning of year	841,076	841,076	841,076	-
Fund balances, end of year	\$ 773,440	\$ 887,463	\$ 888,957	\$ 1,494

The accompanying notes are an integral part of these financial statements.

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
JUNE 30, 2016

Assets		
Cash		\$ 88,057
Due from other funds		<u>18</u>
Total assets		<u><u>\$ 88,075</u></u>
Liabilities		
Due to student groups		<u>\$ 88,075</u>
Total liabilities		<u><u>\$ 88,075</u></u>

The accompanying notes are an integral part of these financial statements.

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Charlevoix-Emmet Intermediate School District (the “District”) is a special purpose government and considered to be a primary government because it has a separately elected governing body, is legally separate and is fiscally independent of other state and local governments. The financial reporting entity of Charlevoix-Emmet Intermediate School District includes the School District as the primary government and its component units; i.e., legally separate organizations for which the primary government is financially accountable and any other organizations which management has determined, based on the nature and significance of their relationship with the School District, must be included to prevent the School District’s financial statements from being misleading. Based on criteria established in Governmental Accounting Standards Board (“GASB”) Statement No. 14, as amended, management has not identified any component units. Student, parent and teacher organizations are not included, except to the extent that the School District holds assets in the capacity of an agent.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2016.

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

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

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

C. Measurement focus, basis of accounting and financial statement presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a current liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded when paid or when payment is due.

Property taxes, State school aid, expenditure driven grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives cash.

Fiduciary Funds are reported using the economic resources measurement focus.

The District reports the following major governmental funds:

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

The *Special Education Fund* accounts for monies received from Federal, State and local sources which are restricted to instruction and services related to special education.

The *Vocational Education Fund* accounts for monies received from Federal, State and local sources that are restricted to instruction and services related to providing vocational education.

Additionally, the government reports the following non-major funds:

The *Capital Project Fund* accounts for the acquisition or construction of capital assets.

The *School Lunch Fund* accounts for the monies and commodities received from Federal, State and Local sources, which are restricted to food services.

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Fiduciary Funds

The *Agency Fund* accounts for assets held for other groups in an agency capacity.

The financial statements of the District are prepared in accordance with generally accepted accounting principles (“GAAP”). The District’s reporting applies all relevant Governmental Accounting Standards Board (“GASB”) pronouncements.

The effect of inter-fund activity has been eliminated from the government-wide financial statements.

D. Assets, liabilities and net position or equity

1. *Deposits and investments*

The District’s cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All investments are recorded at fair value.

Statutory Authority

Michigan law authorizes the District to deposit and invest in:

- a. Bonds, bills or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than five years after the purchase dates.
- b. Certificates of deposit insured by a State or national bank, savings accounts of a State or Federal savings and loan association, or certificates of deposit or share certificates of a State or Federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States government or Federal agency obligation repurchase agreements, and bankers’ acceptance issued by a bank that is a member of the Federal deposit insurance corporation.
- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the Surplus Funds Investment Pool Act, composed entirely of instruments that are legal for direct investment by a school district.

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion of inter-fund loans).

3. *Inventories*

Inventories, which consist of supplies, are valued at cost on the first-in/first-out (“FIFO”) method. Inventories are recorded as expenditures when consumed rather than when purchased.

4. *Capital assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20-50
Buildings	50
Building improvements	10-50
Non-bus vehicles	5-7
Buses	10
Equipment	10

5. *Accrued compensated absences*

For those employees paid on the support schedule retiring or terminating employment for other than cause, and having ten (10) or more years of service with the District, the employee will be paid at a rate of 25% for unused sick leave at their date of termination.

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

All accrued compensated absences accrue when earned in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only when they become current.

6. *Long-term obligations*

In the government-wide financial statements, long-term debt obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are recognized during the current period.

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

7. *Fund balance*

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Board of Education through approval of resolutions. Assigned fund balances is a limitation imposed by the Superintendent as a designee of the Board of Education. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed or assigned to those purposes.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

8. *Pension Plan*

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

E. Use of estimates in the preparation of financial statements

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

The General and Special Revenue Funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with accounting principles generally accepted in the United States of America, and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the General and Special Revenue Funds are adopted on a categorical basis. All annual appropriations lapse at fiscal year-end.

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

1. Prior to June 30, the superintendent of the District submits to the Board of Education a proposed operating budget for the fiscal year commencing July 1 of that year. The operating budget includes proposed expenditures and the means of financing them for the General, Special Education, Vocational Education and School Lunch, as well as estimated total costs and proposed methods of financing all capital construction projects.
2. Public hearings are conducted at the Board of Education meetings of the District to obtain taxpayer comments.

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

3. Prior to July 1, the budget is legally enacted through passage of a resolution, in accordance with Public Act 621 of 1978.
4. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
5. The District is required, under Public Act 621 of 1978, to adopt a budget for the General and individual Special Revenue Funds. For the year ended June 30, 2016, the Board of Education adopted budgets for all funds, except the Debt Service, Capital Projects and Agency Funds. Budget appropriations were adopted at a categorical level and lapse at year-end.
6. Budget amounts are reported in the financial statements as originally adopted or as amended by the Board of Education.

B. No excess of expenditures over appropriations

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2016, the District was out of compliance with the Act as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Supporting services			
Instructional staff	\$ 564,369	\$ 748,765	\$ 184,396
Vocational Education Fund			
Supporting services	378,357	379,853	1,496
Other supporting services			
Payment to other local governmental units	3,185,990	3,191,265	5,275

III. DETAILED NOTES ON ALL FUNDS

A. Cash and cash equivalents and investments

Cash and cash equivalents are composed of the following, which includes \$88,057 recorded in fiduciary funds.

Deposits	\$ 6,393,579
Investments	<u>1,657,211</u>
Total	<u>\$ 8,050,790</u>

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

The District chooses to disclose its investments by specifically identifying each. As of year-end, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating (S&P)</u>
Michigan Liquid Asset Fund	31 days	\$1,657,211	AAAm

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note D-1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year-end. MILAF investments are carried at amortized cost and are not subject to withdrawal restrictions.

Credit Risk. State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note D-1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of State law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year-end, \$5,457,822 of the District's bank balance of \$5,964,966 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. Of the above \$1,657,211 of investments, the District has a custodial credit risk exposure of the security's balance of \$2,152,433 because it is uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for this particular security.

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note D-1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of State law on concentration of credit risk. The investment held by the District in the Michigan Liquid Asset Fund exceeds five percent of the District's total investments. All investments held at year-end are reported above.

B. Intergovernmental receivables and unearned revenue

Intergovernmental receivables are primarily comprised of amounts due from the State and Federal governments. Revenue is recorded as earned when eligibility requirements are met. Grant revenues deferred in the governmental fund financial statements include unearned revenue. Unavailable revenue received more than 60 days following year-end, (unavailable to pay liabilities of the current period) is reported as deferred inflows of resources.

Amounts due from other governments at June 30, 2016, are as follows:

Due from the State grants	\$ 1,434,633
Due from Federal grants	501,085
Other receivables	<u>92,534</u>
	<u>\$ 2,028,252</u>

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CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

C. Capital assets

Capital asset activity in the governmental activities is as follows:

	<u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 477,145	\$ -	\$ -	\$ 477,145
Capital assets being depreciated				
Land improvements	462,235	-	-	462,235
Buildings	2,149,074	-	-	2,149,074
Building improvements	576,474	22,389	-	598,863
Non-bus vehicles	273,693	14,257	(30,500)	257,450
Buses	1,739,747	91,338	(93,858)	1,737,227
Equipment	228,186	68,968	-	297,154
Total capital assets being depreciated	<u>5,429,409</u>	<u>196,952</u>	<u>(124,358)</u>	<u>5,502,003</u>
Less accumulated depreciation				
Land improvements	(236,535)	(22,720)	-	(259,255)
Buildings	(695,559)	(42,981)	-	(738,540)
Building improvements	(211,761)	(40,779)	-	(252,540)
Non-bus vehicles	(184,426)	(37,174)	30,500	(191,100)
Buses	(1,057,723)	(158,827)	88,304	(1,128,246)
Equipment	(183,723)	(4,999)	-	(188,722)
Total accumulated depreciation	<u>(2,569,727)</u>	<u>(307,480)</u>	<u>118,804</u>	<u>(2,758,403)</u>
Total capital assets being depreciated, net	<u>2,859,682</u>	<u>(110,528)</u>	<u>(5,554)</u>	<u>2,743,600</u>
Governmental activities capital assets, net	<u>\$ 3,336,827</u>	<u>\$ (110,528)</u>	<u>\$ (5,554)</u>	<u>\$ 3,220,745</u>

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
Instruction	\$ 81,440
Supporting services	<u>226,040</u>
Total depreciation expense – governmental activities	<u>\$ 307,480</u>

D. Interfund receivables, payables and transfers

As of June 30, 2016, interfund balances consisted of the following:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major governmental funds		
General Fund	\$ 91,362	\$ -
Special Education Fund	-	116,466
Vocational Education Fund	25,086	-
Agency fund	<u>18</u>	<u>-</u>
	<u>\$ 116,466</u>	<u>\$ 161,466</u>

These amounts represent short-term balances due between the funds as a result of the District's cash receipting process.

For the year ended June 30, 2016, inter-fund transfers consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major governmental funds		
General Fund	\$ 230,000	\$ -
Special Education Fund	-	200,000
Vocational Education Fund	<u>-</u>	<u>30,000</u>
	<u>\$ 230,000</u>	<u>\$ 230,000</u>

Transfers are to use revenues collected in the General, Special Education and Vocational Education Funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

E. Long-term obligations

Long-term obligation activity was as follows:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2016</u>	<u>Due Within One Year</u>
Governmental activities					
Compensated absences	\$ 76,465	\$ 9,233	\$ -	\$ 85,698	\$ -
	<u>\$ 76,465</u>	<u>\$ 9,233</u>	<u>\$ -</u>	<u>\$ 85,698</u>	<u>\$ -</u>

IV. OTHER INFORMATION

A. Risk management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The District belongs to the SET-SEG Property/Casualty Pool, Inc., a public entity risk pool currently operating as a common risk management and insurance program for various school districts throughout the State. The District pays an annual premium for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$1 million for each insured event. Although the District could be assessed charges beyond the annual premium, the likelihood of receiving such an assessment is minimal.

The District also belongs to the SEG Self-insured Workers' Disability Compensation Fund, a public entity risk pool currently operating as a common risk management and workers' compensation insurance program for various school districts throughout the State. The District pays an annual premium for its workers' compensation insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims. The District could be assessed charges beyond the annual estimated liability based on actual payroll and claims. The likelihood of receiving such an assessment is minimal.

The District is self-insured in health insurance. Blue Cross and Blue Shield is the third party administrator. The District has stop loss coverage with Blue Cross Blue Shield of Michigan for any claims exceeding \$95,000.

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

The health insurance claims liability of \$136,000 reported in the General, Special and Vocational Educational Special Revenue Funds at June 30, 2016, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. The claims liability is reported based on information from the insurance agent. No annuity contracts have been purchased for the claims liability.

The changes in the liability for the year ended June 30, 2016, is as follows:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2016	\$ 86,549	\$ 2,086,986	\$ (2,037,657)	\$ 135,878

B. Property taxes

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1 or December 1 of the following year by the various governmental units within the District. Delinquent real taxes are advanced to the District by the Revolving Tax Funds of the counties within the District.

During the fiscal year, \$.20, \$1.8313 and \$.75 per \$1,000 of equalized homestead and non-homestead property value in the District of \$5,169,775,351 was levied for general operating, special education and vocational education purposes, respectively.

C. Pension plan

Plan Description

The Michigan Public School Employees' Retirement System ("MPERS") is a cost-sharing, multiple employer, state-wide, defined benefit and defined contribution 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 System's financial statements are available at www.michigan.gov/mspers-cafr.

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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 are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. 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.

Pension Reform 2010

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

Pension Reform 2012

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

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus plan described above and a DC plan that provides a 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus plan. If they elect to opt out of the Pension Plus plan, their participation in the DC plan will be retroactive to their date of hire.

Regular Retirement

The retirement benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation ("FAC"). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period.

There is no mandatory retirement age.

Funding Policy

Defined Contribution Plan

Employer contributions to the Plan are dependent on the plan elected by the participant.

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 September 30, 2015 will be amortized over a 21 year period for the 2015 fiscal year.

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

The schedule below summarizes pension contribution rates in effect for the Plan's fiscal year September 30, 2015:

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

Required contributions to the pension plan from the District were \$2,291,410 for the year ended September 30, 2015.

The District's contributions to the MPSERS Defined Contribution Plan were \$44,979, for the year ended June 30, 2016, which is equal to the pension expense recognized by the District for the year.

Post-Employment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverages. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS Plan discussed above.

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

At June 30, 2016, the District reported a liability of \$29,011,915 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employees during the measurement period. At September 30, 2015, the District's proportion was 0.11877946%, which was an increase of 0.00240946% from its proportion measured as of September 30, 2014.

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2016, the District recognized pension expense of \$2,572,804. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 96,096
Changes of assumptions	714,335	-
Net difference between projected and actual earnings on pension plan investments	148,082	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	449,050	626
District contributions subsequent to the measurement date	<u>1,415,092</u>	<u>-</u>
Total	<u>\$ 2,726,559</u>	<u>\$ 96,722</u>

From the above table, \$1,415,092 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as follows:

<u>Year ended June 30</u>	<u>Amount</u>
2017	\$ 202,086
2018	202,086
2019	163,358
2020	647,215

Actuarial Assumptions

Projection 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 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.

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Additional information as of the latest actual valuation follows:

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 Plus Plan:	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.

Notes:

- Assumption changes as a result of an experience study for the period 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 for non-university employers
- Recognition period for assets is 5 years
- Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report (www.michigan.gov/mpsers-cafr).

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Long-Term Expected Rate of Return on Investments

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

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0%	5.9%
Private Equity Pools	18.0	9.2
International Equity Pools	16.0	7.2
Fixed Income Pools	10.5	.9
Real Estate & Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	2.0	0.0
Total	<u>100.0%</u>	

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

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan 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.

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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

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

<u>1% Decrease (Non-Hybrid/Hybrid) (7.0% / 6.0%)</u>	<u>Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) (8.0% / 7.0%)</u>	<u>1% Increase (Non-Hybrid/Hybrid) (9.0% / 8.0%)</u>
\$ 37,403,795	\$ 29,011,915	\$ 21,937,216

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 Comprehensive Annual Financial Report ("CAFR"). The 2015 MPERS CAFR is available at: www.michigan.gov/mpers-cafr.

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

The District reported \$207,586 and \$8,072 payable to the plan at June 30, 2016 for legally required defined benefit and defined contribution plan contributions, respectively.

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Required Supplemental Information - 10-Year Trend Information

Schedule of District's Proportionate Share of Net Pension Liability		
	9/30/2015	9/30/2014
District's proportion of collective net pension liability	0.11877946%	0.11637000%
District's proportionate share of net pension liability	\$ 29,011,915	\$ 25,632,158
District's covered-employee payroll	9,896,582	9,898,954
District's proportionate share of net pension liability as a percentage of covered-employee payroll	293.15%	258.94%
Plan fiduciary net position as a percentage of total pension liability	63.17%	66.20%

Schedule of District's Contributions		
	6/30/2016	6/30/2015
Statutorily required employer contributions	\$ 2,291,410	\$ 2,247,909
District contributions made to the Plan	2,291,410	2,247,909
Contributions deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 9,717,785	\$ 9,915,099
Contributions as a percentage of covered-employee payroll	23.60%	22.70%

Change of benefit terms: There were no changes of benefit terms in 2015.

Change in assumptions: There were no changes of benefit assumptions in 2015.

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

D. Contingencies

Federal Grant Programs

The District participates in Federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, not to be material.

Collectively Bargained Employment Agreements

The professional instructional employees of the District are organized under the Charlevoix-Emmet Intermediate Education Association. The Board of Education and the Charlevoix-Emmet Intermediate Education Association have a contract through August 31, 2020

**COMBINING FINANCIAL STATEMENTS OF
NON-MAJOR GOVERNMENTAL FUNDS**

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016**

	<u>Capital Project Fund</u>	<u>School Lunch Fund</u>	<u>Total Non-Major Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 135,207	\$ 1,507	\$ 136,714
Total assets	<u>\$ 135,207</u>	<u>\$ 1,507</u>	<u>\$ 136,714</u>
Fund balances			
Restricted for capital projects	\$ 135,207	\$ -	\$ 135,207
Restricted for food services	<u>-</u>	<u>1,507</u>	<u>1,507</u>
Total fund balances	<u>\$ 135,207</u>	<u>\$ 1,507</u>	<u>\$ 136,714</u>

**CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016**

	Capital Project Fund	School Lunch Fund	Total Non-Major Governmental Funds
Revenues			
Local sources			
Earnings on investments	\$ 401	\$ 3	\$ 404
Total revenues	401	3	404
Expenditures			
Food service operations	-	854	854
Capital projects	19,013	-	19,013
Total expenditures	19,013	854	19,867
Net change in fund balances	(18,612)	(851)	(19,463)
Fund balances, beginning of year	153,819	2,358	156,177
Fund balances, end of year	\$ 135,207	\$ 1,507	\$ 136,714

SINGLE AUDIT SECTION



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

Board of Education
Charlevoix-Emmet Intermediate School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of ***Charlevoix-Emmet Intermediate School District*** (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 5, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Dennis, Gartland & Niergarth

October 5, 2016

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE/GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED AWARD/GRANT AMOUNT	ACCRUED (UNEARNED) REVENUE JULY 1, 2015	(Memo Only) Prior Year Expenditures	CURRENT YEAR EXPENDITURES	CURRENT YEAR CASH RECEIPTS	ACCRUED (UNEARNED) REVENUE JUNE 30, 2016	2015-2016 REVENUE RECORDED	CASH TRANSFERRED TO SUBRECIPIENTS
U.S. DEPARTMENT OF EDUCATION									
Passed through Michigan Department of Education									
Grants to States, IDEA Part B									
EOSD, 160480-EOSD	84.027A	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -
Part B Flowthrough, 150450-1415	84.027A	1,970,501	362,661	1,970,501	-	362,661	-	-	-
Part B Flowthrough, 160450-1516	84.027A	1,956,461	-	-	1,956,461	1,522,246	434,215	1,956,461	-
Transition Coordination, 150490-TC	84.027A	50,000	4,972	50,000	-	4,972	-	-	-
Transition Coordination, 160490-TC	84.027A	50,000	-	-	50,000	46,774	3,226	50,000	3,997
Total Grants to States, IDEA Part B		4,076,962	367,633	2,020,501	2,056,461	1,986,653	437,441	2,056,461	3,997
Preschool Grants, IDEA Preschool									
Special Education Preschool, 150460-1415	84.173A	36,454	7,747	36,454	-	7,747	-	-	-
Special Education Preschool, 160460-1516	84.173A	36,341	-	-	36,341	30,414	5,927	36,341	-
Total Preschool Grants, IDEA Preschool		72,795	7,747	36,454	36,341	38,161	5,927	36,341	-
Total Special Education Cluster		4,149,757	375,380	2,056,955	2,092,802	2,024,814	443,368	2,092,802	3,997
Title I Regional Assistance, 151570-1415	84.010	5,687	575	2,947	1,694	2,269	-	1,694	-
Special Education - Grants for Infants and Families									
Early On Michigan, 151340-1415	84.181A	86,228	9,283	86,228	-	9,283	-	-	-
Early On Michigan, 161340-1516	84.181A	84,256	-	-	84,256	73,377	10,879	84,256	-
Total Special Education - Grants for Infants and Families		170,484	9,283	86,228	84,256	82,660	10,879	84,256	-
Total passed through Michigan Department of Education		4,325,928	385,238	2,146,130	2,178,752	2,109,743	454,247	2,178,752	3,997
Passed through Wexford-Missaukee ISD									
Career and Technical Education - Basic Grants to States (Perkins IV)									
Vocational Education, CTE Perkins 153520-15125	84.048A	110,175	8,168	110,175	-	8,168	-	-	-
Vocational Education, CTE Perkins 163520-16125	84.048A	117,480	-	-	117,480	106,775	10,705	117,480	-
Total Career and Technical Education - Basic Grants to States (Perkins IV)		227,655	8,168	110,175	117,480	114,943	10,705	117,480	-
TOTAL U.S. DEPARTMENT OF EDUCATION		4,553,583	393,406	2,256,305	2,296,232	2,224,686	464,952	2,296,232	3,997

CHARLEVOIX-EMMET INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE/GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED AWARD/GRANT AMOUNT	ACCRUED (UNEARNED) REVENUE JULY 1, 2015	(Memo Only) Prior Year Expenditures	CURRENT YEAR EXPENDITURES	CURRENT YEAR CASH RECEIPTS	ACCRUED (UNEARNED) REVENUE JUNE 30, 2016	2015-2016 REVENUE RECORDED	CASH TRANSFERRED TO SUBRECIPIENTS
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
Passed Through Northwest Michigan Community Action Agency									
Early Headstart 14-15	93.600	30,400	-	21,915	16,585	16,585	-	16,585	-
Early Headstart 15-16	93.600	30,800	-	-	15,400	7,700	7,700	15,400	-
Total Headstart		61,200	-	21,915	31,985	24,285	7,700	31,985	-
Passed through Michigan Department of Public Health									
Medical Assistance Program									
Medicaid Administrative Outreach	93.778	31,401	-	52,459	31,401	13,605	17,796	31,401	7,078
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		92,601	-	74,374	63,386	37,890	25,496	63,386	7,078
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE									
Passed Through Michigan Community Service Commission									
Americorps									
Michigan Americorps, MACF-15-15351, 2014-2015	94.006	\$ 124,328	\$ 11,111	\$ 113,818	-	\$ 11,111	-	-	-
Michigan Americorps, MACF-16-15351, 2015-2016	94.006	134,303	-	-	117,065	106,428	10,637	117,065	-
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		258,631	11,111	113,818	117,065	117,539	10,637	117,065	-
TOTAL FEDERAL AWARDS		\$ 4,904,815	\$ 404,517	\$ 2,444,497	\$ 2,476,683	\$ 2,380,115	\$ 501,085	\$ 2,476,683	\$ 11,075

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the general purpose financial statements.
2. Management has utilized the Grant Auditor Report in preparing the Schedule of Federal Awards.
3. The District did not use the 10% de-minimus cost rate under the Uniform Administrative Requirements.



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

Board of Education
Charlevoix-Emmet Intermediate School District

Report on Compliance for Each Major Federal Program

We have audited the *Charlevoix-Emmet Intermediate School District* (the "School District") on compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major Federal programs for the year ended June 30, 2016. The School District’s major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the School District’s compliance.

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major Federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Dennis, Gartland & Niergarth

October 5, 2016

CHARLEVOIX- EMMET INTERMEDIATE SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's report issued:	Unmodified
Internal control over financial reporting: Material weakness identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	No

Federal Awards

Internal control over major programs: Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Program</u>
84.027 and 84.173	Special Education Cluster

Dollar threshold to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as a low risk auditee?	Yes
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CHARLEVOIX- EMMET INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS

No financial statement findings are reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No Federal award findings or questioned costs are reported.

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No Federal award findings or questioned costs were reported in the prior year.

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