

**MANISTIQUE AREA SCHOOLS**  
**Manistique, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2017**

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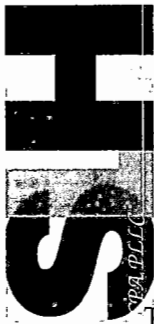
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*Schneider, Larche,  
Haapala & Co., PLLC*

**CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS**

October 25, 2017

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

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Manistique Area Schools  
Manistique, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Manistique Area Schools as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Manistique Area Schools as of June 30, 2017, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Matters:**

**Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and supplemental information on pages 41 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Supplemental Information**

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2017 on our consideration of Manistique Area Schools's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Manistique Area School's internal control over financial reporting and compliance.

  
Certified Public Accountants

Manistique Area Schools  
Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017

Manistique Area School District's Administration discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity and identify changes in the District's financial position and its ability to address the next and subsequent year challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2017.

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

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

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

### **District-wide Financial Statements**

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

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

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

Manistique Area Schools  
Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017

**Fund Financial Statements**

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

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

Manistique Area Schools  
Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017

**Financial Analysis of the District as a Whole**

Summary of Net Position

	June 30, 2017	June 30, 2016
<b>Assets</b>		
Current assets	\$ 4,226,949	\$ 3,885,356
Restricted assets	1,880,012	1,607,870
Capital assets	<u>12,102,750</u>	<u>12,404,652</u>
<b>Total Assets</b>	<u>\$ 18,209,711</u>	<u>\$ 17,897,878</u>
<b>Deferred Outflows of Resources</b>	<u>\$ 1,724,339</u>	<u>\$ 1,614,123</u>
<b>Liabilities</b>		
Current liabilities	\$ 3,943,764	\$ 3,794,151
Long-term liabilities	<u>20,306,437</u>	<u>21,407,808</u>
<b>Total Liabilities</b>	<u>\$ 24,250,201</u>	<u>\$ 25,201,959</u>
<b>Deferred Inflow of Resources</b>	<u>\$ 738,995</u>	<u>\$ 111,553</u>
<b>Net Position</b>		
Net investment in capital assets	\$ 3,110,498	\$ 2,957,682
Restricted for capital projects	423,459	297,168
Restricted for debt service	1,204,085	1,078,145
Restricted for special revenue	260,421	232,557
Unrestricted	<u>(10,053,609)</u>	<u>(10,367,063)</u>
<b>Total Net Position</b>	<u>\$ (5,055,146)</u>	<u>\$ (5,801,511)</u>

The School District's current net position is (\$5,055,146) compared to (\$5,801,511) last year. Total net position can be separated into five categories: net investment in capital assets, restricted assets for capital projects, restricted assets for debt service, restricted assets for special revenue and unrestricted assets.



Manistique Area Schools  
Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017

Net investment in capital assets is a combination of capital assets less accumulated depreciation and related debt. The original cost of capital assets is \$26,986,326. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with generally accepted accounting principles (GAAP), depreciation expense is recorded on the original cost of the asset, less any estimated salvage value, and is expensed over the estimated useful life of the assets. Total accumulated depreciation is \$14,883,576 compared to \$14,367,876 last year.

Assets held for capital projects and debt services are, by their nature, restricted by laws or regulations of the State of Michigan. As of June 30, 2017, we have \$423,459 as restricted assets in capital projects funds, \$260,421 in special revenue funds, and the debt service funds total \$1,204,085.

Manistique Area Schools  
Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the District-wide results of operations for the year ended June 30, 2017 and June 30, 2016 is as follows:

Program Revenue		
Fees and services	\$ 244,286	\$ 228,138
Operating grants and contributions	<u>1,013,396</u>	<u>935,269</u>
 Total Program Revenue	 <u>1,257,682</u>	 <u>1,163,407</u>
 General Revenue		
Property taxes levied for general operations	2,835,579	2,778,722
Property taxes levied for restricted purposes	1,299,897	1,303,519
State of Michigan aid - unrestricted	4,138,037	4,259,285
Interest income	19,676	20,330
Federal revenue - unrestricted	120,890	145,988
Other revenue	<u>79,390</u>	<u>74,934</u>
 Total General Revenue	 <u>8,493,469</u>	 <u>8,582,778</u>
 Total Revenue	 <u>\$ 9,751,151</u>	 <u>\$ 9,746,185</u>
 Expenses		
Instruction	\$ 4,711,208	\$ 4,669,839
Support services	2,825,559	3,392,138
Community services	224,187	238,763
Food services	335,596	336,336
Interest and fees on long-term debt	249,148	261,315
Depreciation (unallocated)	<u>659,088</u>	<u>756,612</u>
 Total Expenses	 <u>\$ 9,004,786</u>	 <u>\$ 9,655,003</u>
 Change in Net Position	 <u>\$ 746,365</u>	 <u>\$ 91,182</u>

Manistique Area Schools  
Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017

**GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS**

The overall fund balance of the governmental funds has increased from the prior year in the amount of \$472,144. The expenditures decreased significantly due to the fact that there were fewer projects completed through the Sinking Fund. In the General Fund, there was an excess of revenues over expenditures totaling \$199,762. Last year the excess of expenditures over revenues totaled \$77,080.

**MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS**

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

**General Fund Operations**

In the General Fund operations, the original revenue budget was \$8,113,726. The actual revenues were \$8,038,979, which was under the final budget of \$8,300,756 in the amount of \$261,777, a variance of 3.15%. The original expenditure budget was \$8,088,514. The actual expenditures of the General Fund operations were \$7,839,217, which was below the final budget of \$8,341,393 in the amount of \$300,808, a variance of 6.02%.

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

- State and Federal Grants

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

- State and Federal Grants
- Equipment Repair
- FICA
- Teaching Supplies
- Transportation Repairs

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 Management Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2017

**Sinking Fund Operations**

On August 3, 2008, voters approved a sinking fund millage for 1.50 mills over ten years. During the current year, the tax levy was \$456,251 and \$451,261 was actually collected. These funds were used for major projects such as the relocation of the high school office and the administration office, the replacement of windows and doors at the high school, a cement slab near the playground at Emerald, the replacement of flooring in the community/board room and the preschool room, and the refinishing of the high school gym floor. There are currently no major projects planned for the upcoming year.

**GOVERNMENTAL FUND EXPENDITURES**

Expenditures for all governmental funds totaled \$9,279,007. Below is a summary of the governmental fund expenditures and their percentages as they relate to total governmental funds:

	Total Expenditures	Percentage
General Fund	\$ 7,839,217	84.48%
Sinking Fund	256,503	2.76%
Debt Service Fund	692,638	7.47%
Other Funds	<u>490,649</u>	<u>5.29%</u>
 Total Expenditures	 \$ <u>9,279,007</u>	 <u>100.00%</u>

**TOTAL REVENUES**

Revenues for all governmental funds totaled \$9,751,151. Below is a summary of the governmental fund revenues and their percentages as they relate to total governmental funds:

	Total Revenues	Percentage
General Fund	\$ 8,038,979	82.44%
Sinking Fund	479,461	4.92%
Debt Service Fund	719,639	7.38%
Other Funds	<u>513,072</u>	<u>5.26%</u>
 Total Revenues	 \$ <u>9,751,151</u>	 <u>100.00%</u>

**Unrestricted State Aid**

The District is predominately funded by State Aid based on a three year average blended count formula that the State of Michigan utilizes. State aid membership was based upon the October student count of 835 and 835 for 2016-2017 and 2015-2016, respectively.

Manistique Area Schools  
Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017

**Property Taxes**

The District was authorized to levy up to 20.0000 mills (of which 2.0 mills was due to the Headlee millage reduction fraction) at an election held on November 6, 2012 on all nonhomestead property located within the District for General Fund operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the state equalized value, which is approximately 50% of market value. The 2016-2017 nonhomestead property tax levy totaled approximately \$2,828,770.

The District levied 2.50 mills of property taxes on all classes of property located within the District for bonded debt retirement. The levy is not subject to rollback provisions and is used to pay the principal and interest on bond obligations. The total amount levied for debt retirement for fiscal year 2016-2017 was \$684,375. In addition to this, there was a sinking fund levy of 1.50 mills for \$456,251.

**Operating Grants-Federal, State, and Local**

The primary sources are the Federal Title I program, the State funded At-Risk program and the Special Education Obligation funds required under the Headlee amendment, State of Michigan legislation. Both the Title I and At-Risk programs assist students who are deemed to be at risk in the instructional process. During the 2016-2017 fiscal year, the District was granted \$219,045 for Title I and \$265,037 for the State At-Risk program. For fiscal year 2017, the State, under the Headlee amendment, was obligated to remit to the District \$156,460.

**ENROLLMENT**

The District's 2016-2017 state aid membership with a three year average blend totaled 846.31. This is a decrease of 8.31 students funded from the previous year. Manistique Area Schools is located in Michigan's Upper Peninsula and is a Class C school with the second largest geographical area in the State of Michigan. It is rapidly turning into a retirement community and the birth rate has declined in recent years. We have been fortunate to obtain several students through the Schools of Choice option during the 2016-2017 school year and we gained students after Tahquamenon Area Schools closed the Curtis Elementary School during the fall of 2008. We also entered into a cooperative agreement with St. Francis de Sales, and during the 2016-2017 school year we were able to claim 27.37 memberships from this program.

Manistique Area Schools  
 Management Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2017

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

Fiscal Year	Fall Count	Increase (Decrease)
2016-2017	835.21	(0.70)
2015-2016	834.51	(35.46)
2014-2015	869.97	9.59
2013-2014	860.38	(22.70)
2012-2013	883.08	8.27
2011-2012	874.81	(66.24)
2010-2011	941.05	(58.55)
2009-2010	999.60	(40.59)
2008-2009	1,040.19	(38.84)
2007-2008	1,079.03	16.50
2006-2007	1,062.53	0.82

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year 2017, the School District had \$26,986,326 invested in land and building, furniture and equipment, vehicles and buses. Of this amount \$14,883,576 has been depreciated and the net book value totals \$12,102,750. The District maintains a \$5,000 threshold for capitalization of assets. The date of construction of the District's buildings ranges from 1918 to 2007. The District owns one new elementary building, a 6-12 middle/high school and rents space for an alternative education school. Due to budget constraints related to declining enrollment and the State of Michigan financial status, the ability to maintain these buildings has become increasingly difficult. On August 5, 2008, the District passed a sinking fund millage for 1.5 mils. This brought in revenues of approximately \$451,261 during the 2016-2017 school year.

Manistique Area Schools  
Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017

**Outstanding Debt at Year End**

As of June 30, 2017 the School District had \$8,757,193 in bonds and notes outstanding for capital purchases and projects. The District collects property taxes for bonded debt across the total of property values. Therefore, total growth in valuation, which has increased at a steady pace in recent years, is an important element in determining the District's ability to retire bonded debt and/or to incur additional debt. Other long-term liabilities as of June 30, 2017 were accrued employee benefits in the amount of \$747,437 and the District's proportionate share of the MPERS pension liability of \$10,887,244.

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

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

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

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

**MANISTIQUE AREA SCHOOLS**  
**STATEMENT OF NET POSITION**

June 30, 2017

		Governmental Activities
<b>ASSETS</b>		
Current Assets:		
Cash	\$	3,080,799
Due from other governmental units		1,039,974
Other receivables		55,266
Inventory		7,953
Restricted cash available to pay current liabilities		42,957
<b>TOTAL CURRENT ASSETS</b>		4,226,949
Capital Assets:		
Cost		26,986,326
Less: accumulated depreciation		(14,883,576)
Restricted Assets:		
Cash		1,880,012
<b>TOTAL ASSETS</b>		18,209,711
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amount from bond refunding, net of amortization		169,696
Amounts related to pension plan		1,554,643
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>		1,724,339
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable		208,017
Due to other governmental units		1,898,965
Accrued salaries and employee benefits		189,160
Accrued interest on long-term debt		42,957
Unearned revenues		157,595
State aid note payable		1,000,000
Current portion of accumulated unpaid employee benefits		-
Current portion of long-term debt		447,070
<b>TOTAL CURRENT LIABILITIES</b>		3,943,764
Noncurrent Liabilities:		
Noncurrent portion of accumulated unpaid employee benefits		747,437
Noncurrent portion of long-term debt		8,310,123
Unamortized bond premiums		361,633
Net pension liability		10,887,244
<b>TOTAL LIABILITIES</b>		24,250,201
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amount from bond refunding, net of amortization		43,122
Amount related to pension plan		695,873
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>		738,995
<b>NET POSITION</b>		
Net investment in capital assets		3,110,498
Restricted for:		
Debt service		1,204,085
Special revenue funds		260,421
Capital projects and improvements		423,459
Unrestricted		(10,053,609)
<b>TOTAL NET POSITION</b>	\$	(5,055,146)

See accompanying notes to financial statements.



**MANISTIQUE AREA SCHOOLS**

**STATEMENT OF ACTIVITIES**

For the year ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net position</u>
		<u>Charges for Services and Fees</u>	<u>Operating Grants and Contributions</u>	
<b>Governmental Activities:</b>				
Instruction	\$ 4,711,208	\$ -	\$ 672,031	\$ (4,039,177)
Support services	2,825,559	130,566	52,541	(2,642,452)
Community services	224,187	55,872	-	(168,315)
Food services	335,596	57,848	288,824	11,076
Interest and fees on long-term debt	249,148	-	-	(249,148)
Unallocated depreciation	659,088	-	-	(659,088)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total governmental activities	\$ <u>9,004,786</u>	\$ <u>244,286</u>	\$ <u>1,013,396</u>	<u>(7,747,104)</u>
 <b>General Revenues:</b>				
Property taxes:				
				2,835,579
				1,299,897
				4,138,037
				19,676
				120,890
				79,390
				<u>          </u>
			Total general revenues	<u>8,493,469</u>
			Change in net position	746,365
			Net position - July 1, 2016	<u>(5,801,511)</u>
			Net position - June 30, 2017	\$ <u><u>(5,055,146)</u></u>

See accompanying notes to financial statements.

**MANISTIQUE AREA SCHOOLS**  
**GOVERNMENTAL FUNDS BALANCE SHEET**

June 30, 2017

	General Fund	Sinking Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
<b>ASSETS</b>					
Cash	\$ 3,080,799	\$ -	\$ -	\$ -	\$ 3,080,799
Receivables:					
Accounts	55,266	-	-	-	55,266
Other governmental units	1,039,974	-	-	-	1,039,974
Inventories	-	-	-	7,953	7,953
Cash in restricted accounts	-	423,459	1,247,042	252,468	1,922,969
	-	423,459	1,247,042	252,468	1,922,969
TOTAL ASSETS	\$ 4,176,039	\$ 423,459	\$ 1,247,042	\$ 260,421	\$ 6,106,961
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
<b>Payables:</b>					
Accounts	\$ 208,017	\$ -	\$ -	\$ -	\$ 208,017
Other governmental units	1,898,965	-	-	-	1,898,965
State aid note payable	1,000,000	-	-	-	1,000,000
Accrued salaries and employee benefits	189,160	-	-	-	189,160
Unearned revenue	157,595	-	-	-	157,595
	-	-	-	-	-
TOTAL LIABILITIES	3,453,737	-	-	-	3,453,737
<b>Fund Balance:</b>					
Nonspendable	-	-	-	7,953	7,953
Restricted for:					
Debt service	-	-	1,247,042	-	1,247,042
Capital projects and improvements	-	423,459	-	-	423,459
Special revenue funds	-	-	-	252,468	252,468
Unassigned	722,302	-	-	-	722,302
	722,302	-	-	-	722,302
TOTAL FUND BALANCES	722,302	423,459	1,247,042	260,421	2,653,224
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,176,039	\$ 423,459	\$ 1,247,042	\$ 260,421	\$ 6,106,961

MANISTIQUE AREA SCHOOLS

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

June 30, 2017

Total fund balances of governmental funds	\$ 2,653,224
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in the government funds but are reported in the statement of net position.	12,102,750
Deferred outflows of resources are not currently available financial resources and therefore are not reported in the governmental funds but are reported in the statement of net position.	1,724,339
Noncurrent liabilities are not payable with currently available resources and therefore are not reported as liabilities in the governmental funds but are reported in the statement of net position.	(20,306,437)
Deferred inflows of resources are not payable from currently available resources and therefore are not reported in governmental funds but are reported in the statement of net position.	(738,995)
The current portion of long-term debt and accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the governmental funds but is reported in the statement of net position.	<u>(490,027)</u>
Total net position of governmental activities	\$ <u><u>(5,055,146)</u></u>

See accompanying notes to financial statements.

MANISTIQUE AREA SCHOOLS

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

For the year ended June 30, 2017

	General Fund	Sinking Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
<b><u>REVENUES</u></b>					
Local sources	\$ 2,989,637	\$ 478,489	\$ 718,181	\$ 224,248	\$ 4,410,555
State sources	4,507,827	-	-	34,535	4,542,362
Federal sources	473,242	972	1,458	254,289	729,961
Interdistrict and other sources	68,273	-	-	-	68,273
	<u>8,038,979</u>	<u>479,461</u>	<u>719,639</u>	<u>513,072</u>	<u>9,751,151</u>
TOTAL REVENUES					
<b><u>EXPENDITURES</u></b>					
Current:					
Instruction	4,780,305	-	-	-	4,780,305
Supporting services	2,851,509	-	-	-	2,851,509
Community services	110,585	-	-	-	110,585
Food services	-	-	-	340,361	340,361
Public library	-	-	-	117,176	117,176
Capital projects and improvements	83,318	256,503	-	33,112	372,933
Debt Service:					
Principal retirement	11,776	-	425,000	-	436,776
Interest expense and fiscal charges	1,724	-	267,638	-	269,362
	<u>7,839,217</u>	<u>256,503</u>	<u>692,638</u>	<u>490,649</u>	<u>9,279,007</u>
TOTAL EXPENDITURES					
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	199,762	222,958	27,001	22,423	472,144
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfers in	-	-	96,667	-	96,667
Transfers out	-	(96,667)	-	-	(96,667)
	<u>199,762</u>	<u>126,291</u>	<u>123,668</u>	<u>22,423</u>	<u>472,144</u>
NET CHANGE IN FUND BALANCES					
Fund Balance, July 1	522,540	297,168	1,123,374	237,998	2,181,080
	<u>522,540</u>	<u>297,168</u>	<u>1,123,374</u>	<u>237,998</u>	<u>2,181,080</u>
FUND BALANCE, JUNE 30	\$ <u>722,302</u>	\$ <u>423,459</u>	\$ <u>1,247,042</u>	\$ <u>260,421</u>	\$ <u>2,653,224</u>

See accompanying notes to financial statements.

**MANISTIQUE AREA SCHOOLS**

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

For the year ended June 30, 2017

Total net change in fund balance of governmental funds	\$	472,144
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures, but in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which depreciation exceeded capital outlay in the current period is as follows:</p>		
Assets capitalized	\$ 357,186	
Depreciation expense	659,088	(301,902)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In addition, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, but these amounts are amortized in the statement of activities.</p>		
Current long-term debt repayments	436,776	
Amortization of deferred amount from bond refunding and bond premiums	17,942	454,718
<p>Interest on long-term debt in the statement of activities includes accrued interest, while the governmental funds statement does not. The current year effect of differences in interest expense recognition.</p>		
		2,272
<p>Governmental funds report expenditures for payment of unpaid sick leave and early retirement incentive benefits as they become due. However, in the statement of activities those expenditures are accrued as they are earned. The current year effect of differences in recording these benefits.</p>		
		3,257
<p>Certain pension plan expenses and related deferred outflows and inflows of resources do not require the use of current available resources and therefore, are not recorded as expenditures in the governmental funds.</p>		
Change in net pension liability	624,239	
Change in the net deferred inflows and outflows of resources related to the pension plan	(508,363)	115,876
Change in net position of governmental activities	\$	746,365

See accompanying notes to financial statements.

MANISTIQUE AREA SCHOOLS

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
<u>ASSETS</u>		
Cash	\$ 1,179,675	\$ 114,391
Investments - common stock	129,110	-
Dividends receivable	970	-
	<u>1,309,755</u>	<u>114,391</u>
TOTAL ASSETS	<u>1,309,755</u>	<u>114,391</u>
<u>LIABILITIES</u>		
Liabilities:		
Due to student groups	-	114,391
	<u>-</u>	<u>114,391</u>
TOTAL LIABILITIES	<u>-</u>	<u>\$ 114,391</u>
<u>NET POSITION</u>		
Net position held in trust for scholarships and other designated purposes	\$ <u>1,309,755</u>	

See accompanying notes to financial statements.

MANISTIQUE AREA SCHOOLS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2017

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS</u>	
Contributions	\$ 86,321
Interest and dividends	24,252
Changes in fair value of investments	<u>(8,370)</u>
TOTAL ADDITIONS	<u>102,203</u>
 <u>DEDUCTIONS</u>	
Scholarships	<u>27,700</u>
TOTAL DEDUCTIONS	<u>27,700</u>
CHANGE IN NET POSITION	74,503
NET POSITION, JULY 1	<u>1,235,252</u>
NET POSITION, JUNE 30	<u>\$ 1,309,755</u>

See accompanying notes to financial statements.

# MANISTIQUE AREA PUBLIC SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### Reporting Entity

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

#### District-wide and Fund Financial Statements

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

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



# MANISTIQUE AREA PUBLIC SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

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

**MANISTIQUE AREA PUBLIC SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental Funds

The District reports the following major governmental funds:

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

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

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

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

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

Fiduciary Funds

The District reports the following fiduciary funds:

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

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

Other Accounting Policies

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

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

MANISTIQUE AREA PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

Due From Other Governmental Units - Amounts due from other governmental units consist of various revenues due from federal, state and interdistrict sources. These revenues represent amounts used for the operation of special programs and grant projects, and for the final payments of 2017 state aid which will be received after year-end.

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

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

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

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

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

MANISTIQUE AREA PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

Subsequent Events - The District has evaluated subsequent events through October 25, 2017, the date the financials statements were available to be issued.

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

1. Invested in capital assets, net of related debt - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

MANISTIQUE AREA PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2. Restricted net position - consists of net assets with constraints on their use that are externally imposed (by creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation.
3. Unrestricted net position - all other net assets that do not meet the definition of either of the other two components.

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

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

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Areas that may be sensitive to accounting estimates include the service lives of capital assets and accounting for the District's pension and benefit plans.

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

1. In June, the Superintendent submits to the Board proposed operating budgets for the fiscal year commencing on July 1.
2. A public hearing is conducted during June to obtain taxpayer comments.
3. Prior to June 30, the budgets are legally enacted through passage of a resolution.
4. The Superintendent is charged with general supervision of the budget.
5. During the year, the budgets are monitored and amendments to the budget resolution are made when deemed necessary.
6. The budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts reported in the basic financial statements are as originally adopted, or as amended by the Board.

**MANISTIQUE AREA PUBLIC SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Sinking Fund - The District's Sinking Fund is a capital project activity funded with a restricted tax levy. The District has complied with applicable requirements of Section 1212 of the revised Michigan School Code regarding the expenditures made from the fund.

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

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

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

*GASB Statement No. 84, Fiduciary Activities* establishes criteria for identifying and reporting on fiduciary activity that should be reported in the District's basic financial statements. The provisions of this statement are effective for the District's year ended June 30, 2019.

*GASB Statement No. 87, Leases* will require recognition of certain lease assets and liabilities for leases previously accounted for as operating leases. The provisions of this statement are effective for the year ended June 30, 2021.

Management is currently evaluating the impact the above changes will have on the District's financial statements when the changes are adopted.

MANISTIQUE AREA PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE B - CASH DEPOSITS AND INVESTMENTS**

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

A summary of cash and investment balances as of June 30, 2017 is as follows:

Governmental Activities:	
Deposits (checking and savings)	\$ 3,080,799
Restricted deposit accounts	1,922,969
Fiduciary Funds:	
Deposits (checking and savings)	243,070
Certificates of deposit	1,050,996
Equity investments at market value	<u>129,110</u>
	\$ <u>6,426,944</u>

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

Deposits - The District's cash consists of various interest bearing savings and checking accounts and certificates of deposit held at financial institutions located in the State of Michigan. At June 30, 2017, the carrying value of the District's deposits was \$6,297,834 and the total bank balances were \$6,476,615. Bank balances subject to custodial credit risk because balances were uninsured and uncollateralized totaled \$5,942,027.

Investments - Investments in the Fiduciary Funds consists of common stock donated to the scholarship funds which has a market value and original cost of \$129,110 and \$35,567, respectively, at June 30, 2017. Market value is determined using readily available quoted price.

**MANISTIQUE AREA PUBLIC SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

**NOTE C - SHORT-TERM DEBT ACTIVITY**

The District issues state aid anticipation notes in advance of receiving its first state aid payment for the year. Short-term debt activity for the year ended June 30, 2017 was as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>June 30, 2017</u>
State Aid Note	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>

The short-term note outstanding at June 30, 2017 carries an interest rate of .67% and a maturity date of August 22, 2017. In addition to the pledge of state aid, the District has pledged unencumbered tax levies and other District resources as security on the outstanding state aid note.

**NOTE D - INTERFUND TRANSFERS**

Interfund transfers during the year ended June 30, 2017 included the following:

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

**NOTE E - CAPITAL ASSETS**

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

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 385,084	\$ -	\$ -	\$ 385,084
Capital assets being depreciated:				
Land improvements	1,305,839	5,853	-	1,311,692
Buildings and improvements	22,956,761	240,895	-	23,197,656
Computers and related equipment	541,228	54,085	-	595,313
All other equipment	358,679	21,107	-	379,786
Buses and other vehicles	<u>1,224,937</u>	<u>35,246</u>	<u>143,388</u>	<u>1,116,795</u>
 TOTAL COST	<u>26,772,528</u>	<u>357,186</u>	<u>143,388</u>	<u>26,986,326</u>



**MANISTIQUE AREA SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

**NOTE E - CAPITAL ASSETS (Continued)**

Accumulated depreciation:

Buildings and improvements	12,678,814	518,927	-	13,197,741
Equipment and vehicles	<u>1,689,062</u>	<u>140,161</u>	<u>143,388</u>	<u>1,685,835</u>

Total Accumulated Depreciation	<u>14,367,876</u>	<u>659,088</u>	<u>143,388</u>	<u>14,883,576</u>
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NET CAPITAL ASSETS	<u>\$12,404,652</u>	(\$ <u>301,902</u> )	\$ <u>-</u>	<u>\$12,102,750</u>
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Depreciation for the fiscal year ended June 30, 2017 amounted to \$659,088. The District has not allocated depreciation among the various governmental activities.

**NOTE F - ACCUMULATED UNPAID EMPLOYEE BENEFITS**

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

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

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

A summary of changes in accumulated unpaid employee benefits for the year ended June 30, 2017, is as follows:

	Balance			Estimated	
	July 1, 2016	Additions	Reductions	Balance	Within One
				June 30, 2017	Year
Accrued vacation pay	\$ 31,165	\$ -	\$ 5,797	\$ 25,368	\$ -
Accumulated sick pay	<u>719,529</u>	<u>2,540</u>	<u>-</u>	<u>722,069</u>	<u>-</u>
Total	<u>\$ 750,694</u>	<u>\$ 2,540</u>	<u>\$ 5,797</u>	<u>\$ 747,437</u>	<u>\$ -</u>

**MANISTIQUE AREA PUBLIC SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

**NOTE G - LONG-TERM DEBT**

Long-term debt activity for the year ended June 30, 2017 is summarized as follows:

	Balance			Balance	Amount Due
	<u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>	<u>Within One</u>
					<u>Year</u>
General Obligation Bonds:					
2009 School Improvement	\$ 1,450,000	\$ -	\$ -	\$ 1,450,000	\$ -
2012 Refunding Bond	1,415,000	-	205,000	1,210,000	210,000
2016 Refunding Bond	6,260,000	-	220,000	6,040,000	225,000
Bus installment note	<u>68,969</u>	<u>-</u>	<u>11,776</u>	<u>57,193</u>	<u>12,070</u>
<b>Total</b>	<b>\$ <u>9,193,969</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>436,776</u></b>	<b>\$ <u>8,757,193</u></b>	<b>\$ <u>447,070</u></b>

Outstanding long-term debt as of June 30, 2017 consisted of the following:

2009 School Improvement Qualified Zone Academy Bond Series I general obligation bond issued August 26, 2009 with single maturity date of August 26, 2024. The bond was issued at a 0% interest rate and requires approximate equal annual deposits into a debt sinking escrow account maintained at the financial institution bondholder. Annual transfers to the debt sinking account are estimated to be approximately \$97,000. As of June 30, 2017, the escrow deposit account has a balance of \$729,001.

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

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

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

MANISTIQUE AREA PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

The estimated debt service requirements for principal and interest to maturity as of June 30, 2017 are as follows:

<u>Years Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 447,070	\$ 254,885	\$ 701,955
2019	457,372	241,533	698,905
2020	467,681	229,164	696,845
2021	490,070	216,077	706,147
2022	485,000	199,475	684,475
2023 - 2027	4,150,000	699,912	4,849,912
2028 - 2031	<u>2,260,000</u>	<u>179,500</u>	<u>2,439,500</u>
TOTAL	\$ <u>8,757,193</u>	\$ <u>2,020,546</u>	\$ <u>10,777,739</u>

**NOTE H - PENSION PLAN POSTEMPLOYMENT BENEFITS**

**Plan Description, Benefit Payments and Plan Contributions**

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

The MPSERS is a qualified pension trust under section 401(a) of the Internal Revenue Code. As of September 30, 2016, there were 678 participating employers in the MPSERS, and a total of 436,520 plan members, including 228,875 retired members receiving or entitled to receive plan benefits and 207,645 active members.

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

MANISTIQUE AREA PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE H - PENSION PLAN POSTEMPLOYMENT BENEFITS (Continued)**

**Plan Description, Benefit Payments and Plan Contributions (continued)**

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

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

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

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

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

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

**MANISTIQUE AREA SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

**NOTE H - PENSION PLAN POSTEMPLOYMENT BENEFITS (Continued)**

**Plan Description, Benefit Payments and Plan Contributions (continued)**

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

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

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

The following table presents the required participating employer and member pension plan contribution rates for active participants that were in effect during the District's year ended June 30, 2017:

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>	
		<u>July 1- September 30</u>	<u>October 1- June 30</u>
Basic Plan	0.0 - 4.0%	18.95%	19.03%
Member Investment Plan(MIP)	3.0 - 7.0%	18.95%	19.03%
Pension Plus Plan	3.0 - 6.4%	17.73%	18.40%
Plans converted to Defined Contributions	0%	14.56%	15.27%

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

MANISTIQUE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE H - PENSION PLAN POSTEMPLOYMENT BENEFITS (Continued)**

**Pension Plan Liability**

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

At June 30, 2017, the District reported a pension plan liability of \$10,877,244 for its proportionate share of the MPSERS net pension liability. The MPSERS net pension liability was measured as of September 30, 2016 and was based on the most recent actuarial valuation performed as of September 30, 2015.

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to all projected pension plan contributions, as actuarially determined. The District's proportion as of September 30, 2016 was .043638%, a decrease of .003492% from its proportion measured as of September 30, 2015.

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

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

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

MANISTIQUE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE H - PENSION PLAN POSTEMPLOYMENT BENEFITS (Continued)**

**Pension Plan Liability (continued)**

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected rate of Return (net of investment expenses)</u>
Domestic equity pools	28.0%	5.9%
Alternative investment pools	18.0	9.2
International equities	16.0	7.2
Fixed income pools	10.5	.9
Real estate/ infrastructure pools	10.0	4.3
Absolute return pools	15.5	6.0
Short-term investment pools	<u>2.0</u>	0.0
	<u>100.0 %</u>	

For the Plan’s fiscal year ended September 30, 2016, the annual rate of return on plan investments, net of investment expenses, was 5.91%.

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

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

**MANISTIQUE AREA SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

**NOTE H - PENSION PLAN POSTEMPLOYMENT BENEFITS (Continued)**

**Pension Plan Liability (continued)**

	1% Lower than Applied Discount Rate <u>(6.0%-7.0%)</u>	Applied Discount Rate <u>(7.0%-8.0%)</u>	1% higher than Applied Discount Rate <u>(8.0%-9.0%)</u>
District's proportionate share of net pension liability	\$ 14,020,030	\$ 10,887,244	\$ 8,246,004

**Pension Expense and Pension Related Deferred Outflows and Inflows of Resources**

Pension Expense - For the year ended June 30, 2017, the School District recognized pension expense of \$904,775. Plan contributions payable as of June 30, 2017 were \$81,947.

Pension Related Deferred Outflows and Inflows of Resources - At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to the defined benefit pension plan as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ 135,684	\$ 25,803
Changes of assumptions	170,214	-
Net difference between projected and actual earnings on plan investments	180,946	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	150,409	670,070
School District contributions subsequent to the measurement date of September 30, 2016	<u>917,390</u>	<u>-</u>
	\$ <u>1,554,643</u>	\$ <u>695,873</u>

School District contributions subsequent to the measurement date of \$917,390 will be recognized as a reduction of the net pension liability in the subsequent school year. Other amounts reported as deferred outflows and inflows of resources related to the defined benefit pension plan will be recognized as a component of pension expense in the following years :

<u>Plan Year Ended September 30,</u>	<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2017	2018	\$ 47,179
2018	2019	61,408
2019	2020	( 117,259)
2020	2021	<u>67,292</u>
		\$ <u>58,620</u>



**MANISTIQUE AREA SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

**NOTE I - POSTEMPLOYMENT AND OTHER BENEFIT PLANS**

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

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

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

The following table presents the required participating employer and member healthcare contribution rates for active participants that were in effect during the District's year ended June 30, 2017:

<u>Healthcare Benefit</u>	<u>July 1, 2016- September 2016</u>		<u>October 1, 2016- June 30, 2017</u>	
	<u>Member</u>	<u>Employer</u>	<u>Member</u>	<u>Employer</u>
Retiree Healthcare Fund	3.0%	6.83%	3.0%	5.91%
Personal Healthcare Fund	2.0%	8.40%	2.0%	7.69%

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

MANISTIQUE AREA SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE I - POSTEMPLOYMENT AND OTHER BENEFIT PLANS (Continued)**

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

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

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

**NOTE J - DUE TO OTHER GOVERNMENTAL UNITS**

Amounts due to other governmental units amounting to \$1,898,965 as of June 30, 2017 represents excess tax distributions received from tax collecting governmental units within the District in the current and prior years. Management of the District is in the process of the resolving the issue with parties of interest in the matter.

**NOTE K- RISK MANAGEMENT**

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

**MANISTIQUE AREA SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

**NOTE L - COMMITMENTS AND CONTINGENCIES**

The District has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the District. However, in the opinion of the management, any such disallowed claims will not have a material effect on any of the financial statements of the individual funds or on the overall financial position of the School District at June 30, 2017.

**REQUIRED SUPPLEMENTAL INFORMATION**

MANISTIQUE AREA SCHOOLS

**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**

For the year ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
<b><u>REVENUES</u></b>				
Local sources	\$ 2,940,432	\$ 2,981,259	\$ 2,989,637	\$ 8,378
State sources	4,612,539	4,735,078	4,507,827	(227,251)
Federal sources	513,605	523,700	473,242	(50,458)
Interdistrict and other sources	<u>47,150</u>	<u>60,719</u>	<u>68,273</u>	<u>7,554</u>
TOTAL REVENUES	<u>8,113,726</u>	<u>8,300,756</u>	<u>8,038,979</u>	<u>(261,777)</u>
<b><u>EXPENDITURES</u></b>				
Instruction	4,775,777	5,055,968	4,780,305	275,663
Supporting services	3,204,932	3,165,793	2,948,327	217,466
Community services	<u>107,805</u>	<u>119,632</u>	<u>110,585</u>	<u>9,047</u>
TOTAL EXPENDITURES	<u>8,088,514</u>	<u>8,341,393</u>	<u>7,839,217</u>	<u>502,176</u>
NET CHANGE IN FUND BALANCE	25,212	(40,637)	199,762	240,399
FUND BALANCE, JULY 1	<u>522,540</u>	<u>522,540</u>	<u>522,540</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 547,752</u>	<u>\$ 481,903</u>	<u>\$ 722,302</u>	<u>\$ 240,399</u>

See accompanying notes to required supplemental information.

**MANISTIQUE AREA PUBLIC SCHOOLS**

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

**MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN**

For the last ten one year periods starting with the year ended June 30, 2015  
Presented on a plan year basis ending September 30 within each fiscal year of the District

	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Proportion of net pension liability (%)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.043638%	0.047130%	0.046169%
Proportionate share of net pension liability	-	-	-	-	-	-	-	\$ 10,887,244	\$ 11,511,483	\$ 10,169,485
Covered employee payroll	-	-	-	-	-	-	-	\$ 3,546,309	\$ 3,971,105	\$ 3,922,662
Proportionate share of net pension liability as a percentage of covered employee payroll (%)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	307.0021%	289.8811%	259.2496%
Plan fiduciary net position as a percentage of total pension liability	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	63.01%	62.92%	66.20%

MANISTIQUE AREA PUBLIC SCHOOLS

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS-

MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

For the last ten one year periods starting with the year ended June 30, 2015

	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Statutorily required contributions	-	-	-	-	-	-	-	\$ 979,907	\$ 952,615	\$ 906,404
Contributions in relation to statutorily required contributions	-	-	-	-	-	-	-	979,907	952,615	906,404
Contribution deficiency (excess)	-	-	-	-	-	-	-	\$ -	\$ -	\$ -
Reporting unit's covered employee payroll	-	-	-	-	-	-	-	\$ 3,576,372	\$ 3,649,175	\$ 3,975,703
Contributions as a percentage of covered employee payroll	0.00	0.00	0.00	0.00	0.00	0.00	0.00	27.3994%	26.1049%	22.7986%

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See accompanying notes to required supplemental information.

MANISTIQUE AREA PUBLIC SCHOOLS

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2017

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

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

**Pension Plan Benefits** - There were no changes in pension benefit terms or benefit assumptions during the most recent pension plan year ended September 30, 2016.



**OTHER SUPPLEMENTAL INFORMATION**

**MANISTIQUE AREA SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2017

	Special Revenue		
	School Lunch	Public Library	Total
<b><u>ASSETS</u></b>			
Cash	\$ 20,107	\$ 232,361	\$ 252,468
Inventories	7,953	-	7,953
TOTAL ASSETS	28,060	232,361	260,421
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
Liabilities:			
Accounts payable	-	-	-
TOTAL LIABILITIES	-	-	-
Fund Balance:			
Nonspendable	7,953	-	7,953
Restricted	20,107	232,361	252,468
TOTAL FUND BALANCE	28,060	232,361	260,421
TOTAL LIABILITIES AND FUND BALANCE	\$ 28,060	\$ 232,361	\$ 260,421

**MANISTIQUE AREA SCHOOLS**

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

For the year ended June 30, 2017

	<u>Special Revenue</u>		
	<u>School Lunch</u>	<u>Public Library</u>	<u>Total</u>
<b><u>REVENUES</u></b>			
Local sources	\$ 58,348	\$ 165,900	\$ 224,248
State sources	34,535	-	34,535
Federal sources	<u>254,289</u>	<u>-</u>	<u>254,289</u>
TOTAL REVENUES	<u>347,172</u>	<u>165,900</u>	<u>513,072</u>
<b><u>EXPENDITURES</u></b>			
Current Operating:			
Food services	340,361	-	340,361
Public Library	<u>-</u>	<u>150,288</u>	<u>150,288</u>
TOTAL EXPENDITURES	<u>340,361</u>	<u>150,288</u>	<u>490,649</u>
NET CHANGE IN FUND BALANCES	6,811	15,612	22,423
FUND BALANCE, JULY 1	<u>21,249</u>	<u>216,749</u>	<u>237,998</u>
FUND BALANCE, JUNE 30	<u>\$ 28,060</u>	<u>\$ 232,361</u>	<u>\$ 260,421</u>

**MANISTIQUE AREA SCHOOLS**

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

For the year ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<b><u>REVENUES</u></b>			
Revenue from Local Sources:			
Property taxes	\$ 2,830,509	\$ 2,835,579	\$ 5,070
Student fees	62,500	64,726	2,226
Athletic admissions and fees	51,250	52,978	1,728
Rents received	12,000	11,976	(24)
Interest income	14,000	14,304	304
Other local revenue	<u>11,000</u>	<u>10,074</u>	<u>(926)</u>
TOTAL REVENUE FROM LOCAL SOURCES	<u>2,981,259</u>	<u>2,989,637</u>	<u>8,378</u>
Revenue from State Sources:			
State aid:			
Foundation - membership aid	3,469,325	3,469,325	-
At risk and carryover	382,703	225,087	(157,616)
MPSERS rate stabilization	493,798	493,798	-
Other state aid	192,508	169,457	(23,051)
Other state revenues	<u>196,744</u>	<u>150,160</u>	<u>(46,584)</u>
TOTAL REVENUE FROM STATE SOURCES	<u>4,735,078</u>	<u>4,507,827</u>	<u>(227,251)</u>
Revenue from Federal Sources:			
Title I	244,994	219,045	(25,949)
Title II - Part A	76,463	72,309	(4,154)
Title VI - Part B	17,026	17,026	-
Impact aid	65,000	44,643	(20,357)
Indian education	42,483	42,483	-
Payments in lieu of taxes	73,816	73,817	1
Medicaid reimbursement	<u>3,918</u>	<u>3,919</u>	<u>1</u>
TOTAL REVENUE FROM FEDERAL SOURCES	<u>523,700</u>	<u>473,242</u>	<u>(50,458)</u>
Revenue from Interdistrict and Other Sources:			
Other grants and revenues	19,119	24,371	5,252
Refunds, reimbursements and other	39,600	41,950	2,350
Proceeds from sale of property and equipment	<u>2,000</u>	<u>1,952</u>	<u>(48)</u>
TOTAL REVENUE FROM INTERDISTRICT AND OTHER SOURCES	<u>60,719</u>	<u>68,273</u>	<u>7,554</u>
TOTAL REVENUES	\$ <u>8,300,756</u>	\$ <u>8,038,979</u>	\$ <u>(261,777)</u>

**MANISTIQUE AREA SCHOOLS**

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

For the year ended June 30, 2017

<u>EXPENDITURES</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<b>EXPENDITURES FOR INSTRUCTION</b>			
Elementary:			
Salaries:			
Teachers	\$ 821,244	\$ 820,274	\$ 970
Substitutes and aides	6,870	5,746	1,124
Employee benefits	571,075	562,440	8,635
Purchased services	22,500	20,471	2,029
Teaching supplies	11,000	9,400	1,600
Equipment repair and replacement	26,000	20,399	5,601
Miscellaneous	200	19	181
	<hr/>	<hr/>	<hr/>
TOTAL ELEMENTARY	1,458,889	1,438,749	20,140
Middle School:			
Salaries:			
Teachers	452,553	452,494	59
Substitutes and aides	3,000	1,938	1,062
Employee benefits	284,075	280,992	3,083
Purchased services	56,944	49,401	7,543
Teaching supplies	8,500	2,697	5,803
Equipment repair and replacement	2,000	241	1,759
Miscellaneous	500	320	180
	<hr/>	<hr/>	<hr/>
TOTAL MIDDLE SCHOOL	807,572	788,083	19,489
Secondary:			
Salaries:			
Teachers	771,915	760,847	11,068
Substitutes and aides	13,145	9,985	3,160
Employee benefits	519,031	508,701	10,330
Purchased services	22,316	17,910	4,406
Teaching supplies	31,625	22,412	9,213
Tuition	60,000	56,622	3,378
Equipment repair and replacement	12,000	7,697	4,303
ISD tuition and services	87,399	87,399	-
Miscellaneous	2,800	1,915	885
	<hr/>	<hr/>	<hr/>
TOTAL SECONDARY	1,520,231	1,473,488	46,743

**MANISTIQUE AREA SCHOOLS**

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

For the year ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Special Education:			
Salaries:			
Teachers	167,750	166,648	1,102
Substitutes and aides	12,248	10,877	1,371
Employee benefits	122,218	120,222	1,996
Purchased services	132,240	121,311	10,929
Teaching supplies	4,350	2,695	1,655
Equipment repair and replacement	3,100	1,009	2,091
Miscellaneous	350	140	210
	<u>442,256</u>	<u>422,902</u>	<u>19,354</u>
<b>TOTAL SPECIAL EDUCATION</b>			
Title I Instruction:			
Salaries:			
Teachers	79,655	78,712	943
Substitutes and aides	19,603	18,055	1,548
Employee benefits	61,394	60,517	877
Purchased services	48,897	29,962	18,935
Purchased services (Title II)	11,693	7,693	4,000
Teaching supplies	1,000	438	562
Teaching supplies (Title IV)	16,805	16,805	-
Teaching supplies (Title II)	53,441	53,397	44
	<u>292,488</u>	<u>265,579</u>	<u>26,909</u>
<b>TOTAL TITLE I INSTRUCTION</b>			
At Risk Instruction:			
Salaries:			
Teachers	129,278	92,987	36,291
Substitutes and aides	33,673	12,085	21,588
Employee benefits	86,190	69,196	16,994
Purchased services	29,086	5,425	23,661
Teaching supplies	11,586	8,105	3,481
Miscellaneous	500	-	500
	<u>290,313</u>	<u>187,798</u>	<u>102,515</u>
<b>TOTAL AT RISK INSTRUCTION</b>			
Indian Education:			
Salaries:			
Teachers	10,197	8,604	1,593
Substitutes and aides	8,900	7,130	1,770
Employee benefits	5,812	5,554	258
Purchased services	13,086	14,843	(1,757)
Supplies	3,588	5,452	(1,864)
	<u>41,583</u>	<u>41,583</u>	<u>-</u>
<b>TOTAL INDIAN EDUCATION</b>			

**MANISTIQUE AREA SCHOOLS**

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

For the year ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Early Childhood/Readiness:			
Purchased services	109,296	99,538	9,758
Teaching supplies	27,599	12,591	15,008
Equipment repair and replacement	<u>20,500</u>	<u>4,369</u>	<u>16,131</u>
TOTAL EARLY CHILDHOOD/READINESS	<u>157,395</u>	<u>116,498</u>	<u>40,897</u>
CTE Teaching:			
Salaries	24,996	24,996	-
Employee benefits	18,745	18,743	2
Teaching supplies and services	<u>1,500</u>	<u>1,886</u>	<u>(386)</u>
TOTAL SUMMER SCHOOL	<u>45,241</u>	<u>45,625</u>	<u>(384)</u>
TOTAL INSTRUCTION	<u>5,055,968</u>	<u>4,780,305</u>	<u>275,663</u>
EXPENDITURES FOR SUPPORT SERVICES			
Noon Supervision:			
Salaries	6,526	5,500	1,026
Employee benefits	2,921	2,682	239
Purchased services	<u>200</u>	<u>16</u>	<u>184</u>
TOTAL NOON SUPERVISION	<u>9,647</u>	<u>8,198</u>	<u>1,449</u>
Guidance:			
Salaries:			
Counselors	60,427	60,222	205
Clerical	6,783	6,855	(72)
Employee benefits	40,435	40,035	400
Purchased services	2,000	1,035	965
Equipment repair and replacement	1,500	-	1,500
Supplies	1,750	200	1,550
Miscellaneous	<u>700</u>	<u>600</u>	<u>100</u>
TOTAL GUIDANCE	<u>113,595</u>	<u>108,947</u>	<u>4,648</u>

**MANISTIQUE AREA SCHOOLS**

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

For the year ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Social work:			
Truant and D.A.R.E. programs	<u>58,081</u>	<u>3,000</u>	<u>55,081</u>
TOTAL SOCIAL WORK	<u>58,081</u>	<u>3,000</u>	<u>55,081</u>
Health:			
Purchased services	17,786	15,447	2,339
Supplies	<u>500</u>	<u>169</u>	<u>331</u>
TOTAL HEALTH	<u>18,286</u>	<u>15,616</u>	<u>2,670</u>
Speech:			
Purchased services	65,300	61,287	4,013
Supplies	500	10	490
Equipment repair and replacement	500	317	183
Miscellaneous	<u>300</u>	<u>100</u>	<u>200</u>
TOTAL SPEECH	<u>66,600</u>	<u>61,714</u>	<u>4,886</u>
Support Staff - other:			
Life insurance	500	270	230
Miscellaneous	<u>500</u>	<u>-</u>	<u>500</u>
TOTAL SUPPORT STAFF - OTHER	<u>1,000</u>	<u>270</u>	<u>730</u>
Improvement of Instruction:			
Salaries (Title II)	1,779	1,779	-
Employee benefits (Title II)	793	793	-
Purchased services:			
Title II	5,825	1,560	4,265
Readiness	<u>7,180</u>	<u>5,819</u>	<u>1,361</u>
TOTAL IMPROVEMENT OF INSTRUCTION	<u>15,577</u>	<u>9,951</u>	<u>5,626</u>
Supervision of Instructional Staff:			
Salaries	4,000	4,000	-
Employee benefits	1,784	1,741	43
Purchased services	<u>5,500</u>	<u>5,500</u>	<u>-</u>
TOTAL SUPERVISION OF INSTRUCTIONAL STAFF	<u>11,284</u>	<u>11,241</u>	<u>43</u>



**MANISTIQUE AREA SCHOOLS**

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

For the year ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Educational Media Services:			
Salaries:			
Administrative	20,977	20,976	1
Substitutes and aides	13,973	13,436	537
Clerical	25,980	25,628	352
Employee benefits	40,110	39,532	578
Purchased services	1,500	-	1,500
Books and periodicals	4,100	3,729	371
Equipment repair and replacement	31,000	25,103	5,897
Supplies	7,250	2,246	5,004
Miscellaneous	550	100	450
	<u>145,440</u>	<u>130,750</u>	<u>14,690</u>
<b>TOTAL EDUCATIONAL MEDIA SERVICES</b>			
Instructional Technology:			
Salaries	31,376	31,125	251
Employee benefits	22,526	22,171	355
Purchased services	34,000	30,894	3,106
Equipment repair and replacement	67,000	64,249	2,751
Supplies	11,000	6,988	4,012
	<u>165,902</u>	<u>155,427</u>	<u>10,475</u>
<b>TOTAL INSTRUCTIONAL TECHNOLOGY</b>			
Student Body Activities:			
Salaries	10,220	10,219	1
Employee benefits	4,558	4,509	49
Purchased services	2,402	350	2,052
Supplies	250	35	215
Miscellaneous	200	-	200
	<u>17,630</u>	<u>15,113</u>	<u>2,517</u>
<b>TOTAL STUDENT BODY ACTIVITIES</b>			
Athletic Activities:			
Salaries	71,572	70,468	1,104
Employee benefits	33,647	33,181	466
Purchased services	57,785	55,626	2,159
Equipment repair and replacement	4,500	2,416	2,084
Supplies	10,500	10,148	352
Miscellaneous	950	817	133
	<u>178,954</u>	<u>172,656</u>	<u>6,298</u>
<b>TOTAL ATHLETIC ACTIVITIES</b>			

**MANISTIQUE AREA SCHOOLS**

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

For the year ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Board of Education:			
Purchased services	12,500	8,381	4,119
Professional fees	19,700	18,671	1,029
Advertising	10,000	10,934	(934)
Miscellaneous	<u>1,000</u>	<u>504</u>	<u>496</u>
TOTAL BOARD OF EDUCATION	<u>43,200</u>	<u>38,490</u>	<u>4,710</u>
Executive Administration:			
Salaries	95,790	95,790	-
Employee benefits	70,498	69,736	762
Purchased services	7,850	7,398	452
Equipment repair and replacement	6,000	1,191	4,809
Supplies	1,500	1,350	150
Miscellaneous	<u>3,935</u>	<u>3,865</u>	<u>70</u>
TOTAL EXECUTIVE ADMINISTRATION	<u>185,573</u>	<u>179,330</u>	<u>6,243</u>
School Administration:			
Salaries:			
Administrative	175,866	175,468	398
Clerical	79,940	77,491	2,449
Employee benefits	166,660	163,078	3,582
Purchased services	49,446	39,595	9,851
Equipment repair and replacement	8,800	4,407	4,393
Office supplies	4,700	3,240	1,460
Miscellaneous	<u>5,900</u>	<u>3,742</u>	<u>2,158</u>
TOTAL SCHOOL ADMINISTRATION	<u>491,312</u>	<u>467,021</u>	<u>24,291</u>
Business Administration:			
Salaries	45,759	45,055	704
Employee benefits	30,926	30,517	409
Purchased services	92,034	91,150	884
Unallocated expenditures and adjustments	5,000	13,886	(8,886)
Equipment repair and replacement	14,500	12,220	2,280
Supplies	3,000	1,478	1,522
Insurances	13,107	13,107	-
Interest expense on short-term note	6,700	6,719	(19)
Debt service on long-term debt	13,501	13,500	1
Miscellaneous	<u>4,000</u>	<u>1,443</u>	<u>2,557</u>
TOTAL BUSINESS ADMINISTRATION	<u>228,527</u>	<u>229,075</u>	<u>(548)</u>

**MANISTIQUE AREA SCHOOLS**

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

For the year ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Operation and Maintenance of Plant:			
Salaries	183,759	180,410	3,349
Employee benefits	146,013	142,408	3,605
Purchased services	110,146	112,300	(2,154)
Equipment repair and replacement	55,200	52,311	2,889
Supplies	60,100	47,356	12,744
Telephone	21,000	14,603	6,397
Utilities	330,000	330,310	(310)
Trash disposal	8,000	8,493	(493)
Insurances	37,101	37,101	-
Repairs and maintenance	55,000	54,762	238
Rents	9,750	8,932	818
Miscellaneous	500	-	500
	<u>1,016,569</u>	<u>988,986</u>	<u>27,583</u>
<b>TOTAL OPERATION AND MAINTENANCE OF PLANT</b>			
Pupil Transportation:			
Salaries:			
Administrative	17,064	17,062	2
Drivers and mechanics	154,860	147,646	7,214
Employee benefits	113,414	108,167	5,247
Purchased services	20,368	16,408	3,960
Equipment repair and replacement	2,500	-	2,500
Supplies and parts	70,500	53,729	16,771
Repairs and maintenance	11,000	1,413	9,587
Insurance	7,260	7,054	206
Miscellaneous	1,650	1,063	587
	<u>398,616</u>	<u>352,542</u>	<u>46,074</u>
<b>TOTAL PUPIL TRANSPORTATION</b>			
	<u>3,165,793</u>	<u>2,948,327</u>	<u>217,466</u>
<b>TOTAL SUPPORT SERVICES</b>			

**MANISTIQUE AREA SCHOOLS**

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

For the year ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<b>EXPENDITURES FOR COMMUNITY SERVICE</b>			
Community Schools:			
Salaries	39,034	37,891	1,143
Employee benefits	21,647	21,040	607
Purchased services	49,511	46,265	3,246
Equipment repair and replacement	1,000	-	1,000
Supplies	7,840	4,943	2,897
Miscellaneous	600	446	154
	<u>119,632</u>	<u>110,585</u>	<u>9,047</u>
<b>TOTAL COMMUNITY SERVICES</b>			
	<u>119,632</u>	<u>110,585</u>	<u>9,047</u>
<b>TOTAL EXPENDITURES</b>	\$ <u>8,341,393</u>	\$ <u>7,839,217</u>	\$ <u>502,176</u>
<b>NET CHANGE IN FUND BALANCE</b>	(40,637)	199,762	240,399
<b>FUND BALANCE, JULY 1</b>	<u>522,540</u>	<u>522,540</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	\$ <u><u>481,903</u></u>	\$ <u><u>722,302</u></u>	\$ <u><u>240,399</u></u>

**MANISTIQUE AREA SCHOOLS**

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

For the year ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<b><u>REVENUES</u></b>			
Local Sources:			
Food and milk sales	\$ 57,500	\$ 58,348	\$ 848
State Sources:			
State aid	19,324	19,564	240
Other state sources	15,750	14,971	(779)
Federal Sources:			
U.S.D.A. donated commodities	32,000	27,848	(4,152)
Federal school lunch/breakfast program	<u>226,500</u>	<u>226,441</u>	<u>(59)</u>
<b>TOTAL REVENUES</b>	<u>351,074</u>	<u>347,172</u>	<u>(3,902)</u>
<b><u>EXPENDITURES</u></b>			
Supporting Services:			
Salaries	101,500	97,455	4,045
Employee benefits	66,871	65,371	1,500
Purchased services	13,450	12,353	1,097
Advertising	675	628	47
Equipment repair and replacement	8,000	2,339	5,661
Food purchases and commodities	158,500	150,122	8,378
Supply purchases	11,300	10,558	742
Vehicle expenses	1,619	1,119	500
Miscellaneous	<u>1,000</u>	<u>416</u>	<u>584</u>
<b>TOTAL EXPENDITURES</b>	<u>362,915</u>	<u>340,361</u>	<u>22,554</u>
<b>NET CHANGE IN FUND BALANCE</b>	(11,841)	6,811	18,652
<b>FUND BALANCE, JULY 1</b>	<u>21,249</u>	<u>21,249</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$ 9,408</u>	<u>\$ 28,060</u>	<u>\$ 18,652</u>

MANISTIQUE AREA SCHOOLS

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

For the year ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<b><u>REVENUES</u></b>			
Local Sources:			
Property taxes	\$ 105,450	\$ 108,599	\$ 3,149
Library fees	1,500	1,881	381
Penal fees	53,991	53,991	-
Donations	<u>2,000</u>	<u>1,429</u>	<u>(571)</u>
TOTAL REVENUES	<u>162,941</u>	<u>165,900</u>	<u>2,959</u>
<b><u>EXPENDITURES</u></b>			
Supporting Services:			
Salaries	51,521	51,318	203
Employee benefits	38,920	38,255	665
Purchased services	4,000	1,143	2,857
Books and periodicals	10,000	9,136	864
Equipment repair and replacement	44,500	38,542	5,958
Dues and fees	9,000	7,386	1,614
Miscellaneous	<u>5,000</u>	<u>4,508</u>	<u>492</u>
TOTAL EXPENDITURES	<u>162,941</u>	<u>150,288</u>	<u>12,653</u>
NET CHANGE IN FUND BALANCE	-	15,612	15,612
FUND BALANCE, JULY 1	<u>216,749</u>	<u>216,749</u>	-
FUND BALANCE, JUNE 30	<u>\$ 216,749</u>	<u>\$ 232,361</u>	<u>\$ 15,612</u>

**MANISTIQUE AREA SCHOOLS**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**PRIVATE PURPOSE TRUST FUNDS**

June 30, 2017

	Fyvie/Waters Medical Science Scholarship	Derber Schwartz Scholarship	J.J. Herbert Scholarship	Foundation Scholarship	Wehner Memorial Scholarship	James & Verna Goudreau Memorial Scholarship	Lisa Weber Memorial Scholarship	Totals
<b><u>ASSETS</u></b>								
Cash	\$ 7,401	\$ 63,580	\$ 15,758	\$ 1,056,712	\$ 34,588	\$ 63	\$ 1,573	\$ 1,179,675
Investments - common stock	-	129,110	-	-	-	-	-	129,110
Dividends receivable	-	970	-	-	-	-	-	970
<b>TOTAL ASSETS</b>	<b>\$ <u>7,401</u></b>	<b>\$ <u>193,660</u></b>	<b>\$ <u>15,758</u></b>	<b>\$ <u>1,056,712</u></b>	<b>\$ <u>34,588</u></b>	<b>\$ <u>63</u></b>	<b>\$ <u>1,573</u></b>	<b>\$ <u>1,309,755</u></b>
<b><u>NET POSITION</u></b>								
Net assets held in trust for scholarships and other designated purposes	\$ <u>7,401</u>	\$ <u>193,660</u>	\$ <u>15,758</u>	\$ <u>1,056,712</u>	\$ <u>34,588</u>	\$ <u>63</u>	\$ <u>1,573</u>	\$ <u>1,309,755</u>
<b>NET POSITION</b>	<b>\$ <u>7,401</u></b>	<b>\$ <u>193,660</u></b>	<b>\$ <u>15,758</u></b>	<b>\$ <u>1,056,712</u></b>	<b>\$ <u>34,588</u></b>	<b>\$ <u>63</u></b>	<b>\$ <u>1,573</u></b>	<b>\$ <u>1,309,755</u></b>

**MANISTIQUE AREA SCHOOLS**

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

For the year ended June 30, 2017

	<u>Fyvie/Waters Medical Science Scholarship</u>	<u>Derber Schwartz Scholarship</u>	<u>J.J. Herbert Scholarship</u>	<u>Foundation Scholarship</u>	<u>Wehner Memorial Scholarship</u>	<u>James &amp; Verna Goudreau Memorial Scholarship</u>	<u>Lisa Weber Memorial Scholarship</u>	<u>Totals</u>
<b><u>ADDITIONS</u></b>								
Contributions	\$ -	\$ 503	\$ -	\$ 85,818	\$ -	\$ -	\$ -	\$ 86,321
Investment income (loss)	12	(4,297)	24	20,121	18	1	3	15,882
<b>TOTAL ADDITIONS</b>	<b>12</b>	<b>(3,794)</b>	<b>24</b>	<b>105,939</b>	<b>18</b>	<b>1</b>	<b>3</b>	<b>102,203</b>
<b><u>DEDUCTIONS</u></b>								
Scholarships	500	2,000	500	24,200	500	-	-	27,700
<b>TOTAL DEDUCTIONS</b>	<b>500</b>	<b>2,000</b>	<b>500</b>	<b>24,200</b>	<b>500</b>	<b>-</b>	<b>-</b>	<b>27,700</b>
<b>CHANGE IN NET POSITION</b>	<b>(488)</b>	<b>(5,794)</b>	<b>(476)</b>	<b>81,739</b>	<b>(482)</b>	<b>1</b>	<b>3</b>	<b>74,503</b>
Net Position, July 1	7,889	199,454	16,234	974,973	35,070	62	1,570	1,235,252
<b>NET POSITION, JUNE 30</b>	<b>\$ 7,401</b>	<b>\$ 193,660</b>	<b>\$ 15,758</b>	<b>\$ 1,056,712</b>	<b>\$ 34,588</b>	<b>\$ 63</b>	<b>\$ 1,573</b>	<b>\$ 1,309,755</b>



**MANISTIQUE AREA SCHOOLS**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**STUDENT ACTIVITIES FUND**

For the year ended June 30, 2017

	<u>Balances</u> 06/30/16	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> 06/30/17
<b><u>ASSETS</u></b>				
Cash	\$ 109,699	\$ 177,441	\$ 172,749	\$ 114,391
<b>TOTAL ASSETS</b>	<b>\$ 109,699</b>	<b>\$ 177,441</b>	<b>\$ 172,749</b>	<b>\$ 114,391</b>
 <b><u>LIABILITIES</u></b>				
Due to Student Groups:				
ABC fund	\$ 18	\$ -	\$ 18	\$ -
Alternative education	735	2,138	979	1,894
Anti-bullying	3,400	600	4,000	-
AP testing	593	3,426	3,228	791
Art club	1,548	100	231	1,417
Athletics	2,408	500	740	2,168
Band	10,357	20,475	17,392	13,440
Basketball, girls	443	184	40	587
Basketball, boys	372	1,486	1,739	119
Careers in education	-	930	479	451
Cheerleaders	182	5,232	4,953	461
Class trip, 6th grade	6	-	6	-
Class of 2019	33	677	-	710
Class of 2018	83	-	75	8
Class of 2017	225	3,426	3,532	119
Class of 2016	70	-	-	70
Class of 2015	214	-	-	214
Class of 2014	1,637	-	-	1,637
Class of 2013	1,967	-	-	1,967
Class of 2012	1,080	-	-	1,080
Class of 2011	1,134	-	-	1,134
Class of 2010	1,070	-	-	1,070
Class of 2009	1,000	-	-	1,000
Class of 2008	1,000	-	-	1,000
Class of 2007	1,078	-	-	1,078
Cross country	4,207	2,909	4,432	2,684
Drama club	7,613	3,868	3,456	8,025
Ecology club	150	-	40	110
Elementary ABC	436	-	40	396

**MANISTIQUE AREA SCHOOLS**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**STUDENT ACTIVITIES FUND**

For the year ended June 30, 2017

	<u>Balances</u> 06/30/16	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> 06/30/17
<b>LIABILITIES (Continued):</b>				
Elementary art	2,128	2,897	1,057	3,968
Elementary activity fund	7,569	20,232	20,302	7,499
Emerald after school	15	-	15	-
Elementary cross country	426	666	707	385
Elementary drama/music	2,891	1,019	3,910	-
Elementary PE	34	-	34	-
Elementary track	-	516	114	402
Fifth grade science camp	1,303	7,032	5,868	2,467
Emerald elementary study island	2,047	-	41	2,006
Football teams	1,386	3,283	3,539	1,130
General fund	567	2,472	2,330	709
Geometry in construction	-	1,844	598	1,246
Glee club	4,464	4,536	4,094	4,906
Golf	1,001	1,229	982	1,248
Honor Level I	443	-	140	303
Library	2,467	3,403	1,075	4,795
Little explorers snack	3	-	3	-
Middle school cheerleading	1,292	120	988	424
Middle school drama club	275	-	177	98
Middle school girls basketball	218	-	40	178
Middle school pencils	211	-	40	171
Middle school year book	316	1,072	1,333	55
National Honor Society	242	3,014	2,340	916
Native American education	11,052	4,979	940	15,091
Physics class	690	1,263	1,017	936
Robotics	2,135	3,645	4,304	1,476
Softball HS	793	8,431	6,037	3,187
Spanish	33	1,248	245	1,036
Student council	1,723	8,366	9,583	506
Swimming	238	948	856	330
TATU	31	-	31	-
Track and field	3,909	2,170	3,059	3,020
Tribute trail	1,174	-	40	1,134
Volleyball - HS	3,761	8,181	9,652	2,290
Volleyball - JV	10	-	10	-
Welding	1,147	-	40	1,107

**MANISTIQUE AREA SCHOOLS**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**STUDENT ACTIVITIES FUND**

For the year ended June 30, 2017

	<u>Balances</u> 06/30/16	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> 06/30/17
LIABILITIES (Continued):				
Woodshop	1,442	335	272	1,505
Wrestling	49	1,374	1,374	49
Yearbook	3,602	6,920	5,920	4,602
Yeti	5,519	28,346	32,279	1,586
Youth basketball	34	1,949	1,983	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES \$	<u>109,699</u>	\$ <u>177,441</u>	\$ <u>172,749</u>	\$ <u>114,391</u>



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

**CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS**

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

October 25, 2017

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

Board of Education  
Manistique Area Schools  
Manistique, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Manistique Area Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Manistique Area School's basic financial statements, and have issued our report thereon dated October 25, 2017.

**Internal Control Over Financial Reporting**

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

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

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

October 25, 2017

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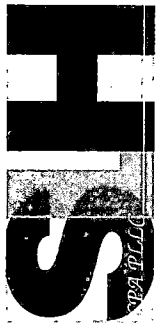
### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

  
Schneider, Larche, Haapala & Co., PLLC



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

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& CONSULTANTS**

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October 25, 2017

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

COMMUNICATIONS TO GOVERNING BODY

We have audited the financial statements of Manistique Area Schools as of and for the year ended June 30, 2017. Professional standards require that we communicate certain information that is presented below.

Auditor's Responsibility

Required communication about our responsibility under generally accepted auditing standards and the scope and timing of our audit procedures are communicated in our engagement letter dated June 12, 2017.

Accounting Policies and Disclosures

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Manistique Area Schools are described in the financial statements. No significant new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper year.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experiences about past and current events and assumptions about future events. Certain accounting estimates can be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Sensitive estimates affecting the financial statements of the School District for the year ended June 30, 2017 include the service lives of capital assets and accounting for the District's pension and benefit plans.

Difficulties Encountered in Performing the Audit

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

#### Corrected and Uncorrected Misstatements

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

#### Disagreements with Management

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

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 25, 2017.

#### Management Consultations with Other Independent Accountants

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

#### Other Information in Documents Containing Audited Financial Statements

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

Other Audit Findings or Issues

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

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

*Schneider Larche Hapka, Co., P.C.*  
Certified Public Accountants