

**ALPENA-MONTMORENCY-ALCONA
EDUCATIONAL SERVICE DISTRICT**

Audited Financial Statements and
Other Supplementary Financial Information

Year Ended June 30, 2016

STRALEY LAMP AND KRAENZLEIN P.C.

**ALPENA – MONTMORENCY – ALCONA
EDUCATIONAL SERVICE DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education

Alpena-Montmorency-Alcona Educational Service District

Alpena, 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 the **Alpena-Montmorency-Alcona Educational Service District** as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the **Alpena-Montmorency-Alcona Educational Service 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 the **Alpena-Montmorency-Alcona Educational Service District**, as of June 30, 2016 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, major funds budgetary comparison schedules, the schedule of the **Alpena-Montmorency-Alcona Educational Service District's** proportionate share of the net pension liability, and the schedule of the **Alpena-Montmorency-Alcona Educational Service District's** pension contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Alpena-Montmorency-Alcona Educational Service District's** basic financial statements. The individual fund financial statements for the years ended June 30, 2016 and 2015 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2016 on our consideration of the **Alpena-Montmorency-Alcona Educational Service District's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the **Alpena-Montmorency-Alcona Educational Service District's** internal control over financial reporting and compliance.

Straley Lamp & Kraenzlein P.C.

October 3, 2016

Alpena-Montmorency-Alcona Educational Service District Management's Discussion and Analysis

The following is management's discussion and analysis of the financial position and results of operations for the fiscal year ended June 30, 2016. Please read it in conjunction with the financial statements and related footnotes, which follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand the Alpena-Montmorency-Alcona Educational Service District (the Educational Service District) financially as a whole. The *Government-Wide Financial Statements* provide information about the activities of the whole Educational Service District, presenting both an aggregate view of the Educational Service District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Educational Service District's governmental funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the Educational Service District acts solely as an agent for the benefit of students and parents. The annual report is arranged as follows:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary information for General Fund,
And Special Education Fund
Pension Plan Schedules

Other Supplemental Information

Individual Fund Statements
Federal Financial Assistance

Reporting the Educational Service District as a Whole – Government-wide Financial Statements

The statement of net position and the statement of activities, which appear first in the Educational Service District's financial statements, report information about the Educational Service District as a whole using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The statement of net position includes all of the Educational Service District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Alpena-Montmorency-Alcona Educational Service District Management's Discussion and Analysis

These two statements report the Educational Service District's net position and how they have changed. Net position – the difference between assets and liabilities, as reported in the statement of net position - is one way to measure the Educational Service District's financial health, or position. Over time, increases or decreases in the Educational Service District's net position – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Educational Service District's operating results. The Educational Service District's goal is to provide ongoing programs and services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided, student achievement and the safety of the schools to assess the overall health of the Alpena-Montmorency-Alcona Educational Service District.

The statement of net position and statement of activities report the governmental activities for the Educational Service District, which encompass all of the Educational Service District's services, including instruction, support services, community services, and interdistrict transfers. Property taxes, state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the Educational Service District's Most Significant Funds – Fund Financial Statements

The Educational Service District's fund financial statements provide detailed information about the most significant funds – not the Educational Service District as a whole. Some funds are required to be established by state law and by bond covenants. However, the Educational Service District may establish other funds to help it control and manage money for a particular purpose or to show that it is meeting its legal responsibilities for using certain taxes, grants, or other money. The governmental funds of the Educational Service District use the following accounting approach:

Governmental Funds – All of the Educational Service District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash.

The governmental fund statements provide a detailed short-term view of the operations of the Educational Service District and the services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Educational Service District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in the reconciliation.

The Educational Service District as Trustee – Reporting the Educational Service District's Fiduciary Responsibilities

The Educational Service District is a trustee, or fiduciary, for its student activity funds. All of the Educational Service District's fiduciary activities are reported in separate statements of fiduciary net position. We excluded these activities from the Educational Service District's other financial statement because the Educational Service District cannot use these assets to finance its operations. The Educational Service District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

**Alpena-Montmorency-Alcona Educational Service District
Management's Discussion and Analysis**

The Alpena-Montmorency-Alcona Educational Service District as a Whole

Recall that the statement of net position provides the perspective of the Educational Service District as a whole. Table 1 provides a summary of the Educational Service District's net position as of June 30, 2016 and 2015:

TABLE 1

	2016	2015
ASSETS		
Current and Other Assets	\$ 6,936,350	\$ 6,278,080
Property and Equipment	1,157,090	1,196,527
Total assets	8,093,440	7,474,607
DEFERRED OUTFLOWS OF RESOURCES	875,846	913,435
LIABILITIES		
Current Liabilities	1,701,842	1,383,588
Long-term Liabilities	9,737,628	8,984,285
Total liabilities	11,439,470	10,367,873
DEFERRED INFLOWS OF RESOURCES	203,892	993,216
NET POSITION		
Invested in property and equipment	1,157,090	1,196,527
Restricted	4,170,131	4,014,444
Unrestricted	(8,001,297)	(8,184,018)
Total net position	\$ (2,674,076)	\$ (2,973,047)

The above analysis focuses on the net position (see Table I). The change in net position (see Table 2) of the Educational Service District's governmental activities is discussed below. The Educational Service District's net position was a deficit of \$(2,674,076) at June 30, 2016. Capital assets net position of \$1,157,090 compares the original cost, less depreciation of the Educational Service District's capital assets. Restricted net position consisted of \$4,170,131 as restricted for special education purposes. The remaining \$(8,001,297) deficit net position was unrestricted.

The negative \$(2,674,076) in total available net position of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net position balance enables the Educational Service District to meet working capital and cash flow requirements as well as provide for future uncertainties. Recording the net pension liability under GASB #68 has significantly impacted this calculation. The operating results of the General and Special Education Funds will have a significant impact on the change in net position from year to year.

**Alpena-Montmorency-Alcona Educational Service District
Management's Discussion and Analysis**

The results of this year's operations for the governmental activities of the Educational Service District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for fiscal year 2016 as compared to 2015.

TABLE 2

	2016	2015
Revenue		
Program Revenue:		
Charges for services	\$ 402,329	\$ 472,640
Operating grants	1,623,951	1,652,537
General revenue:		
Property taxes	5,305,719	4,115,685
State aid	2,212,305	3,087,744
Investment earnings	44,139	28,807
Miscellaneous	7,609	17,269
	\$ 9,596,052	\$ 9,374,682
 Functions/Program Expenses		
Instruction	\$ 1,747,753	\$ 1,742,884
Support services	5,809,176	5,579,728
Community services	94,977	37,831
Interdistrict transfers	1,342,239	1,459,117
Payment to not for profit agencies	188,773	234,519
Depreciation (unallocated)	114,163	90,300
	9,297,081	9,144,379
 Change in net position	298,971	230,303
 Net position - beginning of the year	(2,973,047)	5,863,213
 Change in accounting principle	-	(9,066,563)
 Beginning of year, restated	(2,973,047)	(3,203,350)
 Net position - end of the year	\$ (2,674,076)	\$ (2,973,047)

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$9,297,081. Certain activities were partially funded from those who benefited from the programs \$402,329, or by other governments and organizations that subsidized certain programs with grants and contributions \$1,623,951. The Educational Service District paid for the remaining "public benefit" portion of our governmental activities with \$5,305,719 in taxes, \$2,212,305 in state aid, \$44,139 of investments earnings and with miscellaneous other revenues of \$7,609.

Alpena-Montmorency-Alcona Educational Service District Management's Discussion and Analysis

The Alpena-Montmorency-Alcona Educational Service District experienced an increase in net position of \$298,971. During the year, the District had capital additions of \$74,726, offset by depreciation expense of \$114,163.

As discussed above, the net cost shows the financial burden that was placed on the State and the Educational Service District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute a major part of Educational Service District operating revenue sources, the Board of Education and administration must annually evaluate the needs of the Educational Service District and balance those needs with state-prescribed available unrestricted resources. The Educational Service District must also evaluate yearly the effect of operating grants, which can vary widely and the District must be flexible enough to add or delete those programs affected.

The Alpena-Montmorency-Alcona Educational Service District's Funds

As we noted earlier, the Educational Service District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Educational Service District is being accountable for the resources taxpayers and others provide and may provide more insight into the Educational Service District's overall financial health. As the Educational Service District completed this year, the governmental funds reported a combined fund balance of \$5,234,508, which is an increase of \$340,016 from last year. The primary reason for the increase is additional revenue generated in the General Fund and a reduction of spending in the Special Education Fund.

The General Fund balance available to fund general operations costs for administrative and support services remains stable at \$1,027,612, an increase of \$147,564 from the prior year. The increase in fund balance can be attributed to additional revenue generated.

The Special Education Fund which is a restricted fund and exists to support mandated Special Education Programs shows an excellent fund balance of \$4,206,896, an increase of \$192,452 from the prior year. The increase in fund balance can be attributed to operational cost savings.

Budgetary Highlights

Over the course of the year, the Educational Service District performs budget amendments as necessary to reflect changes from the original adopted budget in June, 2015. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted June 09, 2016. (A schedule showing the Educational Service District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements).

A large portion of Educational Service District funding is in the form of state and federal grants. It is common to receive notification of grant awards subsequent to the adoption of the original budget. Grant awards vary significantly from original estimates. These grant awards were one of the main reasons to necessitate budget amendments throughout the 2015-2016 fiscal year end.

**Alpena-Montmorency-Alcona Educational Service District
Management’s Discussion and Analysis**

Capital Assets and Debt Administration

Capital Assets

At June 30, 2016, the Educational Service District had \$1,157,090 invested in a broad range of capital assets, including land, buildings, furniture and equipment, and vehicles. This amount represents a net decrease (including additions, deductions, and depreciation) of approximately \$(39,437) from last year.

TABLE 3

	2016	2015
Assets not being depreciated – Land	\$ 152,248	\$ 152,248
Land improvements	173,514	138,592
Building improvements	2,316,283	2,304,059
Office and computer equipment	839,933	843,993
Vehicles	120,551	120,551
Total capital assets	3,602,529	3,559,443
Less accumulated depreciation	(2,445,439)	(2,362,916)
Net capital assets	\$ 1,157,090	\$ 1,196,527

Economic Factors and Next Year’s Budgets and Rates

Our Board of Education and administration considered many factors when setting the Educational Service District’s 2016-17 fiscal year budgets. The 2016-17 fiscal year budgets were adopted in June, 2016 based on property valuations and state and federal revenue estimates available at that time. The Intermediate School District (ISD) reform legislation requires our constituent Boards of Education to adopt a resolution offering support for, or opposition to (disapproval) the ISD’s proposed General Fund Budget. In addition, local boards could offer specific written suggestions or objections to the budget. These resolutions and suggestions were taken into consideration when adopting the 2016-17 fiscal year budgets.

The Educational Service District, like all local governments and schools, has seen a decrease in local property tax revenue attributable to a decline in property values. Under state law, the Educational Service District cannot access additional property taxes for operations without a vote by the electorate. As a result, local funding increases are limited. The District did receive approval by the electorate in May, 2007 for a Headlee override and a ten year millage renewal in the Special Education Fund. This funding is the foundation to provide stability to the Special Education Programs. The Educational Service District’s reliance of state and federal funding is based on the economic health of each. The state periodically holds a revenue estimating conference (January and May) to estimate revenues. Based on reports from state sources, the revenue outlook in 2016-17 should remain stable compared to previous years. The outlook for federal sources will also be stagnant. Once all grants, pupil counts, and state aid calculations are received, state law requires the Educational Service District to amend the budget if actual resources are not sufficient to fund original appropriations.

Alpena-Montmorency-Alcona Educational Service District Management's Discussion and Analysis

The Educational Service District's fiscal management approach reflects both its mission and long standing practice of implementing programs and services in collaboration with constituent local Educational Service Districts and other local and regional partners. Some of these programs include:

- Center Based Special Education Programs
- Special Education Pupil Support Services
- General Education Instructional Support Services
- General Education Preschool Programs

Service priorities for the new fiscal year include: the commitment to student achievement with curriculum specialists, intervening services along with continued support of General Education State Assessment Test Preparation Programs, Student Behavior Programs and Professional Development Activities covering all curricular areas, Preschool Activities and Administrative/Business/Technical support.

Contacting the Educational Service District's Financial Management

This financial report is designed to provide the Alpena-Montmorency-Alcona Educational Service District's citizens, taxpayers, customers, investors, and creditors with a general overview of the Educational Service District's finances and to demonstrate the Educational Service District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office at:

AMA-ESD
2118 U.S. 23 South
Alpena, Michigan 49707
(989) 354-3101

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BASIC FINANCIAL STATEMENTS

Alpena-Montmorency-Alcona Educational Service District

STATEMENT OF NET POSITION

June 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 547
Taxes receivable	120,865
Accounts receivable	6,665
Due from other governmental units	748,700
Interest receivable on investments and deposits	11,290
Investments	5,995,127
Prepaid expenses	53,156
Capital assets not being depreciated	152,248
Capital assets being depreciated - net of depreciation	<u>1,004,842</u>
Total assets	<u>8,093,440</u>
DEFERRED OUTFLOWS OF RESOURCES	
	<u>875,846</u>
LIABILITIES	
Accounts payable	156,340
Due to other governmental units	74,611
Accrued expenditures	196,888
Salaries payable	383,198
Unearned revenue	890,805
Long-term liabilities	
Net pension liability	<u>9,737,628</u>
Total liabilities	<u>11,439,470</u>
DEFERRED INFLOWS OF RESOURCES	
	<u>203,892</u>
NET POSITION	
Investment in capital assets	1,157,090
Restricted:	
Special Education	4,170,131
Unrestricted	<u>(8,001,297)</u>
Total net position	<u>\$ (2,674,076)</u>

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

Alpena-Montmorency-Alcona Educational Service District

STATEMENT OF ACTIVITIES

June 30, 2016

FUNCTION / PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
Instruction	\$ 1,747,753	\$ 1,600	\$ 141,993	\$ (1,604,160)
Supporting services	5,809,176	400,729	1,461,618	(3,946,829)
Community services	94,977	-	20,340	(74,637)
Interdistrict transfers	1,342,239	-	-	(1,342,239)
Payment to not-for-profit entities	188,773	-	-	(188,773)
Depreciation - unallocated	114,163	-	-	(114,163)
Total Governmental Activities	9,297,081	402,329	1,623,951	(7,270,801)
General Revenues:				
Property taxes, levied for general purposes				403,514
Property taxes, levied for special education				4,902,205
State aid				2,212,305
Investment earnings				44,139
Miscellaneous				7,609
Total general revenues				<u>7,569,772</u>
Change in net position				298,971
Net position - beginning of year				<u>(2,973,047)</u>
Net position - end of the year				<u><u>\$ (2,674,076)</u></u>

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

Alpena-Montmorency-Alcona Educational Service District

GOVERNMENTAL FUNDS - BALANCE SHEET

June 30, 2016

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 127	\$ 420	\$ 547
Taxes receivable	12,078	108,787	120,865
Accounts receivable	6,665	-	6,665
Due from other funds	-	362,920	362,920
Due from other governmental units	357,025	391,675	748,700
Interest receivable on investments and deposits	3,279	8,011	11,290
Investments	2,029,877	3,965,250	5,995,127
Prepaid expenses	16,391	36,765	53,156
Total assets	<u>\$ 2,425,442</u>	<u>\$ 4,873,828</u>	<u>\$ 7,299,270</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 137,409	\$ 18,931	\$ 156,340
Due to other funds	362,920	-	362,920
Due to other governmental units	49,031	25,580	74,611
Accrued expenditures	5,208	191,680	196,888
Salaries payable	18,598	364,600	383,198
Unearned revenue	824,664	66,141	890,805
Total liabilities	<u>1,397,830</u>	<u>666,932</u>	<u>2,064,762</u>
Fund balances			
Nonspendable	16,391	36,765	53,156
Restricted	-	4,170,131	4,170,131
Unassigned	1,011,221	-	1,011,221
Total fund balances	<u>1,027,612</u>	<u>4,206,896</u>	<u>5,234,508</u>
Total liabilities and fund balances	<u>\$ 2,425,442</u>	<u>\$ 4,873,828</u>	<u>\$ 7,299,270</u>

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

Alpena-Montmorency-Alcona Educational Service District

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

June 30, 2016

Total Governmental Fund Balances		\$	5,234,508
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			
Capital assets not being depreciated	\$	152,248	
Capital assets being depreciated		3,450,281	
Less: Accumulated depreciation		<u>(2,445,439)</u>	
			1,157,090
Deferred inflows and outflows between measurement date and reporting date of pension plan.			
Change of pension plan assumption		239,761	
Contributions subsequent to the pension plan measurement date		585,559	
Difference in actual and expected experience		(32,254)	
Changes in pension plan proportionate share		(170,815)	
Difference between projected and actual earnings on pension plan		<u>49,703</u>	
			671,954
Long-term liabilities, including net pension liabilities, are not due and payable in the current period and therefore not reported as liabilities in the funds.			
Long-term liabilities at year end consist of:			
Net pension liability		<u>(9,737,628)</u>	
			<u>(9,737,628)</u>
Total Net Position - Governmental Activities		\$	<u>(2,674,076)</u>

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

Alpena-Montmorency-Alcona Educational Service District

**GOVERNMENTAL FUNDS - STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES**

Year ended June 30, 2016

	General Fund	Special Education Fund	Total Governmental Funds
REVENUES			
Local sources	\$ 426,976	\$ 4,113,561	\$ 4,540,537
State sources	1,924,126	1,493,581	3,417,707
Federal sources	13,826	1,414,136	1,427,962
Interdistrict sources	199,458	10,078	209,536
Other sources	310	-	310
	<u>2,564,696</u>	<u>7,031,356</u>	<u>9,596,052</u>
Total revenues			
EXPENDITURES			
Instruction	817,462	928,683	1,746,145
Supporting services	1,607,640	4,229,116	5,836,756
Community services	74,389	20,588	94,977
Interdistrict transfers	-	1,342,239	1,342,239
Payments to not-for-profit entities	188,773	-	188,773
Capital outlay	34,921	12,225	47,146
	<u>2,723,185</u>	<u>6,532,851</u>	<u>9,256,036</u>
Total expenditures			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(158,489)</u>	<u>498,505</u>	<u>340,016</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	306,053	-	306,053
Transfers to other funds	-	(306,053)	(306,053)
	<u>306,053</u>	<u>(306,053)</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	147,564	192,452	340,016
FUND BALANCES, beginning of the year	<u>880,048</u>	<u>4,014,444</u>	<u>4,894,492</u>
FUND BALANCES, end of the year	<u>\$ 1,027,612</u>	<u>\$ 4,206,896</u>	<u>\$ 5,234,508</u>

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

Alpena-Montmorency-Alcona Educational Service District

**GOVERNMENTAL FUNDS - RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

Year ended June 30, 2016

Total net change in fund balances - governmental funds \$ 340,016

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

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

Capital asset additions	\$ 74,726	
Depreciation expense	<u>(114,163)</u>	
		(39,437)

The issuance of long-term debt provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Net change in pension expense under GASB #68 (1,608)

Change in net position of governmental activities \$ 298,971

Alpena-Montmorency-Alcona Educational Service District

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2016

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 10,304</u>
Total assets	<u><u>\$ 10,304</u></u>
LIABILITIES	
Due to student activities	<u>\$ 10,304</u>
Total liabilities	<u><u>\$ 10,304</u></u>

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

Alpena-Montmorency-Alcona Educational Service District

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The financial statements of the Alpena-Montmorency-Alcona Educational Service District (the "Educational Service District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Educational Service District's accounting policies are described below:

A. Description of Operations and Reporting Entity.

Description of Operations. The Educational Service District operates under an appointed Board of Education (seven members) and provides educational and support services as mandated by the State of Michigan and was organized in 1962. The Educational Service District serves as the regional school service agency for four public Educational Service Districts, one charter school, and non-public schools in Alpena, Montmorency, Alcona, and part of Presque Isle County.

Reporting Entity. A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Educational Service District consists of all funds, departments, boards and agencies that are not legally separate from the Educational Service District. For the Educational Service District, this includes general operations, special education services, and supportive service activities of the Educational Service District.

Component units are legally separate organizations for which the Educational Service District is financially accountable. Component units may also include organizations that are fiscally dependent on the Educational Service District in that the Educational Service District approves their budget, the issuance of their debt, or the levying of taxes. The Educational Service District has no component units.

B. Fund Accounting.

Fund Accounting. The accounts of the Educational Service District are organized on the basis of funds, each of which is considered a separate accounting entity. Major funds are presented individually in the fund-level financial statements. The Educational Service District's major funds are the General Fund and Special Education Fund. The non-major funds are combined and presented as one column in the fund-level financial statements. The financial activities of the Educational Service District are recorded in the following fund types and individual funds:

Governmental Funds. Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Educational Service District's major governmental funds:

General Fund. This fund is the primary operating fund. It accounts for all financial resources of the Educational Service District, except those required to be accounted for in another fund. Included are all transactions related to the approved current operating budget.

Special Education Fund. The special education fund is used to account for financial resources to be used specifically for providing special education services to students within the Educational Service District.

Alpena-Montmorency-Alcona Educational Service District

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

Fiduciary Funds. Fiduciary funds are used to account for assets held by the Educational Service District in a trustee capacity or as an agent for others. The Educational Service District presently maintains an agency fund to record transactions of student groups for school and school related purposes. Fiduciary funds are not included in the government-wide statements.

C. Basis of Presentation.

Government-wide Financial Statements. The statement of net position and the statement of activities display information about the Educational Service District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The financial activities of Educational Service District are all considered governmental and do not reflect any business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Educational Service District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Educational Service District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Educational Service District.

Fund Financial Statements. Fund financial statements report detailed information about the Educational Service District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds and fiduciary funds use the modified accrual basis of accounting.

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

Revenues. Exchange and Non-exchange Transactions: Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the Educational Service District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Educational Service District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Educational Service District on a reimbursement basis.

On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available in advance, interest, tuition, grants, student fees and rentals.

Unearned Revenue. Unearned revenue arises in connection with resources that have been received but before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Expenses/Expenditures. On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Cash and Cash Equivalents. Cash equivalents include petty cash, demand deposits and other short-term, highly liquid investments that are readily convertible to known amounts of cash.

Inventories. Inventories are not considered significant and are recorded as expenditures when purchased.

Investments. During the fiscal year ended June 30, 2016, investments were limited to certificates of deposit and cash management funds. The cash management funds are local government investment pools held at the Michigan Liquid Asset Fund (MILAF). Local government investment pools allow Educational Service Districts within the State of Michigan to consolidate their funds for investment purposes. Investments in cash management funds are valued at cost which equals market value.

Receivables and Payables. All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year.

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

Amounts due from other governments include State Aid and amounts due from grantors for specific programs. State Aid payments to be received by the District in July and August are recorded as a receivable and revenue of the previous fiscal year. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

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

Prepaid Assets. Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets. General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Educational Service District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	50 years
Office equipment	5 – 20 years
Computer equipment	5 years
Vehicles	8 years

Accrued Liabilities and Long-term Obligations. All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

Vacation and Sick Leave. Employees must use all vacation leave earned during the current school year by June 30 of that year. Employees have no vested rights to unused sick leave.

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

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

Interfund Activity. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

Economic Dependency. The Educational Service District received approximately 18% of their revenue from the Michigan Department of Education. Due to the significance of this revenue source, the Educational Service District is considered to be economically dependent.

Fund Equity. The Educational Service District has implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe fund balance categories and the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Nonspendable fund balance**-amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- **Restricted fund balance**-amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- **Committed fund balance**-amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint,
- **Assigned fund balance**-amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- **Unassigned fund balance**-amounts that are available for any purpose; positive amounts are reported only in the general fund.

Alpena-Montmorency-Alcona Educational Service District

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

The Educational Service District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Educational Service District through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The Educational Service District has not established a specific policy for use of unrestricted fund balance amounts. Therefore, in accordance with GASB Statement 54, committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classification could be used.

Net Position. Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Educational Service District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Encumbrances. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Educational Service District. Commitments outstanding at year end are charged against the subsequent year's appropriation once received and approved.

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 expenditures during the reporting period. Actual results could differ from those estimates.

Reclassification. Certain items reported in the June 30, 2015 financial statements may have been reclassified to conform to the presentation for the current year.

NOTE 2--LEGAL COMPLIANCE.

Budgets and Budgetary Accounting. Prior to adoption of the budgets, the school administration prepares and submits their proposed operating budgets commencing the following July 1. A public hearing is conducted to obtain interested party comments. Prior to July 1 the budget is adopted by the Board of Education. Budgeted amounts are as originally adopted, or as amended by the Board of Education. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30. The Educational Service District does not consider these amendments to be significant. Unused appropriations at June 30 are not carried forward to the following year.

The provisions of the Uniform Budgeting and Accounting Act, P.A. 621 became effective in July 1981. The Act provides major revenue categories and expenditure functions that constitute minimal levels. The Educational Service District's budget was legally enacted on a functional level. Detail at the activity level is presented in the General Fund and each Special Revenue Funds Statement of Revenues, Expenditures and Fund Balances for the benefit of management.

During the year ended June 30, 2016, the Educational Service District incurred revenues in certain budgetary funds which were less than the amounts appropriated. P.A. 621 provides that an Educational Service District shall not incur expenditures in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section (RSI).

Alpena-Montmorency-Alcona Educational Service District

NOTES TO FINANCIAL STATEMENTS

NOTE 3--DEPOSITS AND INVESTMENTS.

As of June 30, 2016, the Educational Service District had the following deposits reported in the basic financial statements as follows:

Cash – District wide	\$	547
Cash – Agency fund		10,304
Investments – District wide		<u>5,995,127</u>
	<u>\$</u>	<u>6,005,978</u>

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Standard & Poor's Rating</u>	<u>%</u>
Cash Management Funds-MILAF	\$ 672,869	0.0000	AAAm	11.22%
Municipal NOW accounts	1,717,262	0.0000	N/A	28.64%
Certificates of Deposit/CDARS	<u>3,604,996</u>	<u>1.5726</u>	<u>N/A</u>	<u>60.13%</u>
Total Fair Value	<u>\$ 5,995,127</u>			
Portfolio weighted average maturity		<u>1.5726</u>		<u>100.00%</u>

1 day maturity equals 0.0027, 1 year equals 1.0000

Interest Rate Risk. In accordance with its investment policy, the Educational Service District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Educational Service District's cash requirements.

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

Concentration of Credit Risk. The Educational Service District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Educational Service District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that, in the event of a bank failure, the Educational Service District's deposits may not be returned to it. As of June 30, 2016, none of the Educational Service District's bank balance of \$547 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Alpena-Montmorency-Alcona Educational Service District

NOTES TO FINANCIAL STATEMENTS

NOTE 3--DEPOSITS AND INVESTMENTS. (continued)

Custodial Credit Risk – Agency Deposits. As of June 30, 2016, the Educational Service District’s agency bank balance of \$10,304 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution’s trust department or agent, but not in the district’s name.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of a bank or counterparty failure, the Educational Service District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party and deposits may not be returned to it. As of June 30, 2016, there was \$724,607 that was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution’s trust department or agent, but not in the Educational Service District’s name. The carrying amount of all investments is \$5,995,127.

The Educational Service District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the district will do business. Much of these uninsured investments were invested into U.S. Treasury government securities which are protected by the good faith and credit of the U.S. Government and normally have very little risk. The Educational Service District also participates in CDARS, a service of Promontory International Network LLC, which allows local financial institutions to access up to \$50 million in combined FDIC protection on certificate of deposit investments.

The Board of Education authorized the following financial institutions for the investment of the District’s funds for the year ended June 30, 2016: First Merit, Flagstar Bank, Fifth Third Bank, First Federal, CDARS a service of Promontory International Network LLC, Michigan Liquid Asset Fund, HPC Credit Union, Besser Credit Union, Huntington Bank, Alpena Alcona Area Credit Union, Independent Bank, and Chemical Bank.

Foreign Currency Risk. The Educational Service District is not authorized to invest in investments which have this type of risk.

NOTE 4--INTERFUND RECEIVABLES AND PAYABLES.

Interfund receivable and payable balances at June 30, 2016 are as follows:

Fund	Receivable	Payable
General Fund	\$ 362,920	\$ -
Special Education Fund	-	362,920
Totals	\$ 362,920	\$ 362,920

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made. All amounts are expected to be repaid within one year.

Alpena-Montmorency-Alcona Educational Service District

NOTES TO FINANCIAL STATEMENTS

NOTE 5--CAPITAL ASSETS.

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

	Balances June 30, 15	Additions	Disposals and Adjustments	Balances June 30, 16
Capital assets not being depreciated:				
Land	\$ 152,248	\$ -	\$ -	\$ 152,248
Capital assets being depreciated:				
Land improvements	138,592	34,922	-	173,514
Building and improvements	2,304,059	12,224	-	2,316,283
Office and computer	843,993	27,580	(31,640)	839,933
Vehicles	120,551	-	-	120,551
	<u>3,407,195</u>	<u>74,726</u>	<u>(31,640)</u>	<u>3,450,281</u>
Less accumulated depreciation:				
Land improvements	(113,042)	(6,197)	-	(119,239)
Buildings and improvements	(1,327,690)	(65,120)	-	(1,392,810)
Office and computer	(821,730)	(32,057)	31,640	(822,147)
Vehicle	(100,454)	(10,789)	-	(111,243)
	<u>(2,362,916)</u>	<u>(114,163)</u>	<u>31,640</u>	<u>(2,445,439)</u>
Net capital assets	<u>\$ 1,196,527</u>	<u>\$ (39,437)</u>	<u>\$ -</u>	<u>\$ 1,157,090</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

NOTE 6--PROPERTY TAXES.

The assessed values of real and personal property situated in the Educational Service District are established annually by local taxing authorities as of December 31, and are equalized by the State at an estimated 50 percent of current market value. The property tax is levied on July 1 and becomes delinquent after September 14 for Alcona County residents and July 31 for City of Alpena residents, with the remainder levied December 1 and payable by February 14. Uncollected property taxes as of March 1 are added to the County delinquent tax rolls. By agreement with the various counties, the Counties purchase at face value the real property taxes receivable returned delinquent each March 1. The property value used for determining the amount of property tax levied is known as the "taxable value" (TV). This differs from the State Equalized Value (SEV) by increases being limited to a cost-of-living adjustment or five (5) percent, whichever is less. The taxable value for the 2015-2016 school year in the Educational Service District was established at \$1,870,249,055. General Education Millage of .2139 and Special Education Millage of 1.9743 mills have been approved by the voters of the district.

NOTES TO FINANCIAL STATEMENTS

NOTE 7--GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION PLAN.

A. Plan Description

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

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

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

Benefits Provided

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

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

Contributions and Funded Status

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year

Alpena-Montmorency-Alcona Educational Service District

NOTES TO FINANCIAL STATEMENTS

NOTE 7--GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION PLAN. (continued)

is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21 year period for the 2015 fiscal year.

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

Required contributions to the pension plan from Alpena-Montmorency-Alcona Educational Service District were \$769,094 for the year ended September 30, 2015.

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

At June 30, 2016, Alpena-Montmorency-Alcona Educational Service District reported a liability of \$9,737,628 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2014. Alpena-Montmorency-Alcona Educational Service District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, Alpena-Montmorency-Alcona Educational Service District's proportion was .0399%, which was a decrease of .0009 percent from its proportion measured as of September 30, 2014.

For the year ended June 30, 2016, Alpena-Montmorency-Alcona Educational Service District recognized pension expense of \$777,069. At June 30, 2016 Alpena-Montmorency-Alcona Educational Service District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 32,254
Changes of assumptions	239,761	-
Net difference between projected and actual earnings on pension plan investments	49,703	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	823	171,638
School District's contributions subsequent to the measurement date	585,559	-
Total	\$ 875,846	\$ 203,892

Alpena-Montmorency-Alcona Educational Service District

NOTES TO FINANCIAL STATEMENTS

NOTE 7--GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION PLAN. (continued)

Deferred (Inflow) and Deferred Outflow of Resources by Year
(To be Recognized in Future Pension Expenses)

<u>Year Ending September 30</u>	<u>Amount</u>
2016	\$ (18,644)
2017	\$ (18,644)
2018	\$ (31,644)
2019	\$ 155,327

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7--GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION PLAN. (continued)

Notes:

- *Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2014, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.7158 for non-university employers 1.3923 for university employers].*
- *Recognition period for assets in years is 5.000.*
- *Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report. (www.michigan.gov/mpsers-cafr)*

Long-Term Expected Return on Plan Assets

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.9%
% Alternative Investment Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	0.9%
Real Estate and Infrastructure Pools	10.0%	4.3%
Absolute Return Pools	15.5%	6.0%
Short Term Investment Pools	2.0%	0.0%
TOTAL	100.0%	

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

Discount Rate

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7--GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION PLAN. (continued)

Sensitivity of Alpena-Montmorency-Alcona Educational Service District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Decrease (Non-Hybrid/Hybrid) 9.0% / 8.0%
\$ 12,554,299	\$ 9,737,628	\$ 7,363,059

C. Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR. See the 2015 MPSERS CAFR. (www.michigan.gov/documents/orsschools/MPSERS_CAFR_2015_Final_510211_7.pdf)

NOTE 8-- DEFINED BENEFIT PENSION PLAN AND POST-EMPLOYMENT BENEFITS.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School employees' Retirement Act. The System is a qualified pension trust fund under section 401(a) of the Internal Revenue Code.

By statute, employees of K-12 public school districts, public school academies, district libraries, tax-supported community colleges and seven universities may be members. The seven universities are: Eastern Michigan, Central Michigan, Northern Michigan, Western Michigan, Ferris State, Michigan Technological and Lake Superior State. Employees, who first become employed by one of the seven universities on or after January 1, 1996, become members of an alternative plan.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual financial Report.

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

Alpena-Montmorency-Alcona Educational Service District

NOTES TO FINANCIAL STATEMENTS

NOTE 8-- DEFINED BENEFIT PENSION PLAN AND POST-EMPLOYMENT BENEFITS. (continued)

The following chart depicts the possible combinations under the revised system for all members:

Status	E'ee	Type	Plan Combination:		Employee Contributions:				Employer Contributions:		
			Pension	Health	DB Pension	PHF	HCC	DC Pension	DB Pension	PHF	DC Pension
Closed	Basic	DB	Basic	Subsidy	0.00%	N/A	3.0%	N/A	25.78%	N/A	N/A
Closed	Basic	DB	Basic	PHF	0.00%	2.00%	N/A	N/A	25.27%	2.00%	N/A
Closed	Basic	DB	Basic 4%	Subsidy	4.00%	N/A	3.0%	N/A	25.78%	N/A	N/A
Closed	Basic	DB	Basic 4%	PHF	4.00%	2.00%	N/A	N/A	25.27%	2.00%	N/A
Closed	Basic	DC	DC Conv	Subsidy	N/A	N/A	3.0%	0.00%	21.47%	N/A	4.00%
Closed	Basic	DC	DC Conv	PHF	N/A	2.00%	N/A	0.00%	20.96%	2.00%	4.00%
Closed	MIP	DB	Fixed	Subsidy	3.90%	N/A	3.0%	N/A	25.78%	N/A	N/A
Closed	MIP	DB	Fixed	PHF	3.90%	2.00%	N/A	N/A	25.27%	2.00%	N/A
Closed	MIP	DB	Graded	Subsidy	3-4.30%	N/A	3.0%	N/A	25.78%	N/A	N/A
Closed	MIP	DB	Graded	PHF	3-4.30%	2.00%	N/A	N/A	25.27%	2.00%	N/A
Closed	MIP	DB	Plus	Subsidy	3-6.40%	N/A	3.0%	N/A	25.78%	N/A	N/A
Closed	MIP	DB	Plus	PHF	3-6.40%	2.00%	N/A	N/A	25.27%	2.00%	N/A
Closed	MIP	DB	MIP 7%	Subsidy	7.00%	N/A	3.0%	N/A	25.78%	N/A	N/A
Closed	MIP	DB	MIP 7%	PHF	7.00%	2.00%	N/A	N/A	25.27%	2.00%	N/A
Closed	MIP	DC	DC Conv	Subsidy	N/A	N/A	3.0%	0.00%	21.47%	N/A	4.00%
Closed	MIP	DC	DC Conv	PHF	N/A	2.00%	N/A	0.00%	20.96%	2.00%	4.00%
Closed	Pnsn +	Hybrid	Pnsn +	Subsidy	3-6.40%	N/A	3.0%	2.00%	24.70%	N/A	1.00%
Open	Pnsn +	Hybrid	Pnsn +	PHF	3-6.40%	2.00%	N/A	2.00%	24.19%	2.00%	1.00%
Open	DC	DC	DC	PHF	N/A	2.00%	N/A	6.00%	20.96%	2.00%	3.00%

NOTE 9--INTERFUND TRANSFERS.

The Special Education transferred \$306,053 to the General Fund.

The transfers to the General Fund was to reimburse indirect costs of grant programs and to reimburse for administrative (business, technology, etc.) and support services (operations and maintenance) of non-grant programs.

Alpena-Montmorency-Alcona Educational Service District

NOTES TO FINANCIAL STATEMENTS

NOTE 10--RISK MANAGEMENT.

The Educational Service District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, and natural disasters. The Educational Service District manages its risk exposures and provides certain employee benefits through a combination of self-insurance programs, risk management pools and excess insurance coverage policies. Following is a summary of these self-insurance programs and risk management pool participation.

The Educational Service District participates in the MASB-SEG Property and Casualty Pool for general and automobile liability, motor vehicle physical damage and property damage coverage. The MASB-SEG Property/Casualty Pool, Inc. was established in May 1985, pursuant to the laws of the State of Michigan. The purpose of the pool is to provide cooperative and comprehensive risk financing and control services. Member premiums are used to purchase excess insurance coverage and pay member claims in excess of deductible amounts. The deductible amount of any one loss ranges from \$250 to \$1,000 with a maximum coverage amount of \$5,000,000 for liability claims.

The Educational Service District also participates in the SEG-Self-Insured Workers' Disability Compensation Fund for its Workers Compensation liabilities with coverage specific/statutory (unlimited) employers' liability of \$500,000.

The Educational Service District has purchased commercial insurance for medical benefits claims. A self-funded Dental and Vision Benefit Plan is provided for employees and their eligible dependents.

NOTE 11--CONTINGENCIES, CLAIMS AND LITIGATION.

At various times there may be certain claims or lawsuits, either asserted or unasserted, pending against the Educational Service District. It is the policy of the Alpena-Montmorency-Alcona Educational Service District to record a liability for any contingency, claim or lawsuit when the loss is probable and an amount can be reasonably estimated. The Educational Service District is not aware of any loss contingencies that have not been recorded.

NOTE 12--SUBSEQUENT EVENTS.

Management has evaluated subsequent events through October 3, 2016, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Alpena-Montmorency-Alcona Educational Service District

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

Year ended June 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Local sources	\$ 419,619	\$ 423,563	\$ 426,976	\$ 3,413
State sources	2,758,310	2,691,073	1,924,126	(766,947)
Federal sources	14,000	12,700	13,826	1,126
Incoming transfers	441,500	519,910	505,821	(14,089)
Total revenues	<u>3,633,429</u>	<u>3,647,246</u>	<u>2,870,749</u>	<u>(776,497)</u>
EXPENDITURES				
Instructional Services				
Instructional services	384,049	370,919	343,277	27,642
Great Start grant	315,593	276,841	144,774	132,067
Math/Science grant	60,387	61,817	51,348	10,469
Great Start readiness	1,929,151	1,909,707	1,247,961	661,746
	<u>2,689,180</u>	<u>2,619,284</u>	<u>1,787,360</u>	<u>831,924</u>
Administrative and Support Services				
Leadership / governance	393,769	387,925	379,170	8,755
Business / compliance	456,359	457,481	446,484	10,997
Operation and maintenance	84,189	65,633	50,964	14,669
Technology services	81,000	68,256	59,207	9,049
Outgoing transfers	-	-	-	-
	<u>1,015,317</u>	<u>979,295</u>	<u>935,825</u>	<u>43,470</u>
Total expenditures	<u>3,704,497</u>	<u>3,598,579</u>	<u>2,723,185</u>	<u>875,394</u>
CURRENT CHANGE IN FUND BALANCE	(71,068)	48,667	147,564	98,897
FUND BALANCES , beginning of the year	<u>797,988</u>	<u>880,048</u>	<u>880,048</u>	<u>-</u>
FUND BALANCES , end of the year	<u>\$ 726,920</u>	<u>\$ 928,715</u>	<u>\$ 1,027,612</u>	<u>\$ 98,897</u>

Alpena-Montmorency-Alcona Educational Service District

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SPECIAL EDUCATION FUND**

Year ended June 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Local sources	\$ 4,092,981	\$ 4,100,623	\$ 4,113,561	\$ 12,938
State sources	1,482,544	1,493,359	1,493,581	222
Federal sources	1,973,254	2,032,209	1,414,136	(618,073)
Incoming transfers / other	16,650	8,320	10,078	1,758
Total revenues	<u>7,565,429</u>	<u>7,634,511</u>	<u>7,031,356</u>	<u>(603,155)</u>
EXPENDITURES				
Direct Instruction				
Pied Piper - MoCI	288,408	276,869	263,953	12,916
Pied Piper - SCI	478,516	469,415	466,187	3,228
ECDD classroom	207,014	206,574	198,543	8,031
	<u>973,938</u>	<u>952,858</u>	<u>928,683</u>	<u>24,175</u>
Instructional Support				
Psychological services	779,295	865,081	610,466	254,615
Hearing impaired	50,000	13,440	-	13,440
Learning disabilities	232,445	230,011	226,519	3,492
Mentally impaired	192,521	194,497	166,859	27,638
Autistic impaired	133,507	133,507	133,682	(175)
Speech therapy	686,574	672,651	655,126	17,525
Social work	22,841	27,781	20,682	7,099
Early intervening	336,756	342,995	295,977	47,018
Occupational therapy	135,931	138,986	136,149	2,837
Physical therapy	70,500	75,500	69,745	5,755
Regional MIBLSI	150,000	180,193	139,093	41,100
Improvement of instruction	50,000	55,000	14,428	40,572
Vision consultant	17,180	13,933	11,142	2,791
ECDD consultant	172,971	152,412	108,692	43,720
Early on consultant	69,657	70,879	52,683	18,196
Emotionally impaired	347,893	349,854	243,579	106,275
Transition services	88,360	86,552	85,380	1,172
	<u>3,536,431</u>	<u>3,603,272</u>	<u>2,970,202</u>	<u>633,070</u>
Administrative				
Planning, monitoring, data collection	811,173	809,379	781,360	28,019
Board of education	22,200	30,000	23,671	6,329
	<u>833,373</u>	<u>839,379</u>	<u>805,031</u>	<u>34,348</u>

Alpena-Montmorency-Alcona Educational Service District

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SPECIAL EDUCATION FUND**

Year ended June 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Other Costs				
Operation and maintenance	\$ 199,758	\$ 169,615	\$ 145,305	\$ 24,310
Capital outlay	55,000	30,000	12,225	17,775
Local P.A.C.	750	250	117	133
Pupil transportation	344,745	326,513	320,946	5,567
Outgoing transfers / other	1,802,500	1,670,342	1,656,395	13,947
	<u>2,402,753</u>	<u>2,196,720</u>	<u>2,134,988</u>	<u>61,732</u>
Total expenditures	<u>7,746,495</u>	<u>7,592,229</u>	<u>6,838,904</u>	<u>753,325</u>
CURRENT CHANGE IN FUND BALANCE	(181,066)	42,282	192,452	150,170
FUND BALANCES , beginning of the year	<u>3,887,216</u>	<u>4,014,444</u>	<u>4,014,444</u>	<u>-</u>
FUND BALANCES , end of the year	<u>\$ 3,706,150</u>	<u>\$ 4,056,726</u>	<u>\$ 4,206,896</u>	<u>\$ 150,170</u>

Alpena-Montmorency-Alcona Educational Service District

Required Supplemental Information
Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability

Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2015</u>	<u>2014</u>
A. Reporting unit's proportion of net pension liability (%)	0.03987%	0.04079%
B. Reporting unit's proportionate share of net pension liability	\$ 9,737,628	\$ 8,984,285
C. Reporting unit's covered-employee payroll	\$ 3,332,201	\$ 3,491,221
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	292.23%	257.34%
E. Plan fiduciary net position as a percentage of total pension liability	63.17%	66.20%

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with FYE September 30, 2014.

Alpena-Montmorency-Alcona Educational Service District

**Required Supplemental Information
Schedule of the Reporting Unit's Contributions**

Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts determined as of 6/30 of each year)

	<u>2016</u>	<u>2015</u>
A. Statutorily required contributions	\$ 652,087	\$ 732,077
B. Contributions in relation to statutorily required contributions*	<u>\$ 651,815</u>	<u>\$ 732,341</u>
C. Contribution deficiency (excess)	<u>\$ 272</u>	<u>\$ (264)</u>
D. Reporting unit's covered-employee payroll	\$ 3,283,152	\$ 3,337,124
E. Contributions as a percentage of covered-employee payroll	19.85%	21.95%

*Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to MPSERS, which may differ from the statutorily required contributions.

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

OTHER SUPPLEMENTAL INFORMATION

INDIVIDUAL FUND STATEMENTS

Alpena-Montmorency-Alcona Educational Service District

**GENERAL FUND
BALANCE SHEET**

	June 30	
	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 127	\$ 102
Taxes receivable	12,078	8,529
Accounts receivable	6,665	12,752
Due from other funds	-	379,773
Due from other governmental units	357,025	360,805
Interest receivable on investments and deposits	3,279	1,991
Investments	2,029,877	975,749
Prepaid expenses	16,391	26,742
	<u> </u>	<u> </u>
Total assets	<u>\$ 2,425,442</u>	<u>\$ 1,766,443</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 137,409	\$ 112,200
Due to other funds	362,920	-
Due to other governmental units	49,031	52,410
Accrued expenditures	5,208	4,846
Salaries payable	18,598	13,245
Unearned revenue	824,664	703,694
	<u> </u>	<u> </u>
Total liabilities	<u>1,397,830</u>	<u>886,395</u>
Fund Balances		
Nonspendable	16,391	26,742
Unassigned	1,011,221	853,306
	<u> </u>	<u> </u>
Total fund balances	<u>1,027,612</u>	<u>880,048</u>
	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 2,425,442</u>	<u>\$ 1,766,443</u>

Alpena-Montmorency-Alcona Educational Service District

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year ended June 30		
	2016 Final Budget	2016 Actual	2015 Actual
REVENUES			
LOCAL SOURCES			
Property tax levy	\$ 399,419	\$ 401,192	\$ 399,916
Penalties and interest on delinquent taxes	550	551	201
Revenue in lieu of taxes	2,600	2,322	2,398
Tuition - Camp Wilderness	1,600	1,600	1,800
Earnings on investments and deposits	7,555	10,930	4,464
Conference fees	1,080	1,410	1,010
Private sources (contributions)	1,559	1,559	-
USF reimbursement	7,500	4,909	12,718
Miscellaneous	1,700	2,503	1,729
Total local sources	<u>423,563</u>	<u>426,976</u>	<u>424,236</u>
STATE SOURCES			
State aid			
Unrestricted	385,729	385,730	380,407
Restricted	2,288,844	1,534,056	1,319,600
Other	16,500	4,340	4,099
Total state sources	<u>2,691,073</u>	<u>1,924,126</u>	<u>1,704,106</u>
FEDERAL SOURCES			
Child & Adult Food Program	12,700	13,826	13,033
Title I, Assistance	-	-	5,687
Title II, Part D, Educational Technology	-	-	2,102
Title II, Wayne RESA	-	-	4,000
Total federal sources	<u>12,700</u>	<u>13,826</u>	<u>24,822</u>
INTERDISTRICT SOURCES			
Other school districts	199,600	199,458	104,304
Total interdistrict sources	<u>199,600</u>	<u>199,458</u>	<u>104,304</u>
OTHER SOURCES			
Reimbursements and refunds	310	310	4,925
Total other sources	<u>310</u>	<u>310</u>	<u>4,925</u>
Total revenues	<u>3,327,246</u>	<u>2,564,696</u>	<u>2,262,393</u>

Alpena-Montmorency-Alcona Educational Service District

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year ended June 30		
	2016 Final Budget	2016 Actual	2015 Actual
EXPENDITURES			
INSTRUCTION			
ELEMENTARY			
Supplies and materials	\$ -	\$ -	\$ 27
	-	-	27
PRE-SCHOOL			
Purchased services	1,142,836	687,476	541,571
Supplies and materials	65,376	32,792	35,294
Other	5,900	2,212	5,765
Outgoing transfers	99,058	94,982	70,529
	<u>1,313,170</u>	<u>817,462</u>	<u>653,159</u>
Total instruction	<u>1,313,170</u>	<u>817,462</u>	<u>653,186</u>
SUPPORTING SERVICES			
PUPIL SERVICES			
GUIDANCE SERVICES			
Salaries	2,554	2,663	4,528
Employee benefits	1,131	1,180	2,129
Purchased services	10,134	2,878	2,354
Supplies and materials	4,374	1,765	3,694
	<u>18,193</u>	<u>8,486</u>	<u>12,705</u>
Total pupil services	<u>18,193</u>	<u>8,486</u>	<u>12,705</u>
INSTRUCTIONAL STAFF SERVICES			
IMPROVEMENT OF INSTRUCTION			
Salaries	231,825	220,856	195,431
Employee benefits	149,733	141,253	121,934
Purchased services	75,620	34,992	31,807
Supplies and materials	7,244	6,722	8,201
Other	1,285	1,285	1,035
Outgoing transfers	10,425	2,476	48
	<u>476,132</u>	<u>407,584</u>	<u>358,456</u>

Alpena-Montmorency-Alcona Educational Service District

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year ended June 30		
	2016 Final Budget	2016 Actual	2015 Actual
EXPENDITURES (CONTINUED)			
INSTRUCTION RELATED TECHNOLOGY			
Supplies and materials	\$ 543	\$ 543	\$ -
Outgoing transfers	5,286	5,422	-
	<u>5,829</u>	<u>5,965</u>	<u>-</u>
SUPERVISION/DIRECTION OF INSTRUCTIONAL STAFF			
Salaries	127,728	75,893	76,967
Employee benefits	79,003	46,315	42,850
Purchased services	36,045	17,776	25,038
Supplies and materials	1,403	308	1,171
	<u>244,179</u>	<u>140,292</u>	<u>146,026</u>
OTHER INSTRUCTIONAL STAFF SERVICES			
Salaries	-	200	-
	<u>-</u>	<u>200</u>	<u>-</u>
Total instructional staff services	<u>726,140</u>	<u>554,041</u>	<u>504,482</u>
GENERAL ADMINISTRATION			
BOARD OF EDUCATION			
Salaries	3,500	3,183	3,280
Employee benefits	268	244	251
Purchased services	40,795	38,592	36,796
Supplies and materials	2,150	1,314	1,674
Other	9,500	8,900	9,406
	<u>56,213</u>	<u>52,233</u>	<u>51,407</u>
EXECUTIVE ADMINISTRATION			
Salaries	112,037	111,877	195,814
Employee benefits	68,254	67,154	115,119
Purchased services	6,050	5,361	3,593
Supplies and materials	1,500	943	994
Other	9,450	8,808	9,282
	<u>197,291</u>	<u>194,143</u>	<u>324,802</u>
Total general administration	<u>253,504</u>	<u>246,376</u>	<u>376,209</u>

Alpena-Montmorency-Alcona Educational Service District

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year ended June 30		
	2016 Final Budget	2016 Actual	2015 Actual
EXPENDITURES (CONTINUED)			
BUSINESS SERVICES			
FISCAL SERVICES			
Salaries	\$ 295,304	\$ 284,737	\$ 227,556
Employee benefits	179,210	172,909	127,574
Purchased services	18,650	16,538	19,774
Supplies and materials	2,550	1,984	1,449
Other	2,250	1,990	1,870
	<u>497,964</u>	<u>478,158</u>	<u>378,223</u>
OTHER BUSINESS SERVICES			
Purchased services	5,178	3,302	2,962
Other	2,000	1,426	516
	<u>7,178</u>	<u>4,728</u>	<u>3,478</u>
Total business services	<u>505,142</u>	<u>482,886</u>	<u>381,701</u>
OPERATIONS AND MAINTENANCE			
OPERATIONS BUILDINGS SERVICES			
Salaries	1,288	725	1,468
Employee benefits	970	582	551
Purchased services	55,469	37,722	49,389
Supplies and materials	19,296	16,255	19,366
Total operations and maintenance	<u>77,023</u>	<u>55,284</u>	<u>70,774</u>
PUPIL TRANSPORTATION			
PUPIL TRANSPORTATION			
Outgoing transfers	<u>48,686</u>	<u>48,086</u>	<u>42,600</u>
Total pupil transportation	<u>48,686</u>	<u>48,086</u>	<u>42,600</u>

Alpena-Montmorency-Alcona Educational Service District

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year ended June 30		
	2016 Final Budget	2016 Actual	2015 Actual
EXPENDITURES (CONTINUED)			
CENTRAL SERVICES			
PLANNING, RESEARCH, DEVELOPMENT AND EVALUATION			
Purchased services	\$ 2,375	\$ 2,375	\$ 2,375
	<u>2,375</u>	<u>2,375</u>	<u>2,375</u>
COMMUNICATION SERVICES			
Purchased services	6,797	2,001	5,865
	<u>6,797</u>	<u>2,001</u>	<u>5,865</u>
STAFF/PERSONNEL SERVICES			
Salaries	80,731	80,619	-
Employee benefits	49,475	48,705	-
Purchased services	26,975	16,061	19,836
Supplies and materials	500	403	162
	<u>157,681</u>	<u>145,788</u>	<u>19,998</u>
INFORMATION MANAGEMENT SERVICES			
Purchased services	18,900	10,728	48,969
Supplies and materials	5,143	4,619	5,323
Capital outlay	5,000	2,453	-
Outgoing transfer	45,256	44,517	32,131
	<u>74,299</u>	<u>62,317</u>	<u>86,423</u>
Total central services	<u>241,152</u>	<u>212,481</u>	<u>114,661</u>
Total supporting services	<u>1,869,840</u>	<u>1,607,640</u>	<u>1,503,132</u>
COMMUNITY SERVICES			
COMMUNITY SERVICES DIRECTION			
Purchased services	59,696	35,274	21,803
Supplies and materials	605	106	251
Other	5,000	2,444	355
	<u>65,301</u>	<u>37,824</u>	<u>22,409</u>
COMMUNITY ACTIVITIES			
Purchased services	9,000	734	-
Supplies and materials	37,460	19,374	6,093
Other	25,744	11,839	1,974
	<u>72,204</u>	<u>31,947</u>	<u>8,067</u>

Alpena-Montmorency-Alcona Educational Service District

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year ended June 30		
	2016 Final Budget	2016 Actual	2015 Actual
EXPENDITURES (CONTINUED)			
CUSTODY AND CARE OF CHILDREN			
Purchased services	\$ 2,184	\$ 1,244	\$ 71
	<u>2,184</u>	<u>1,244</u>	<u>71</u>
OTHER COMMUNITY SERVICES			
Purchased services	1,800	46	310
Supplies and materials	1,500	1,225	-
Other	4,065	2,103	917
	<u>7,365</u>	<u>3,374</u>	<u>1,227</u>
Total community services	<u>147,054</u>	<u>74,389</u>	<u>31,774</u>
PAYMENTS TO NOT-FOR-PROFIT ENTITIES			
Payments to not-for-profit entities	<u>233,594</u>	<u>188,773</u>	<u>234,519</u>
Total payments to not-for-profit entities	<u>233,594</u>	<u>188,773</u>	<u>234,519</u>
CAPITAL OUTLAY			
BUILDING IMPROVEMENTS SERVICES			
Capital outlay	<u>34,921</u>	<u>34,921</u>	<u>2,968</u>
	<u>34,921</u>	<u>34,921</u>	<u>2,968</u>
Total capital outlay	<u>34,921</u>	<u>34,921</u>	<u>2,968</u>
Total expenditures	<u>3,598,579</u>	<u>2,723,185</u>	<u>2,425,579</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(271,333)</u>	<u>(158,489)</u>	<u>(163,186)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	320,000	306,053	350,101
Transfers to other funds	-	-	-
	<u>320,000</u>	<u>306,053</u>	<u>350,101</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	48,667	147,564	186,915
FUND BALANCES, beginning of the year	<u>880,048</u>	<u>880,048</u>	<u>693,133</u>
FUND BALANCES, end of the year	<u>\$ 928,715</u>	<u>\$ 1,027,612</u>	<u>\$ 880,048</u>

Alpena-Montmorency-Alcona Educational Service District

**SPECIAL EDUCATION FUND
BALANCE SHEET**

	June 30	
	2016	2015
ASSETS		
Cash and cash equivalents	\$ 420	\$ 397
Taxes receivable	108,787	77,166
Accounts receivable	-	229
Due from other funds	362,920	-
Due from other governmental units	391,675	559,713
Interest receivable on investments and deposits	8,011	8,506
Investments	3,965,250	4,219,977
Prepaid expenses	36,765	25,422
Total assets	<u>\$ 4,873,828</u>	<u>\$ 4,891,410</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 18,931	\$ 7,461
Due to other funds	-	379,773
Due to other governmental units	25,580	15,362
Accrued expenditures	191,680	166,728
Salaries payable	364,600	307,642
Unearned revenue	66,141	-
Total liabilities	<u>666,932</u>	<u>876,966</u>
Fund Balances		
Nonspendable	36,765	25,422
Restricted	4,170,131	3,989,022
Total fund balances	<u>4,206,896</u>	<u>4,014,444</u>
Total liabilities and fund balances	<u>\$ 4,873,828</u>	<u>\$ 4,891,410</u>

Alpena-Montmorency-Alcona Educational Service District

**SPECIAL EDUCATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year ended June 30		
	2016 Final Budget	2016 Actual	2015 Actual
REVENUES			
LOCAL SOURCES			
Property taxes	\$ 3,686,637	\$ 3,703,568	\$ 3,691,240
Penalties and interest on delinquent taxes	5,500	5,088	1,841
Revenue in lieu of taxes	23,000	21,433	22,131
Earnings on investments and deposits	30,000	27,570	22,301
Medicaid fee for service	353,986	353,986	394,023
Miscellaneous	1,500	1,916	3,204
Total local source	<u>4,100,623</u>	<u>4,113,561</u>	<u>4,134,740</u>
STATE SOURCES			
State aid			
Restricted	1,476,859	1,477,081	1,429,632
Vocational rehabilitation	16,500	16,500	16,500
Total state source	<u>1,493,359</u>	<u>1,493,581</u>	<u>1,446,132</u>
FEDERAL SOURCES			
P.L. 94-142 Special Education	1,712,655	1,156,665	1,229,498
P.L. 94-142 Special Education preschool	34,451	34,451	34,504
P.L. 99.457 Infants and Toddlers	74,529	55,424	108,945
MIBLSI-MTSS	-	-	883
MIBLSI-MISD	195,407	152,429	112,330
Medicaid - Outreach	15,167	15,167	25,218
Total federal source	<u>2,032,209</u>	<u>1,414,136</u>	<u>1,511,378</u>
INTERDISTRICT SOURCES			
Received from other public schools	8,320	10,078	20,039
Total interdistrict source	<u>8,320</u>	<u>10,078</u>	<u>20,039</u>
Total revenues	<u>7,634,511</u>	<u>7,031,356</u>	<u>7,112,289</u>

Alpena-Montmorency-Alcona Educational Service District

**SPECIAL EDUCATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year ended June 30		
	2016 Final Budget	2016 Actual	2015 Actual
EXPENDITURES			
INSTRUCTION			
SPECIAL EDUCATION			
Salaries	\$ 517,229	\$ 511,673	\$ 594,250
Employee benefits	401,054	390,657	464,101
Purchased services	20,150	17,306	19,422
Supplies and materials	14,425	9,047	11,220
Capital outlay	-	-	1,205
	<u>952,858</u>	<u>928,683</u>	<u>1,090,198</u>
Total instruction	<u>952,858</u>	<u>928,683</u>	<u>1,090,198</u>
SUPPORTING SERVICES			
PUPIL SERVICES			
HEALTH SERVICES			
Salaries	82,465	82,465	81,772
Employee benefits	53,296	52,309	49,419
Purchased services	77,200	70,475	64,938
Supplies and materials	1,300	645	974
Other	225	-	-
	<u>214,486</u>	<u>205,894</u>	<u>197,103</u>
PSYCHOLOGICAL SERVICES			
Salaries	537,107	377,439	364,165
Employee benefits	315,473	222,951	205,106
Purchased services	4,500	2,909	4,104
Supplies and materials	8,000	7,167	9,195
	<u>865,080</u>	<u>610,466</u>	<u>582,570</u>
SPEECH PATHOLOGY			
Salaries	396,253	387,466	392,432
Employee benefits	243,247	239,097	231,381
Purchased services	8,600	7,150	5,658
Supplies and materials	5,500	1,317	4,733
	<u>653,600</u>	<u>635,030</u>	<u>634,204</u>

Alpena-Montmorency-Alcona Educational Service District

**SPECIAL EDUCATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year ended June 30		
	2016 Final Budget	2016 Actual	2015 Actual
EXPENDITURES (CONTINUED)			
SOCIAL WORK SERVICES			
Salaries	\$ 19,457	\$ 14,520	\$ 12,787
Employee benefits	7,824	6,162	5,203
Purchased services	500	-	-
	<u>27,781</u>	<u>20,682</u>	<u>17,990</u>
TEACHER CONSULTANT			
Salaries	660,142	549,979	503,595
Employee benefits	398,572	331,086	286,956
Purchased services	24,440	7,131	6,666
Supplies and materials	4,500	2,278	5,775
	<u>1,087,654</u>	<u>890,474</u>	<u>802,992</u>
Total pupil services	<u>2,848,601</u>	<u>2,362,546</u>	<u>2,234,859</u>
INSTRUCTIONAL SUPPORT			
OTHER PUPIL SUPPORT SERVICES			
Salaries	41,434	41,433	66,880
Employee benefits	30,204	29,337	57,405
Purchased services	13,845	13,660	14,380
	<u>85,483</u>	<u>84,430</u>	<u>138,665</u>
IMPROVEMENT OF INSTRUCTION			
Salaries	181,222	155,698	151,964
Employee benefits	113,121	98,364	88,145
Purchased services	234,664	171,182	157,464
Supplies and materials	25,856	7,621	33,136
Other	500	180	230
	<u>555,363</u>	<u>433,045</u>	<u>430,939</u>
SUPERVISION/DIRECTION OF INSTRUCTIONAL STAFF			
Salaries	399,988	391,976	382,475
Employee benefits	262,940	252,665	243,070
Purchased services	82,954	64,639	61,652
Supplies and materials	7,750	6,204	5,147
Capital outlay	-	-	1,028
Other	640	216	545
	<u>754,272</u>	<u>715,700</u>	<u>693,917</u>

Alpena-Montmorency-Alcona Educational Service District

**SPECIAL EDUCATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year ended June 30		
	2016 Final Budget	2016 Actual	2015 Actual
EXPENDITURES (CONTINUED)			
Total instructional support	\$ 1,395,118	\$ 1,233,175	\$ 1,263,521
GENERAL ADMINISTRATION			
BOARD OF EDUCATION			
Purchased services	3,500	2,827	2,982
Total general administration	3,500	2,827	2,982
BUSINESS SERVICES			
FISCAL SERVICES			
Purchased services	6,000	5,317	4,940
	6,000	5,317	4,940
OTHER BUSINESS SERVICES			
Purchased services	2,500	2,426	2,664
Other	18,000	13,100	4,765
	20,500	15,526	7,429
Total business services	26,500	20,843	12,369
OPERATION AND MAINTENANCE			
OPERATIONS BUILDINGS SERVICES			
Salaries	41,000	41,287	32,199
Employee benefits	32,526	30,933	27,433
Purchased services	48,886	38,785	34,024
Supplies and materials	41,703	34,054	40,128
Capital outlay	5,000	-	-
Other	500	246	1,067
	169,615	145,305	134,851
Total operation and maintenance	169,615	145,305	134,851

Alpena-Montmorency-Alcona Educational Service District

**SPECIAL EDUCATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year ended June 30		
	2016 Final Budget	2016 Actual	2015 Actual
EXPENDITURES (CONTINUED)			
PUPIL TRANSPORTATION			
PUPIL TRANSPORTATION			
Salaries	\$ 8,500	\$ 7,831	\$ 6,533
Employee benefits	6,604	5,578	4,976
Purchased services	285,749	285,046	254,841
Supplies and materials	25,000	22,221	30,708
Other	160	90	95
	<u>326,013</u>	<u>320,766</u>	<u>297,153</u>
Total pupil transportation	<u>326,013</u>	<u>320,766</u>	<u>297,153</u>
CENTRAL SERVICES			
PLANNING AND RESEARCH			
Salaries	25,418	25,267	25,147
Employee benefits	15,934	16,085	14,125
Purchased services	1,400	1,400	2,284
Other	45	45	-
	<u>42,797</u>	<u>42,797</u>	<u>41,556</u>
STAFF/PERSONEL SERVICES			
Purchased services	<u>24,144</u>	<u>17,452</u>	<u>12,121</u>
	<u>24,144</u>	<u>17,452</u>	<u>12,121</u>
INFORMATION MANAGEMENT SERVICES			
Salaries	41,249	41,249	38,824
Employee benefits	25,256	23,251	21,226
Purchased services	14,850	10,802	12,379
Supplies and materials	500	-	255
	<u>81,855</u>	<u>75,302</u>	<u>72,684</u>
Total central services	<u>148,796</u>	<u>135,551</u>	<u>126,361</u>
OTHER SUPPORT SERVICES			
Outgoing transfers	<u>8,103</u>	<u>8,103</u>	<u>5,349</u>
	<u>8,103</u>	<u>8,103</u>	<u>5,349</u>
Total other support services	<u>8,103</u>	<u>8,103</u>	<u>5,349</u>
Total supporting services	<u>4,926,246</u>	<u>4,229,116</u>	<u>4,077,445</u>

Alpena-Montmorency-Alcona Educational Service District

**SPECIAL EDUCATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year ended June 30		
	2016 Final Budget	2016 Actual	2015 Actual
EXPENDITURES (CONTINUED)			
COMMUNITY SERVICES			
NON-PUBLIC SCHOOLS PUPILS			
Salaries	\$ 11,753	\$ 12,152	\$ 3,495
Employee benefits	7,298	7,944	2,269
Other	685	131	-
	<u>19,736</u>	<u>20,227</u>	<u>5,764</u>
OTHER COMMUNITY SERVICES			
Purchased services	850	117	78
Supplies and materials	300	244	215
	<u>1,150</u>	<u>361</u>	<u>293</u>
Total community services	<u>20,886</u>	<u>20,588</u>	<u>6,057</u>
INTERDISTRICT TRANSFERS			
TRANSFERS			
Act 18	1,069,783	1,069,784	1,218,588
Medicaid	270,693	270,692	227,617
Outreach	1,763	1,763	12,912
	<u>1,342,239</u>	<u>1,342,239</u>	<u>1,459,117</u>
Total interdistrict transfers	<u>1,342,239</u>	<u>1,342,239</u>	<u>1,459,117</u>
CAPITAL OUTLAY			
Site improvements	5,000	-	-
Building improvements	25,000	12,225	-
	<u>30,000</u>	<u>12,225</u>	<u>-</u>
Total capital outlay	<u>30,000</u>	<u>12,225</u>	<u>-</u>
Total expenditures	<u>7,272,229</u>	<u>6,532,851</u>	<u>6,632,817</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES			
	<u>362,282</u>	<u>498,505</u>	<u>479,472</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	(320,000)	(306,053)	(350,101)
	<u>(320,000)</u>	<u>(306,053)</u>	<u>(350,101)</u>

Alpena-Montmorency-Alcona Educational Service District

**SPECIAL EDUCATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year ended June 30		
	<u>2016 Final Budget</u>	<u>2016 Actual</u>	<u>2015 Actual</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 42,282	\$ 192,452	\$ 129,371
FUND BALANCES, beginning of the year	<u>3,887,216</u>	<u>4,014,444</u>	<u>3,885,073</u>
FUND BALANCES, end of the year	<u>\$ 3,929,498</u>	<u>\$ 4,206,896</u>	<u>\$ 4,014,444</u>

Alpena-Montmorency-Alcona Educational Service District

**AGENCY FUND
BALANCE SHEET**

	June 30	
	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	<u>\$ 10,304</u>	<u>\$ 8,452</u>
Total assets	<u><u>\$ 10,304</u></u>	<u><u>\$ 8,452</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Due to student activities	<u>\$ 10,304</u>	<u>\$ 8,452</u>
Total liabilities	<u>10,304</u>	<u>8,452</u>
Fund Balances		
Unassigned	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u><u>\$ 10,304</u></u>	<u><u>\$ 8,452</u></u>

Alpena-Montmorency-Alcona Educational Service District

**AGENCY FUND
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DEPOSITS HELD**

	<u>Balances June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances June 30, 2016</u>
STUDENT ACTIVITIES				
Due from other Funds	\$ -	\$ 4,135	\$ 3,587	\$ 548
Flower Fund	1,408	4,836	4,052	2,192
Greenhouse	4,194	6,309	7,780	2,723
Piper Fund	2,255	5,955	3,964	4,246
Living with ASD	454	-	-	454
Circle of Friends	141	-	-	141
	<u>\$ 8,452</u>	<u>\$ 21,235</u>	<u>\$ 19,383</u>	<u>\$ 10,304</u>

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FEDERAL FINANCIAL ASSISTANCE

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Straley Lamp &
Kraenzlein P.C.



Certified Public Accountants

Philip T. Straley, CPA/PFS
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Robert D. Ilsley, CPA
Mark L. Sandula, CPA
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Gordon A. Nethercut, CPA-Retired

**INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education
Alpena-Montmorency-Alcona
Educational Service District
Alpena, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Alpena-Montmorency-Alcona Educational Service District** as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the **Alpena-Montmorency-Alcona Educational Service District's** basic financial statements. We issued our report thereon dated October 3, 2016, which contained unmodified opinions on the financial statements of the **Alpena-Montmorency-Alcona Educational Service District**. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 3, 2016.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such 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. The 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Straley Lamp & Kraenzlein P.C.

October 3, 2016

Alpena-Montmorency-Alcona Educational Service District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2016

Program Title/Project Number/Subrecipient Name	Grant/Project Number	Federal CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditure
<u>U.S. Department of Agriculture</u>				
Passed Through State of Michigan Department of Education:				
Child and Adult Care Food Program		10.558		
Child and Adult Care Food Program 15/16	151920		\$ 12,621	\$ 11,505
Child and Adult Care Food Program 15/16	152010		614	549
Child and Adult Care Food Program 15/16	161920		10,692	-
Child and Adult Care Food Program 15/16	162010		615	-
Child and Adult Care Food Program 15/16			1,338	-
			<u>25,880</u>	<u>12,054</u>
Total U.S. Department of Agriculture			<u>25,880</u>	<u>12,054</u>
<u>U.S. Department of Education</u>				
Special Education Cluster:				
Special Education - Grants to States		* 84.027		
Enhancing Opportunities ESOD				
State initiated EOSD 14/15	150480 EOSD		45,000	45,000
State initiated EOSD 15/16	160480 1112		45,000	-
			<u>90,000</u>	<u>45,000</u>
Transition Coordinator				
Transition Coordinator 14/15	150490 TC		50,000	50,000
Transition Coordinator 15/16	160490 TC		50,000	-
			<u>100,000</u>	<u>50,000</u>
Special Ed Flowthrough				
IDEA Special Education Flow-Through 14/15	150450 14-15		1,337,825	1,051,954
IDEA Special Education Flow-Through 15/16	160450 15-16		1,331,784	-
			<u>2,669,609</u>	<u>1,051,954</u>
Special Education - Preschool		* 84.173		
IDEA Preschool Incentive 14/15	150460 14-15		34,504	34,504
IDEA Preschool Incentive 15/16	160460 15-16		34,451	-
			<u>68,955</u>	<u>34,504</u>
Total Special Education Cluster			<u>2,928,564</u>	<u>1,181,458</u>

* - Major Program

Revenue Accrued (Unearned) at June 30, 2015	Receipts	Current Year Adjustments and Transfers	Expenditures	Revenue Accrued (Unearned) at June 30, 2016	Current Year Cash Transferred To Subrecipients
\$ -	\$ 1,116	\$ -	\$ 1,116	\$ -	\$ -
-	65	-	65	-	-
-	10,692	-	10,692	-	-
-	615	-	615	-	-
-	-	-	1,338	1,338	-
-	12,488	-	13,826	1,338	-
-	12,488	-	13,826	1,338	-
3,000	3,000	-	-	-	-
-	36,500	-	45,000	8,500	-
3,000	39,500	-	45,000	8,500	-
7,230	7,230	-	-	-	-
-	45,500	-	50,000	4,500	-
7,230	52,730	-	50,000	4,500	-
151,954	410,709	-	285,871	27,116	-
-	841,935	-	775,794	(66,141)	-
151,954	1,252,644	-	1,061,665	(39,025)	-
5,404	5,404	-	-	-	-
-	29,625	-	34,451	4,826	-
5,404	35,029	-	34,451	4,826	-
167,588	1,379,903	-	1,191,116	(21,199)	-

See Notes to Schedule of Expenditures of Federal Awards.

Alpena-Montmorency-Alcona Educational Service District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2016

<u>Program Title/Project Number/Subrecipient Name</u>	<u>Grant/Project Number</u>	<u>Federal CFDA Number</u>	<u>Approved Awards Amount</u>	<u>(Memo Only) Prior Year Expenditure</u>
Other Federal Awards:				
Passed through Michigan Department of Education:				
Title I Grants to Local Educational Agencies		84.010		
Title I Regional Assistance Grant 14/15	151570 14-15		\$ 5,687	\$ 5,687
			<u>5,687</u>	<u>5,687</u>
Special Education - Grants for Infants and Families		84.181		
Infants & Toddlers Early On Grant 14/15	151340 14-15		119,807	58,345
Infants & Toddlers Early On Grant 15/16	161340 15-16		74,529	-
			<u>194,336</u>	<u>58,345</u>
Total passed through Michigan Department of Education			<u>3,128,587</u>	<u>1,245,490</u>
Passed through Macomb ISD:				
Special Education-Grants to States		84.027		
MIBLSI Technical Assistance Partner (TAP) 14/15	MIBLSI-TAP		130,111	96,167
MIBLSI Technical Assistance Partner (TAP) 15/16	MIBLSI-TAP		160,475	-
			<u>290,586</u>	<u>96,167</u>
Total U.S. Department of Education			<u>3,419,173</u>	<u>1,341,657</u>
<u>U.S. Department of Health and Human Services</u>				
Passed through Michigan Department of Social Services and Michigan Department of Public Health:				
Medical Assistance Program		93.778		
Medicaid Administrative Outreach Claims	N/A		15,167	-
			<u>15,167</u>	<u>-</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 3,460,220</u></u>	<u><u>\$ 1,353,711</u></u>

* - Major Program

Revenue Accrued (Unearned) at June 30, 2015	Receipts	Current Year Adjustments and Transfers	Expenditures	Revenue Accrued (Unearned) at June 30, 2016	Current Year Cash Transferred To Subrecipients
\$ 3,197	\$ 3,197	\$ -	\$ -	\$ -	\$ -
3,197	3,197	-	-	-	-
58,345	58,345	10,862	10,862	-	-
-	54,250	(10,862)	44,562	1,174	-
58,345	112,595	-	55,424	1,174	-
229,130	1,495,695	-	1,246,540	(20,025)	-
44,823	75,955	-	31,132	-	-
-	70,762	-	121,297	50,535	-
44,823	146,717	-	152,429	50,535	-
273,953	1,642,412	-	1,398,969	30,510	-
-	15,167	-	15,167	-	-
-	15,167	-	15,167	-	-
\$ 273,953	\$ 1,670,067	\$ -	\$ 1,427,962	\$ 31,848	\$ -

See Notes to Schedule of Expenditures of Federal Awards.

Alpena-Montmorency-Alcona Educational Service District

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1--BASIS OF PRESENTATION.

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal award activity of the Alpena-Montmorency-Alcona Educational Service District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements* for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Alpena-Montmorency-Alcona Educational Service District it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Alpena-Montmorency-Alcona Educational Service District.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principals contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

The Alpena-Montmorency-Alcona Educational Service District has formatted the Schedule to conform to the recommendations of the Michigan Department of Education. The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

NOTE 3—INDIRECT COST RATE.

The Alpena-Montmorency-Alcona Educational Service District has elected not to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

The Alpena-Montmorency-Alcona Educational Service District has used the approved indirect cost rate for federal award expenditures for 2015/2016 assigned by the Michigan Department of Education Office of State Aid and School Finance calculation of 5.15% for the year ended June 30, 2016.

Alpena-Montmorency-Alcona Educational Service District

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 4--RELATIONSHIP TO GOVERNMENTAL FUND FINANCIAL STATEMENTS.

Revenues from federal sources are reported in the service district's financial statements as follows:

	Federal Revenues
General Fund	\$ 13,826
Special Revenue Funds:	
Special Education Fund	1,414,136
	<hr/>
Total Federal Revenues	\$ 1,427,962
	<hr/> <hr/>
Total expenditures per the Schedule of Expenditures of Federal Awards (SEFA)	\$ 1,427,962
	<hr/> <hr/>

NOTE 5--GRANT AUDITOR REPORT.

Management has utilized the Michigan Department of Education's Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards.

NOTE 6--RECONCILIATION TO MICHIGAN DEPARTMENT OF EDUCATION'S CASH MANAGEMENT SYSTEM (CMS) GRANT SECTION AUDITORS REPORT.

The following shows a reconciliation of current year receipts per the schedule of expenditures of federal awards to current payments per Michigan Department of Education Cash Management System (CMS) Grant Auditor Report:

Agency total current payments per Michigan Department of Education Grant Auditor Report - (GAR) Cash Management System (CMS)	\$ 1,508,544
Less: State Grant - TRIG District Participation	361
	<hr/>
	\$ 1,508,183
	<hr/> <hr/>
Current year receipts passed through Michigan Department of Education:	
U.S. Department of Agriculture	\$ 12,488
U.S. Department of Education	1,495,695
	<hr/>
	\$ 1,508,183
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
Alpena-Montmorency-Alcona
Educational Service District
Alpena, Michigan

Report on the Financial Statements

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 the **Alpena-Montmorency-Alcona Educational Service District**, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the **Alpena-Montmorency-Alcona Educational Service District's** basic financial statements, and have issued our report thereon dated October 3, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the **Alpena-Montmorency-Alcona Educational Service District's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **Alpena-Montmorency-Alcona Educational Service District's** internal control. Accordingly, we do not express an opinion on the effectiveness of the **Alpena-Montmorency-Alcona Educational Service District's** internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Straley Lamp & Kraenzlein P.C.

October 3, 2016



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

To the Board of Education
Alpena-Montmorency-Alcona
Educational Service District
Alpena, Michigan

Report on Compliance for Each Major Federal Program

We have audited the **Alpena-Montmorency-Alcona Educational Service District's** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the **Alpena-Montmorency-Alcona Educational Service District's** major federal programs for the year ended June 30, 2016. The **Alpena-Montmorency-Alcona Educational Service District's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the **Alpena-Montmorency-Alcona Educational Service District's** compliance.

Opinion on Each Major Federal Program

In our opinion, the **Alpena-Montmorency-Alcona Educational Service District** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

Purpose of the Report

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

Straley Lamp & Kraenzlein P.C.

October 3, 2016

Alpena-Montmorency-Alcona Educational Service District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2016

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

 Material weakness(es) identified? Yes X No

 Significant deficiency(ies) identified Yes X None Reported

Noncompliance material to financial statements noted Yes X No

Federal Awards

Internal control over major programs:

 Material weakness(es) identified? Yes X No

 Significant deficiency(ies) identified? Yes X None Reported

Type of auditors’ report issued on compliance for
major federal programs Unmodified

Any audit findings disclosed that are required to
be reported in accordance with 2 CFR
200.516 (a) ? Yes X No

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

84.027

Special Education – Grants to States

84.173

Special Education – Preschool Grants

Dollar threshold used to distinguish between
Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted in the current year.

SECTION II – FEDERAL PROGRAM AUDIT FINDINGS

None noted in the current year.

Alpena-Montmorency-Alcona Educational Service District

REPORT ON PRIOR AUDIT FINDINGS

For the year ended June 30, 2016

<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
There were no findings or questioned costs noted in the prior year.		

Alpena-Montmorency-Alcona Educational Service District

CORRECTIVE ACTION PLAN

For the year ended June 30, 2016

A corrective action plan is not required since there are no findings or questioned costs noted in the current year.

Straley Lamp & Kraenzlein P.C.



Certified Public Accountants

Philip T. Straley, CPA/PFS
Bernard R. Lamp, CPA
James E. Kraenzlein, CPA/ABV/CFE
Gary C. VanMassenhove, CPA
J. Michael Kearly, CPA
Robert D. Ilsley, CPA
Mark L. Sandula, CPA
Jeffrey A. Taphouse, CPA
John D. Faulman, CPA
Andrew R. Lamp, CPA
Donald C. Levren

Gordon A. Nethercut, CPA-Retired

AUDIT COMMUNICATIONS

To the Board of Education
Alpena-Montmorency-Alcona Educational Service District
Alpena, Michigan 49707

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alpena-Montmorency-Alcona Educational Service District for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letters dated August 15, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Alpena-Montmorency-Alcona Educational Service District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Alpena-Montmorency-Alcona Educational Service District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

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

Management's estimate of the depreciation expense is based on management's assumptions about the useful lives of its fixed assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole;

Management's estimate of its pension liability which is based upon actuarial valuations which considers such assumptions as the long-term expected return on plan assets, discount rates, future employee wages, inflation, mortality rates, and cost of living adjustments.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No adjustments were made to the financial statements, or passed but not made, during the audit process.

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 3, 2016.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, Budgetary Comparison Schedules and Schedules of Net Pension Liability and Pension Contributions, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with Management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Recent Pronouncements.

The Governmental Accounting Standards Board and Michigan Department of Education, in its continuing process of updating the accounting principles that all governments must adhere to, has issued the following recent pronouncements that will have an impact on the way the Alpena-Montmorency-Alcona Educational Service District maintains its financial records:

- A. GASB Statement No. 68, Accounting and Reporting for Pensions.** This statement establishes new accounting and financial reporting requirements for most governments that provide their employees with pension benefits. Statement No. 68 requires employers report net pension benefits as a liability on the Statement of Net Position. The standard requires immediate recognition of the pension expense, including annual service cost and interest, and the effect of changes in benefit terms on the net pension liability. Cost-sharing employers are required to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also requires expanded note disclosures and required supplementary information covering the past 10 years for the net pension liability. Statement 68 is effective for fiscal years beginning after June 15, 2014. This statement was adopted by the Alpena-Montmorency-Alcona Educational Service District with the June 30, 2015 financial statements, therefore, these financial statements mark the second year of implementation of this standard. The contribution rate the Alpena-Montmorency-Alcona Educational Service District is required to pay into the Michigan Public School Employee's Retirement System (MPERS) continues to rise. After taking into consideration the categorical aid to help offset the impact of the increase in retirement costs under the State Aid Act, the net effect is that the Alpena-Montmorency-Alcona Educational Service District is responsible for approximately a 26 percent contribution of covered payroll to the retirement system.

- B. Summary of Statement No. 72, Fair Value Measurement and Application.** This Statement generally requires investments to be measured at fair value. An *investment* is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share (or its equivalent) of the investment. At this time, this statement is not expected to impact Alpena-Montmorency-Alcona Educational Service District..

The requirements of this Statement were effective for financial statements for periods beginning after June 15, 2015.

C. Summary of Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

Restriction on Use

This report is intended solely for the information and use of the Alpena-Montmorency-Alcona Educational Service District Board of Education, Michigan Department of Education, Management, and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the staff of the Alpena-Montmorency-Alcona Educational Service District for their assistance during the audit.

We commend the School District for its excellent recordkeeping system and appreciate the opportunity to serve the Alpena-Montmorency-Alcona Educational Service District. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

Very truly yours,

Straley Lamp & Kraenzlein P.C.

October 3, 2016