MILLINGTON COMMUNITY SCHOOLS
Millington, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and
additional supplementary information)
YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
Certified Public Accountants

Thomas B. Doran, CPA
Valerie J. Hartel, CPA
Jamie L. Peasley, CPA
…………………………
Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA

Terry L. Haske, CPA
Timothy D. Franzel
Laura J. Steffen, CPA
Angela M. Burnette, CPA
David A. Ondrajka, CPA
John M. Bungart, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Education
Millington Community Schools
Millington, Michigan 48746

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 Millington Community Schools as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

715 East Frank Street • Caro, MI 48723
989-673-3137 fax: 989-673-3375
1-800-234-8829

2956 Main Street • Marlette, MI 48453
989-635-7545 fax: 989-635-7547

6476 Main Street, Suite 1 • Cass City, MI 48726
989-872-3730 fax: 989-872-3978

www.atbdcpa.com email us at cpa@atbdcpa.com

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, 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 Millington Community School's basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 additional supplementary information is fairly stated, in all material respects, in relation to the 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 September 29, 2017, on our consideration of Millington Community School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Millington Community School's 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 Millington Community School's internal control over financial reporting and compliance.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN

September 29, 2017

This financial report is presented in the format required by generally accepted accounting principals.

District –Wide Financial Statements

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

The Statement of Net Position (page 11) combines and consolidates the governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless of whether they are currently available or not.

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

When analyzed together, the two statements help the reader determine whether the District is financially stronger or weaker as a result of the year's activities.

Fund Financial Statements

The fund financial statements focus on individual parts of the district, reporting the District's operation in more detail than the district-wide statements. The fund level statements are reported on a *modified accrual basis*. Only those assets that are "*measurable*" and "*currently available*" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's *Public School Accounting Manual*. In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds. The funds used by Millington Community Schools include Special Revenue Funds for food service and community education, Debt Service Fund for bonded debt as well as a Sinking Fund for capital improvements.

Millington Community Schools is the trustee, or fiduciary, for its student activity and scholarship funds established for the benefit of our students. These fiduciary activities are reported in separate statements of fiduciary net assets. They are excluded from the other financial statements because the District may not use the assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Financial Analysis of the District as a Whole

Summary of Net Position

	2017 Governmental Activities	2016 Governmental Activities
Assets		
Current	$ 5,238,778	$ 5,331,540
Capital, net	10,425,507	10,422,647
Total	15,664,285	15,754,187
Deferred outflows of resources	2,491,405	1,772,534
Liabilities		
Current	3,683,308	3,046,704
Pension Liability	15,777,441	14,946,568
Long-term	738,526	2,148,851
Total	20,199,275	20,142,123
Deferred inflows of resources	542,115	458,254
Net position		
Net investment in capital assets	9,001,882	8,410,505
Restricted	29,795	80,388
Unrestricted	(11,617,377)	(11,564,549)
Total	$ (2,585,700)	$ (3,073,656)

Unrestricted net assets are similar but not identical to fund balance. A reconciliation of the difference between increased net position and an increase in fund balance is on page 16.

Total current assets are less than those of 2016. This is mainly due to a decrease in cash of $85,740.

The increase in District capital assets is the result of additions to capital assets including the addition of fire alarms, a roof, three buses and a tractor. Annual depreciation expense amounted to $540,137 and assets were disposed with a net book value of $3,330. See page 26 for further details.

The balance of long-term liabilities decreased $806,478 from the prior year. This is the result of principal payments on our QZAB bonds and our 2008 Building and Site bonds.

The net position for the District increased by $487,956 during the 2016-2017 fiscal year. The *Changes In Net Position* shows the details of this change.

Changes In Net Position

	2017 Governmental Activites	2016 Governmental Activites
Revenues		
Program revenues		
Charges for services	$ 271,679	$ 354,185
Operating grants and contributions	2,423,872	1,993,972
General revenues		
Property taxes	1,484,678	1,444,939
State foundation allowance	8,600,703	8,411,941
Other	333,486	213,665
Total	13,114,418	12,418,702
Expenses		
Instruction	7,233,021	6,757,817
Support Services	4,136,833	3,650,098
Food Services	613,197	612,136
Community Services	19,451	72,412
Other Transactions	623,960	643,821
Total	12,626,462	11,736,284
Change In Net Position	487,956	682,418
Net position beginning of year	(3,073,656)	(3,756,074)
Net position end of year	$ (2,585,700)	$ (3,073,656)

Total revenues for the district were higher than 2016 levels by $695,716 or 5.6%. Revenue from the state foundation allowance increased $188,762. This revenue increase is the result of additional at risk funds and a $120 per pupil increase on the foundation allowance. Federal grants and other contributions to the district increased $429,900 or 21.6%. Charges for services decreased $82,506. Other revenues increased $119,821.

The result of total operations produced expenditures that were $890,178 more than 2016. This represents an increase of 7.6% from 2016 levels.

Instructional expenses were up $475,204, along with supporting services which increased by $486,735 from 2016 levels.

Food services expenditures were up $1,061 compared to 2016. Community education expenditures decreased by $52,961 due to the closure of the day care center. Interest on debt, combined with the above spending variances yielded an overall increase of $890,178 in the total operation of the District.

The cumulative impact of the above net changes in revenues and the net changes in total governmental activities, yields the increase in net position of the District for the fiscal year-end of $487,956.

School District's Funds

As the School District completed this fiscal year, the governmental funds reported a combined fund balance of $2,447,591, which is an increase over the prior year. The primary reason for the increase is an increase in state aid.

In the General Fund, our principal operating fund, the fund balance increased by $216,855. This amount reflects an increase to fund balance of 9.9% for the fiscal year.

The fund balance of our Food Service Fund decreased approximately $2,695. However, there was a transfer of $10,500 from General Fund to cover expenditures. The additional constraints placed on school food service programs by the federal government has made it difficult to contain costs in the food service program.

The Debt Service Fund showed an increase in fund balance of approximately $2,249. The net results of the increase and the prior years balance reflects an ending balance of $23,614 available to pay future debt payments. The fund balance of the Debt Service Fund is restricted since it can only be used for future debt service obligations.

The Sinking Fund ended the year with a positive balance of approximately $18,981. This represents a decrease from prior year of approximately $55,442. These funds are also restricted for specific expenditures as allowed by law.

The Community Education Fund had a fund balance of $0 at the fiscal year end due to the closure of the day care center.

Nearly 84.2% of the District's general fund revenues are received from State sources. This has remained relatively consistent over the last several fiscal years, with a slight shift towards increased federal percentage. The Net State Foundation Grant is based on three variables:

1. The State of Michigan State Aid Act per student foundation allowance.
2. Student enrollment calculated by blending 90 percent of the current year's fall count and 10 percent of the previous year's winter count.
3. The amount raised by the District's non-homestead property tax levy of 17.937 mills.

Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. Millington Community Schools' foundation allowance for 2016-2017 was $7,511 per student. This amount is an increase to the 2015-2016 foundation allowance of $120 per student.

Student Enrollment

The District's student "Full Time Equivalent" (FTE) for the blended count of 2016-2017 was 1,247 students. The following summarizes fall student enrollments in the past five years:

Enrollment History

Fiscal Year	Student FTE	Change From Prior Year
2016-2017	1,247	(1)
2015-2016	1,248	(46)
2014-2015	1,294	(40)
2013-2014	1,334	(55)
2012-2013	1,389	(41)

The reduction in enrollment is directly related to the economic condition of the State of Michigan. Relocation of families out of the District for the reason of employment has had a negative impact on the student count.

Property Taxes Levied for General Operations

The District levied 17.937 mills of property taxes for operations (General Fund) on Non-Homestead properties for 2016-2017. This represents a consistent levy with the 2015-2016 levies. Under Michigan law, the tax levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at lesser of the rate of the prior year's Consumer Price Index increase or 5 percent. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, theoretically 50 percent of the market value. The following summarizes the local tax revenues as a percent of all general fund revenues for the past five years:

Local Property Tax History

Fiscal Year	Local Property Tax Revenue	% of General Fund Revenue
2016-2017	$ 693,088	5.88%
2015-2016	$ 664,273	5.84%
2014-2015	$ 647,592	5.73%
2013-2014	$ 629,367	5.56%
2012-2013	$ 629,641	5.94%

Local revenues in the table include the receipt of delinquent taxes from prior years. For the fiscal year ended June 30, 2017, the District had minimal current year property taxes that had not been collected.

Capital Assets

At June 30, 2017, the District had $10,425,507 invested in capital assets including land, buildings, furniture, and equipment.

	June 30,	
	2017	**2016**
Assets		
Land	$ 40,000	$ 40,000
Site improvements	1,600,557	1,600,557
Buildings and improvements	15,135,563	14,974,299
Busses and other vehicles	848,776	506,117
Furniture and equipment	488,875	486,338
Contruction in progress		
Subtotal	18,113,771	17,607,311
Less accumulated depreciation	(7,688,264)	(7,184,664)
Total assets	$ 10,425,507	$ 10,422,647

Long-Term Debt

The long-term obligations for the District decreased from $2,148,851 at the end of 2015-2016 to $1,617,847 at the end of 2016-2017. The total decrease was $531,004. This included a net decrease in Governmental obligation bonds of $825,000 and an increase in an installment bus purchase by $233,532.

Final Budget versus Actual

The Uniform Budget Act of the State of Michigan requires that a local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The budget for 2016-2017 was approved on June 20, 2016 and amended in January 3, 2017 and June 27, 2017.

General Fund Revenues

	2016-17
Total actual revenues	$ 11,783,634
Total revenues final budget	11,716,149
Change	$ 67,485

The Districts' actual general fund revenues of $11,783,634 were more than the revised budget by $67,485, a variance of 0.6%.

The significant revenue factor in the actual vs the final budget include:

- The use of 31a At Risk carryover funds.

General Fund Expenditures

	2016-17
Total actual expenditures	$ 11,827,219
Total expenditures final budget	11,938,418
Change	$ 111,199

The District's actual general fund expenditures of $11,827,219 were less than the revised budget by $111,199 a variance of 0.9%.

Some of the significant factors in the actual vs the final budget include:

- Maintenance costs were lower than budgeted by $39,300.
- Sub costs were lower than budgeted by $26,800
- Salaries came in lower than budgeted by $17,700.
- Retirement costs came in lower than budgeted by $16,450.
- Transfer to Food Service was lower than budgeted by $9,500.

Economic Factors and Next Year's Budget and Rates

Since most of the District's revenue is derived from the per pupil foundation allowance, student enrollment as reported in the *blended count* is one of the key factors in forecasting revenue. Once the final student count is known in early October, State law requires the District to amend the budget if actual revenues will vary significantly from those originally appropriated.

Actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. It would appear that revenues may be slightly higher for 2017-2018 due to enrollment remaining relatively the same. Federal funds used to assist the district are also expected to decline, but could be offset by the anticipated increase of At Risk state revenue.

Retirement paid by the district for employee groups stayed relatively flat for 2017-2018, ranging from 20.96% to 25.56% dependent on which retirement options each employee has chosen. Funding is also being provided to assist districts in paying down the unfunded retirement liability. The amount being received for 2017-2018 is 11.32%.

Requests for Information

This financial report is designed to give our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to District Office at 8537 Gleason Street, Millington, MI 48746 or by phone at (989) 660-2450.

BASIC FINANCIAL STATEMENTS

MILLINGTON COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
June 30, 2017

		GOVERNMENTAL ACTIVITIES
ASSETS		
Cash and cash equivalents	$	2,875,260
Investments		5,086
Accounts receivable		735
Intergovernmental receivable		2,313,148
Deposits receivable		42,000
Prepaid expenses		2,549
Capital assets not being depreciated		40,000
Capital assets, net of accumulated depreciation		10,385,507
TOTAL ASSETS		15,664,285
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions		2,491,405
LIABILITIES		
Accounts payable		227,174
Accrued salaries and related items		521,465
Accrued retirement		224,084
Unearned revenue		2,114
Accrued interest		29,150
Note payable		1,800,000
Noncurrent liabilities:		
Due within one year		879,321
Due in more than one year		738,526
Net pension liability		15,777,441
TOTAL LIABILITIES		20,199,275
DEFERRED INFLOWS OF RESOURCES		
Related to pensions		46,339
Related to state aid funding for pension		495,776
TOTAL DEFERRED INFLOWS OF RESOURCES		542,115
NET POSITION		
Net investment in capital assets		9,001,882
Restricted for debt service		10,814
Restricted for capital projects		18,981
Unrestricted		(11,617,377)
TOTAL NET POSITION	$	(2,585,700)

See notes to financial statements.

MILLINGTON COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
Instruction	$ 7,233,021	$ 76,446	$ 1,387,356	$ (5,769,219)
Support services	4,136,833	32,762	594,580	(3,509,491)
Community services	19,451	7,670		(11,781)
Food services	613,197	154,801	441,936	(16,460)
Interest on long-term debt	83,823			(83,823)
Unallocated depreciation	540,137			(540,137)
Total governmental activities	$ 12,626,462	$ 271,679	$ 2,423,872	(9,930,911)
General revenues:				
Property taxes, levied for general purposes				693,088
Property taxes, levied for debt service				686,248
Property taxes, levied for sinking fund				105,342
State sources - unrestricted				8,600,703
Investment earnings				9,379
Intermediate sources				197,582
Sale of school property				20,685
Other				105,840
Total general revenues				10,418,867
Change in net position				487,956
Net position, beginning of year				(3,073,656)
Net position, end of year				$ (2,585,700)

See notes to financial statements.

MILLINGTON COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	GENERAL FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	$ 2,833,454	$ 41,806	$ 2,875,260
Investments	5,086		5,086
Accounts receivable	735	-	735
Intergovernmental receivable	2,309,354	3,794	2,313,148
Due from other funds	29,000	1,279	30,279
Deposits receivable		42,000	42,000
Prepaid expenditures	2,549		2,549
TOTAL ASSETS	***$ 5,180,178***	***$ 88,879***	***$ 5,269,057***
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 218,847	$ 8,327	$ 227,174
Due to other funds	1,279	29,000	30,279
Accrued salaries and related items	521,465	-	521,465
Accrued retirement	219,538	4,546	224,084
Unearned revenue	2,114		2,114
Accrued interest	16,350		16,350
State aid anticipation note payable	1,800,000		1,800,000
TOTAL LIABILITIES	2,779,593	41,873	2,821,466
FUND BALANCES:			
Nonspendable for:			
Prepaid expenditures	2,549		2,549
Restricted for:			
Debt Service		23,614	23,614
Food Service		4,411	4,411
Capital Projects		18,981	18,981
Assigned for:			
Subsequent year expenditures	439,654	-	439,654
Unassigned	1,958,382	-	1,958,382
TOTAL FUND BALANCES	2,400,585	47,006	2,447,591
TOTAL LIABILITIES & FUND BALANCES	***$ 5,180,178***	***$ 88,879***	***$ 5,269,057***

See notes to financial statements.

MILLINGTON COMMUNITY SCHOOLS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total Fund Balances - Governmental Funds	$ 2,447,591
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred outflows of resources - related to pensions	2,491,405
Deferred inflows of resources - related to pensions	(46,339)
Deferred inflows of resources - related to state pension funding	(495,776)
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
The cost of the capital assets is	18,113,771
Accumulated depreciation is	(7,688,264)
Long term liabilities are not due and payable in the current period and are not reported in the funds	
Long-term debt obligations	(1,414,188)
Capital lease	(9,437)
Compensated absences	(194,222)
Accrued interest is not reported as a liability in governmental funds; it is recorded when paid	(12,800)
Net pension liability	(15,777,441)
Net Position of Governmental Activities	$ (2,585,700)

See notes to financial statements.

MILLINGTON COMMUNITY SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2017

	GENERAL FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Local sources			
Taxes	$ 693,088	$ 791,590	$ 1,484,678
Charges for services	109,208	162,471	271,679
Other	114,088	1,131	115,219
State sources	9,922,792	47,934	9,970,726
Federal sources	746,876	394,002	1,140,878
Incoming transfers and other	197,582		197,582
TOTAL REVENUES	11,783,634	1,397,128	13,180,762
EXPENDITURES:			
Instruction	7,099,324		7,099,324
Supporting services	4,508,082		4,508,082
Community services	11,562	7,889	19,451
Food services		609,932	609,932
Capital outlay		161,264	161,264
Debt service:			
Principal repayment	175,000	625,000	800,000
Interest and fiscal charges	33,251	59,650	92,901
TOTAL EXPENDITURES	11,827,219	1,463,735	13,290,954
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(43,585)	(66,607)	(110,192)
OTHER FINANCING SOURCES (USES):			
Sale of property	24,015		24,015
Proceeds from long term debt issuance	233,532		233,532
Transfers in	13,393	10,500	23,893
Transfers out	(10,500)	(13,393)	(23,893)
TOTAL OTHER FINANCING SOURCES (USES)	260,440	(2,893)	257,547
NET CHANGE IN FUND BALANCES	216,855	(69,500)	147,355
FUND BALANCES - BEGINNING OF YEAR	2,183,730	116,506	2,300,236
FUND BALANCES - END OF YEAR	$ 2,400,585	$ 47,006	$ 2,447,591

See notes to financial statements.

MILLINGTON COMMUNITY SCHOOLS

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

YEAR ENDED JUNE 30, 2017

Total net change in fund balances--governmental funds	$ 147,355
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:	
Depreciation expense	(540,137)
Capital outlay	546,327
Net book value of assets disposed	(3,330)
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable at the beginning of the year	15,400
Accrued interest payable at the end of the year	(12,800)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Issuance of debt	(233,532)
Repayments of long-term debt	815,571
Amortization of bond premiums	6,478
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences at the beginning of the year	136,709
Accrued compensated absences at the end of the year	(194,222)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Pension related items	(108,834)
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period.	
State aid funding for pension	(87,029)
Change in net position of governmental activities	$ 487,956

See notes to financial statements.

MILLINGTON COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2017

		AGENCY FUNDS
ASSETS		
Cash	$	127,209
TOTAL ASSETS	**$**	**127,209**
LIABILITIES		
Due to student organizations	$	127,209
TOTAL LIABILITIES	**$**	**127,209**

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

REPORTING ENTITY:

Millington Community Schools (the “District”) is governed by the Millington Community Schools Board of Education (the “Board”), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements.

BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS:

While separate government-wide and fund financial statements are presented, they are interrelated. The government activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements.

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

BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS:

The fund financial statements provide information about the District’s funds, including its fiduciary funds. Separate statements for each fund category – government and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The *general fund* is the District’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Additionally, the District reports the following non-major fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service activities and its community education activities in the special revenue funds.

The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects sinking fund* accounts for the receipts of the sinking fund millage proceeds and the acquisition of fixed assets or construction of capital projects. The fund is kept open until the purpose for which the fund was created has been accomplished. The District has complied with applicable provisions of section 1212 of the Revised School Code.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government–wide statements.

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles of generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events at the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on the pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exception (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The State revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30th is reported as an intergovernmental receivable.

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

All other revenue items are generally considered to be measureable and available only when cash is received by the District.

The agency fund has no measurement focus, but utilizes the accrual basis of accounting for reporting its assets and liabilities.

BUDGETARY INFORMATION:
Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. Capital projects funds are appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if the have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

5. The budget was amended during the year with supplemental appropriations, the last one was approved prior to the year ended June 30^{th}. The District does not consider these amendments to be significant.

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE:

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity.

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

3. Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital assets

Capital assets, which include property, plant equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are valued at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress, if any, are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Buildings and additions	20 - 50 years
Site improvements	20 years
Equipment and furniture	5 - 15 years
Buses and other vehicles	8 years

5. Defined Benefit Plan

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

6. Deferred outflows/inflows of resources

Deferred outflow:

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is reported in the government wide statement of net position. It is the deferred outflow related to pensions. These amounts are expensed in the plan year in which they apply.

Deferred inflow:

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first is the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary. The second is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period.

7. Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. Fund balance flow assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to reported as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of the resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board of education may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

REVENUES AND EXPENDITURES/EXPENSES:

1. Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements for a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2017, the District levied the following amounts per $1,000 of assessed valuation:

FUND	MILLS
General Fund:	
Non-Principle Residence Exemption (PRE)	17.9370
Commercial Personal Property	5.9370
Sinking Fund:	
PRE, Non-PRE, Commercial Personal Property	3.7302

3. Compensated absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

4. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year which they are incurred.

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

NOTE 2 – DEPOSITS AND INVESTMENTS:

As of June 30, 2017, the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)*	Standard & Poor's Rating	%
MILAF - cash management	$ 3	0.0027	AAAm	0.06%
MILAF - MAX Class	5,083	0.0027	AAAm	99.94%
Total fair value	$ 5,086			100.00%
Portfolio weighted average maturity		0.0027		

*1 day maturity equals 0.0027, 1 year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2017, the fair value of the District's investments is the same as the value of the pool shares.

MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost, which approximates fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; 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 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).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the 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 District's deposits may not be returned to it. As of June 30, 2017, $2,964,128 of the District's bank balance of $3,214,128 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was $3,002,469.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District 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.

Fair value measurement. The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing and investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District does not have any investments subject to the fair value measurement.

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

The above amounts as previously reported in Note 2:

Deposits - including fiduciary funds of $127,209	$ 3,002,469
Investments	5,086
	$ 3,007,555

The previous amounts are reported in the financial statements as follows:

Cash - District Wide	$ 2,875,260
Cash - Fiduciary Funds	127,209
Investments - District Wide	5,086
	$ 3,007,555

NOTE 3 – INTERGOVERNMENTAL RECEIVABLES:

Intergovernmental receivables at June 30, 2017 consist of the following:

Governmental Units:		
State aid	$	1,805,461
Federal revenue		392,449
Other		115,238
	$	2,313,148

Amounts due from governmental units include amounts due from federal, state, and local sources for various projects and programs.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 4 – CAPITAL ASSETS:

A summary of changes in the District's capital assets follows:

	BALANCE July 1, 2016	ADDITIONS	DELETIONS	BALANCE June 30, 2017
Governmental activities:				
Assets not being depreciated – land	$ 40,000	$ -	$ -	$ 40,000
Capital assets being depreciated:				
Buildings and additions	14,974,299	161,264		15,135,563
Site Improvements	1,600,557			1,600,557
Equipment and furniture	486,338	42,404	(39,867)	488,875
Buses and other vehicles	506,117	342,659		848,776
Subtotal	17,567,311	546,327	(39,867)	18,073,771
Accumulated depreciation:				
Buildings and additions	(5,803,392)	(363,610)		(6,167,002)
Site Improvements	(714,180)	(66,387)		(780,567)
Equipment and furniture	(273,574)	(47,361)	36,537	(284,398)
Buses and other vehicles	(393,518)	(62,779)		(456,297)
Subtotal	(7,184,664)	(540,137)	36,537	(7,688,264)
Net capital assets being depreciated	10,382,647	6,190	(3,330)	10,385,507
Net governmental capital assets	$ 10,422,647	$ 6,190	$ (3,330)	$ 10,425,507

Depreciation for the fiscal year ended June 30, 2017 amounted to $540,137. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 – NOTE PAYABLE - STATE AID ANTICIPATION NOTE:

At June 30, 2017, the District has a state aid anticipation note payable of $1,800,000. The note has an interest rate of 1.09% and matures August 21, 2017. Proceeds of the note were used to fund school operations. The state aid note is secured by the full faith and credit of the District as well as pledged state aid. Activity for the year ended June 30, 2017 is as follows:

Balance June 30, 2016	Additions	Payments	Balance June 30, 2017
$ 2,000,000	$ 1,800,000	$ 2,000,000	$ 1,800,000

NOTE 6 - LONG-TERM DEBT:

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of the governmental long-term obligations for the District for the year ended June 30, 2017:

	General Obligation Bonds and Premium	**Compensated Absences**	**Installment Bus Purchase**	**Capital Lease**	**Total**
Balance - July 1, 2016	$ 1,987,134	$ 136,709	$ -	$ 25,008	$ 2,148,851
Additions	-	57,513	233,532	-	291,045
Deletions	(806,478)			(15,571)	(822,049)
Balance - June 30, 2017	1,180,656	194,222	233,532	9,437	1,617,847
Due within one year	(825,000)	-	(44,884)	(9,437)	(879,321)
Due in more than one year	$ 355,656	$ 194,222	$ 188,648	$ -	$ 738,526

Long-term obligation debt at June 30, 2017 is comprised of the following:

2008 School Building and Site Bonds - $5,000,000 serial bond due in annual installments ranging from $470,000 to $650,000 through May 2018 with interest from 4.00% to 4.75%	$ 650,000
2010 School Improvement Bonds (Qualified Zone Academy Bonds) - $1,750,000 serial bond due in annual installments of $175,000 through May 2020 with interest at 4.76%	525,000
Premium on bond issuance	5,656
Total general obligation debt	1,180,656
Accumulated compensated absences	194,222
Installment bus purchase - The District purchased three school buses in September 2016 under an installment agreement. The agreement was for a total purchase price of $233,532, requiring annual payments of $49,531 through September 2021, and carrying an interest rate of 1.99%	233,532
Capital lease - The District purchased copy machines through a capital lease	9,437
Total general long-term debt	$ 1,617,847

Interest expense (all funds) for the year ended June 30, 2017 was $92,901.

The annual requirements to amortize long-term debt outstanding as of June 30, 2017 are as follows:

YEAR ENDED JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2018	$ 879,321	$ 60,665	$ 939,986
2019	220,777	20,414	241,191
2020	221,689	11,172	232,861
2021	47,617	1,914	49,531
2022	48,565	966	49,531
Total	1,417,969	95,131	1,513,100
Bond premium	5,656		5,656
Compensated absences	194,222	-	194,222
Totals	$ 1,617,847	$ 95,131	$ 1,712,978

A total fund balance amount of $23,614 is available in the debt service funds to service the general obligation debt. The capital lease and compensated absences are expected to be liquidated by the general fund.

NOTE 7 - LEASES:

Operating Lease as Lessee
The District leases equipment under an operating lease agreement that expires in May 2019.

At June 30, 2017, future lease payment under the lease is as follows:

Year ending June 30,	
2018	$ 2,560
2019	2,133

NOTE 8 – INTERFUND RECEIVABLES AND PAYABLES:

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

	INTERFUND RECEIVABLE	INTERFUND PAYABLE
General Fund	$ 29,000	$ 1,279
Nonmajor Funds	1,279	29,000
Total	$ 30,279	$ 30,279

NOTE 9 - DEFINED BENEFIT PLAN AND POSTEMPLOYMENT BENEFITS:

Plan Description - The Michigan Public School Employees' Retirement System (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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at http://michigan.gov/mpsers-cafr.

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 of the system.

Benefits Provided - Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

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

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. 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. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0%-4%. On January 1,1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1,1990, contributed at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1,1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0%-7.0%.

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

Pension Reform 2012 - On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund. Members who elected under option 1 to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP).

Regular Retirement (no reduction factor for age)

Eligibility - Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus (PPP) members, age 60 with 10 years of credited service.

Annual Amount - Total credited service as of the Transition Date times 1.5% of final average compensation.

Pension Plus

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 - Credited Service after the Transition Date times 1.5% times FAC.

Option 2 - Credited Service after the Transition Date (until total service reaches 30 years) times 1.5% times FAC, PLUS Credited Service after the Transition Date and over 30 years times 1.25% times FAC.

Option 3 - Credited Service after the Transition Date times 1.25% times FAC.

Option 4 - None (Member will receive benefit through a Defined Contribution plan). As a DC participant they receive a 4% employer contribution to a tax - deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the Transition Date.

Member Contributions

Depending on the plan selected, member contribution range from 0%-7%. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statue and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of September 30, 2016 valuation will be amortized over a 20-year period for fiscal 2016.

School District's contributions are determined based on employee election. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

October 1, 2015 - September 30, 2016	14.56% - 18.95%
October 1, 2016 - September 30, 2017	15.27% - 19.03%

The District's pension contributions for the year ended June 30, 2017 were equal to the required contribution total. Pension contributions were approximately $1,527,000, with $1,496,000 specifically for the Defined Benefit Plan. These amounts include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate. (72.88% for pension and 27.12% for OPEB)

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

Pension Liabilities

At June 30, 2017, the District reported a liability of $15,777,441 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2015 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2016 and 2015, the District's proportion was .06324 and .06119 percent.

MPSERS (Plan) Non-university employers:	September 30, 2016	September 30, 2015
Total Pension Liability	$ 67,917,445,078	$ 66,312,041,902
Plan Fiduciary Net Position	$ 42,968,263,308	$ 41,887,015,147
Net Pension Liability	$ 24,949,181,770	$ 24,425,026,755
Proportionate Share	0.06324%	0.06119%
Net Pension Liability for the District	$ 15,777,441	$ 14,946,568

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

For the year ended June 30, 2017, the District recognized pension expense of approximately $1,624,891. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate. These amounts have been recorded as a deferred outflow as of June 30, 2017.

At June 30, 2017, the 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
Changes of assumptions	$ 246,668	
Net difference between projected and actual plan investment earnings	262,221	
Differences between expected and actual experience	196,629	$ (37,393)
Changes in proportion and differences between employer contributions and proportionate share of contributions	431,319	(8,946)
Reporting Unit contributions subsequent to the measurement date	1,354,568	
Total	$ 2,491,405	$ (46,339)

$1,354,568 reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	Amount
2017	$ 245,350
2018	224,728
2019	495,335
2020	125,085

Actuarial Assumptions

Investment rate of return - 8.0% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus plan).

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation - 2.5%

Mortality assumptions - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2025 using projections scale BB for men and women were used.

Experience study **-** The annual actuarial valuation report of the System used for these statements is dated September 30, 2015. Assumption changes as a result of en experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

The long-term expected rate of return on pension plan investments - The rate was 8% (7% Pension Plus Plan) net of investment and administrative expenses was determined using a 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.9%
Alternate 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%	0.00%
Total	100.0%	

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

Discount rate - The discount rate used to measure the total pension liability was 8% (7% for Pension Plan Plus). The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent (7% for Pension Plus Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1% Decrease (6.0% - 7.0%)	Discount Rate (7.0% - 8.0%)	1% Increase (8.0% - 9.0%)
Reporting Unit's proportionate share of the net pension liability	$20,317,373	$15,777,441	$11,949,842

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2016 Comprehensive Annual Financial Report.

Payable to Pension Plan

At year end the School Distinct is current on all required pension plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

Other Information

Discount Rate - Assumed Rate of Return

On February 23, 2017, in accordance with PA 300 of 1980, as amended, the Michigan Public Schools Employees' Retirement System's Board approved a decrease in the assumed investment rate of return (discount rate) used in the System's annual actuarial valuation for the non-hybrid defined benefit pension plan from 8% to 7.5% effective for the fiscal year 2016 valuation and following.

The September 30, 2016 Annual Actuarial Valuation Report will be used to establish the employer contribution for fiscal year beginning October 1, 2018 and will be based upon the 7.5% investment rate of return assumption. The actuarial computer employer contributions and the net pension liability will increase as a result of lowering the assumed investment rate of return.

Pension Reform 2017

Senate Bill 401, amends the Public School Employees Retirement Act (PA 300 of 1980, as amended).

The bill closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new option revised hybrid plan with similar plan benefit calculations but contains a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The bill includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefit Provisions - Other Postemployment

Introduction

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

Employer Contributions

The employer contribution rate ranged from 5.52% - 6.45% of covered payroll for the period October 1, 2013 to September 30, 2014, 2.2% to 2.71% of covered payroll for the period from October 1, 2014 to September 30, 2015, from 6.4% to 6.83% of covered payroll for the period from October 1, 2015 through September 30, 2016, and 5.69% to 5.91% of covered payroll for the period from October 1, 2016 through September 30, 2017 dependent upon the employee's date of hire and plan election.

The District postemployment healthcare contributions to MPSERS for the year ended June 30, 2017, 2016, and 2015 were approximately $514,000, $542,000, and $556,000.

NOTE 10 - RISK MANAGEMENT:

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees' and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of $500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions.

NOTE 11 – TRANSFERS:

The general fund transferred $10,500 to the food service fund to subsidize operations. The community education fund transferred $13,393 to the general fund due to the closure of the day care program.

NOTE 12 – SUBSEQUENT EVENTS:

Subsequent to year end, the District has approved borrowing $1,500,000 for fiscal year 2018 to replace the notes payable as described in Note 5.

NOTE 13 – TAX ABATEMENTS:

Effective for the year ended June 30, 2017 the District is required to disclose significant tax abatements as a required by GASB statement 77 (Tax abatements).

The District receives reduced property tax revenues as a result of Industrial Facilities Tax Exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds by municipality under these programs are as follows:

Municipality	Taxes Abated
Millington Township	$ 2,467
Total	$ 2,467

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

NOTE 14 – UPCOMING ACCOUNTING PRONOUNCEMENT:

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

Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, was issued by the GASB in January 2017 and will be effective for the District's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

REQUIRED SUPPLEMENTARY INFORMATION

MILLINGTON COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Local sources				
Taxes	$ 691,943	$ 694,966	$ 693,088	$ (1,878)
Charges for services	121,300	108,647	109,208	561
Other	62,800	110,866	114,088	3,222
State sources	9,552,058	9,862,087	9,922,792	60,705
Federal sources	650,790	748,586	746,876	(1,710)
Other transactions:				
Transfers from other districts	98,651	190,997	197,582	6,585
TOTAL REVENUES	11,177,542	11,716,149	11,783,634	67,485
EXPENDITURES				
Instruction:				
Basic programs	5,389,124	5,438,628	5,431,292	7,336
Added needs	1,735,456	1,710,408	1,668,032	42,376
Total instruction	7,124,580	7,149,036	7,099,324	49,712
Supporting services:				
Pupil	411,062	416,363	514,325	(97,962)
Instructional Staff	137,225	163,974	164,979	(1,005)
General administration	339,724	325,086	318,473	6,613
School administration	770,124	694,835	599,871	94,964
Business services	197,642	209,736	208,287	1,449
Operations and maintenance	1,178,210	1,304,949	1,240,272	64,677
Pupil transportation	604,562	940,324	934,409	5,915
Central services	251,578	270,307	291,955	(21,648)
Athletic activities	228,340	241,177	233,350	7,827
Payments to other districts	-	2,161	2,161	-
Total supporting services	4,118,467	4,568,912	4,508,082	60,830
Community services	12,900	12,150	11,562	588
Debt service				
Redemption of term bonds	175,000	175,000	175,000	-
Interest on term bonds	33,320	33,320	33,251	69
Total debt service	208,320	208,320	208,251	69
TOTAL EXPENDITURES	11,464,267	11,938,418	11,827,219	111,199
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(286,725)	(222,269)	(43,585)	178,684
OTHER FINANCING SOURCES (USES):				
Sale of property	-	24,014	24,015	1
Proceeds from long term debt issuance	-	233,532	233,532	-
Fund transfers in	-	13,393	13,393	-
Fund transfers out	-	(20,000)	(10,500)	9,500
TOTAL OTHER FINANCING SOURCES (USES)	-	250,939	260,440	9,501
NET CHANGE IN FUND BALANCE	$ (286,725)	$ 28,670	216,855	$ 188,185
FUND BALANCE - BEGINNING OF YEAR			2,183,730	
FUND BALANCE - END OF YEAR			$ 2,400,585	

MILLINGTON COMMUNITY SCHOOLS

REQUIRED SUPPLEMENTARY 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)

	2016	2015	2014
Reporting unit's proportion of net pension liability (%)	0.06324%	0.06119%	0.06099%
Reporting unit's proportionate share of net pension liability	$ 15,777,441	$ 14,946,568	$ 13,432,933
Reporting unit's covered-employee payroll	$ 5,431,411	$ 5,126,449	$ 5,348,839
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	290.49%	291.56%	251.14%
Plan fiduciary net position as a percentage of total pension liability	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

MILLINGTON COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REPORTING UNIT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 6/30 OF EACH FISCAL YEAR END)

	2017	2016	2015
Statutorily required contributions	$ 1,495,505	$ 1,353,331	$ 1,122,980
Contributions in relation to statutorily required contributions	1,495,505	1,353,331	1,122,980
Contribution deficiency (excess)	$ -	$ -	$ -
Reporting unit's covered- employee payroll	$ 5,429,976	$ 5,234,836	$ 5,200,777
Contributions as a percentage of covered-employee payroll	27.54%	25.85%	21.59%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017

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

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

ADDITIONAL SUPPLEMENTARY INFORMATION

MILLINGTON COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2017

	SPECIAL REVENUE- FOOD SERVICE	SPECIAL REVENUE- COMMUNITY EDUCATION	DEBT SERVICE- ALL	SINKING FUND	TOTAL NONMAJOR FUNDS
ASSETS					
Cash and equivalents	$ 490	$ -	$ 23,614	$ 17,702	$ 41,806
Intergovernmental receivable	3,794	-	-	-	3,794
Due from other funds	-	-	-	1,279	1,279
Deposits receivable	42,000				42,000
TOTAL ASSETS	***$ 46,284***	***$ -***	***$ 23,614***	***$ 18,981***	***$ 88,879***
LIABILITIES AND FUND BALANCES					
Accounts payable	$ 8,327	$ -	$ -	$ -	$ 8,327
Due to other funds	29,000	-	-	-	29,000
Accrued retirement	4,546	-	-	-	4,546
TOTAL LIABILITIES	41,873	-	-	-	41,873
FUND BALANCES					
Fund balances:					
Restricted for:					
Food service	4,411				4,411
Debt service			23,614		23,614
Capital projects				18,981	18,981
TOTAL FUND BALANCES	4,411	-	23,614	18,981	47,006
TOTAL LIABILITIES AND FUND BALANCES	***$ 46,284***	***$ -***	***$ 23,614***	***$ 18,981***	***$ 88,879***

MILLINGTON COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN NONMAJOR FUND BALANCES
YEAR ENDED JUNE 30, 2017

	SPECIAL REVENUE- FOOD SERVICE	SPECIAL REVENUE- COMMUNITY EDUCATION	DEBT SERVICE- ALL	SINKING FUND	TOTAL NONMAJOR FUNDS
REVENUES					
Local sources					
Taxes			$686,248	$ 105,342	$ 791,590
Charges for services	$ 154,801	$ 7,670			162,471
Other			651	480	1,131
State sources	47,934	-	-	-	47,934
Federal sources	394,002	-	-	-	394,002
TOTAL REVENUES	596,737	7,670	686,899	105,822	1,397,128
EXPENDITURES					
Food services	609,932				609,932
Community services		7,889			7,889
Capital outlay				161,264	161,264
Debt service:					
Principal redemption	-	-	625,000	-	625,000
Interest and fiscal charges	-	-	59,650	-	59,650
TOTAL EXPENDITURES	609,932	7,889	684,650	161,264	1,463,735
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(13,195)	(219)	2,249	(55,442)	(66,607)
OTHER FINANCING SOURCES (USES)					
Transfers in	10,500	-	-	-	10,500
Transfers out		(13,393)			(13,393)
TOTAL OTHER FINANCING SURCES (USES)	10,500	(13,393)	-	-	(2,893)
NET CHANGES IN FUND BALANCES	(2,695)	(13,612)	2,249	(55,442)	(69,500)
FUND BALANCE - BEGINNING OF YEAR	7,106	13,612	21,365	74,423	116,506
FUND BALANCE - END OF YEAR	$ 4,411	$ -	$ 23,614	$ 18,981	$ 47,006

MILLINGTON COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT
2008 SCHOOL BUILDING AND SITE BONDS
JUNE 30, 2017

The School Building and Site Bonds were issued November 1, 2008 in the amount of $5,000,000 at interest rates from 4% to 4.75%.

DUE DATE	PRINCIPAL	RATES	INTEREST DUE	PAYMENT DUE
2018	$ 650,000	4.500	$ 30,875	$ 680,875
TOTAL	$ 650,000		$ 30,875	$ 680,875

MILLINGTON COMMUNITY SCHOOLS

SCHEDULE OF BONDED DEBT

2010 SCHOOL IMPROVEMENT BOND

JUNE 30, 2017

The 2010 School Improvement Bonds were issued on August 31, 2010 in the amount of $1,750,000 at an interest rate of 4.76%.

DUE DATE	PRINCIPAL	RATES	INTEREST DUE	PAYMENT DUE
2018	$ 175,000	4.760	$ 24,990	$ 199,990
2019	175,000	4.760	16,660	191,660
2020	175,000	4.760	8,330	183,330
TOTAL	$ 525,000		$ 49,980	$ 574,980

MILLINGTON COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (UNEARNED) REVENUE 7/1/2016	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2017
U.S. DEPARTMENT OF EDUCATION:								
Passed through Michigan Dept. of Education:								
Title I - part A	84.010	161530-1516	$ 262,489	$ 155,634	$ 155,634	$ 225,444	$ 69,810	$ -
Title I - part A		171530-1617	304,849	-			223,503	223,503
			567,338	155,634	155,634	225,444	293,313	223,503
Title IIA - Teacher Quality	84.367	160520-1516	88,687	33,654	33,654	48,867	15,213	-
Title IIA - Teacher Quality		170520-1617	112,758	-			16,122	16,122
			201,445	33,654	33,654	48,867	31,335	16,122
Title VI-, Part B, Subpart 2-Rural	84.358	170660-1617	25,370			25,370	25,370	-
Total Passed Through Michigan Dept. of Education			794,153	189,288	189,288	299,681	350,018	239,625
TRANSFERS FROM OTHER GOVERNMENTAL UNITS								
Tuscola Intermediate School District:								
IDEA Special Education	84.027a	160520	369,660	190,256	369,660	190,256		
		170520	396,858			244,034	396,858	152,824
Total IDEA Special Education			766,518	190,256	369,660	434,290	396,858	152,824
Total Passed Through Other Governmental Units			766,518	190,256	369,660	434,290	396,858	152,824

The accompanying notes are an integral part of this schedule.

(Continued)

MILLINGTON COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (UNEARNED) REVENUE 7/1/2016	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2017
Clusters:								
Child Nutrition Cluster - U.S. Department of Agriculture:								
Passed through Michigan Department of Education:								
Non-cash assistance (donated foods):								
National School Lunch Program - non bonus	10.555		$ 37,859	$ -	$ -	$ 37,859	$ 37,859	$ -
Cash assistance:								
National School Lunch Program	10.555	161960	28,187	-	-	28,187	28,187	-
National School Lunch Program		171960	216,976	-	-	216,976	216,976	-
Cash Assistance Subtotal			245,163	-	-	245,163	245,163	-
Total National School Lunch Program Subtotal			283,022	-	-	283,022	283,022	-
Cash assistance:								
School Breakfast Program	10.553	161970	11,641	-	-	11,641	11,641	-
School Breakfast Program		171970	99,339	-	-	99,339	99,339	-
Total National School Breakfast Program Subtotal			110,980	-	-	110,980	110,980	-
Total Child Nutrition Cluster - Department of Agriculture			394,002	-	-	394,002	394,002	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			394,002	-	-	394,002	394,002	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			$ 1,954,673	$ 379,544	$ 558,948	$ 1,127,973	$ 1,140,878	$ 392,449

The accompanying notes are an integral part of this schedule.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

1. Basis of Presentation - The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of Millington Community Schools’ under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Millington Community Schools, it is not intended to and does not present the financial position or changes in net position of Millington Community Schools.

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 principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) 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 indentifying numbers are presented where available. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Management has utilized the Cash Management System (CMS) and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

4. Federal expenditures are reported as revenue in the following funds in the financial statements:

General Fund	$746,876
Other nonmajor governmental funds	394,002
Total	$1,140,878

5. Subrecipients pass through amounts - The District does not pass through federal funds.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
Certified Public Accountants

Thomas B. Doran, CPA
Valerie J. Hartel, CPA
Jamie L. Peasley, CPA
…………………………
Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA

Terry L. Haske, CPA
Timothy D. Franzel
Laura J. Steffen, CPA
Angela M. Burnette, CPA
David A. Ondrajka, CPA
John M. Bungart, CPA

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
Millington Community Schools
Millington, MI 48746

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Millington Community Schools as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Millington Community School's basic financial statements and have issued our report thereon dated September 29, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Millington Community Schools' 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 Millington Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Millington Community Schools' 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 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 the 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.

715 East Frank Street • Caro, MI 48723
989-673-3137 fax: 989-673-3375
1-800-234-8829

2956 Main Street • Marlette, MI 48453
989-635-7545 fax: 989-635-7547

6476 Main Street, Suite 1 • Cass City, MI 48726
989-872-3730 fax: 989-872-3978

www.atbdcpa.com email us at cpa@atbdcpa.com

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Millington Community Schools' 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.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN

September 29, 2017

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
Certified Public Accountants

Thomas B. Doran, CPA
Valerie J. Hartel, CPA
Jamie L. Peasley, CPA
…………………………
Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA

Terry L. Haske, CPA
Timothy D. Franzel
Laura J. Steffen, CPA
Angela M. Burnette, CPA
David A. Ondrajka, CPA
John M. Bungart, CPA

**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
Millington Community Schools
Millington, MI 48746

Report on Compliance for Each Major Federal Program

We have audited Millington Community Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Millington Community School's major federal programs for the year ended June 30, 2017. Millington Community Schools' 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 the federal statutes, regulations, and the terms and conditions of its federal awards applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Millington Community Schools' 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* (CFR) 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 Millington Community Schools' 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 unmodified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of Millington Community Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Millington Community Schools 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, 2017.

715 East Frank Street • Caro, MI 48723
989-673-3137 fax: 989-673-3375
1-800-234-8829

2956 Main Street • Marlette, MI 48453
989-635-7545 fax: 989-635-7547

6476 Main Street, Suite 1 • Cass City, MI 48726
989-872-3730 fax: 989-872-3978

www.atbdcpa.com email us at cpa@atbdcpa.com

Report on Internal Control Over Compliance

Management of Millington Community Schools 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 Millington Community Schools' 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 our 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 Millington Community Schools' internal control over compliance.

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

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

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

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN

September 29, 2017

MILLINGTON COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's 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 auditor's report issued on compliance for major programs:	*Unmodified*	
Any audit findings that are required to be reported in accordance with Title 2 CFR 200.516(a)?	_______Yes	___X___No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027	IDEA Special Education

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

Section III – Federal Award Findings and Questioned Costs

None

MILLINGTON COMMUNITY SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

There were no audit findings in either of the prior two years.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
Certified Public Accountants

Thomas B. Doran, CPA
Valerie J. Hartel, CPA
Jamie L. Peasley, CPA
…………………………
Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA

Terry L. Haske, CPA
Timothy D. Franzel
Laura J. Steffen, CPA
Angela M. Burnette, CPA
David A. Ondrajka, CPA
John M. Bungart, CPA

To the Members of the Board
Millington Community Schools

We have audited the financial statements of ***Millington Community Schools*** for the year ended ***June 30, 2017*** and have issued our report thereon dated September 29, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered ***Millington Community Schools'*** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether ***Millington Community Schools'*** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also in accordance with the Uniform Guidance, we examined, on a test basis, evidence about ***Millington Community Schools'*** compliance with the types of compliance requirements described in the O*MB Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on ***Millington Community Schools'*** compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on ***Millington Community Schools'*** compliance with those requirements.

Planned Scope and Timing of the Audit
We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 7, 2017.

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 ***Millington Community Schools*** 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 2017. We noted no transactions entered into by ***Millington Community Schools*** during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

715 East Frank Street • Caro, MI 48723
989-673-3137 fax: 989-673-3375
1-800-234-8829

2956 Main Street • Marlette, MI 48453
989-635-7545 fax: 989-635-7547

6476 Main Street, Suite 1 • Cass City, MI 48726
989-872-3730 fax: 989-872-3978

www.atbdcpa.com email us at cpa@atbdcpa.com

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

Estimates have been used to calculate the net pension liability.

Estimates have been used in calculating the liability for employee compensated absences.

Management's determination of the estimated life span of the capital assets.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 29, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditors’ 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 ***Millington Community Schools’*** 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 & Analysis, Budgetary Comparison Schedules, and the Schedules of Reporting Unit's Contributions and Proportionate Share of the Net Pension Liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistent with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during the 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 the Additional Supplementary Information, which accompany the financial statements but are not RSI. With respect to this additional supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing this information to determine that the information complies with accounting principles general accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the additional supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Members of the Board and management of ***Millington Community Schools*** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants
Caro, Michigan

September 29, 2017