

**Montabella Community Schools
Edmore, Michigan**

FINANCIAL STATEMENTS

June 30, 2017

Montabella Community Schools

Edmore, Michigan

June 30, 2017

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Montabella Community Schools

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Montabella Community Schools
Edmore, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montabella Community Schools (the District), 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Change in Accounting Principles

As described in Note P to the financial statements, the District implemented GASB Statement No. 77, *Tax Abatement Disclosures*, during the year. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montabella Community Schools' basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's' internal control over financial reporting and compliance.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

September 11, 2017

Montabella Community Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

This section of the Montabella Community Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2017. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Montabella Community Schools financially as a whole. The **district-wide** financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The **fund** financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds, the General Fund, the Site and Facility Sinking Fund, with all other funds presented in one column as nonmajor funds. The remaining statements (the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position) present financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The structure of the financial statements is as follows:

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

Basic Financial Statements

District-wide Financial Statements *Fund Financial Statements*

Notes to Financial Statements

(Required Supplementary Information)
Budgetary Information for Major Funds

Other Supplementary Information

Reporting the School District as a Whole - District-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position - the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided, the condition of the district's assets and the safety of the schools, to assess the overall health of the School District.

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

Montabella Community Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliations.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds and private purpose trust funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2017 with comparative information as of June 30, 2016:

	Statement of Net Position	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Assets		
Current and other assets	\$ 4,154,042	\$ 4,939,539
Capital assets, net of accumulated depreciation	<u>10,782,987</u>	<u>11,059,896</u>
Total assets	14,937,029	15,999,435
Deferred Outflows of Resources	1,672,597	1,520,617
Liabilities		
Current liabilities	1,934,537	3,130,279
Noncurrent liabilities	<u>12,352,695</u>	<u>13,223,149</u>
Total liabilities	14,287,232	16,353,428
Deferred Inflows of Resources	330,731	255,880
Net Position		
Net investment in capital assets	7,892,878	7,226,397
Restricted	1,089,450	895,773
Unrestricted	<u>(6,963,165)</u>	<u>(7,174,926)</u>
	<u>\$ 2,019,163</u>	<u>\$ 947,244</u>

Montabella Community Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

The analysis in Table 1 focuses on the net position of the district. The effect on net position as a result of the fiscal year activities is reflected in Table 2.

The School District's net position was \$2,019,163 at June 30, 2017 and \$947,244 at June 30, 2016 (Table 1). Net position has increased by \$1,071,919 as a result of current year's operations.

At the end of the current fiscal year, the District reported a positive balance in net position. This means that if the District liquidated all of its assets as of June 30, 2017, it would be able to pay off all noncurrent liabilities.

By far the most significant portion of the District's net position is the negative unrestricted portion related to pensions. Net investment in capital assets, totaling \$7,892,878 compares the original cost, less depreciation, of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Capital assets also reflect investments in capital assets from operating funds. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. Restricted net position reflects the Debt Service fund balances less accrued interest on long-term debt as of June 30, 2017 in the amount of \$109,255 and the fund balance of the Site and Facilities Sinking Fund in the amount of \$980,195.

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities (Table 2), which shows the changes in net position for fiscal year 2017 and 2016.

	Fiscal Year Ended	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Program Revenue:		
Charges for Services	\$ 195,028	\$ 194,086
Operating Grants	1,890,175	1,864,047
General Revenue:		
Property Taxes	2,632,414	2,614,741
School State Aid - Unrestricted	4,600,904	4,599,837
Sale of asset	24,855	79,372
Other	<u>57,973</u>	<u>186,900</u>
 Total Revenue	 9,401,349	 9,538,983
 Functions/Program Expenses		
Instruction	4,263,289	4,382,565
Support Services	2,716,262	2,666,137
Food Services	516,720	459,535
Payments to Other Districts	22,360	-
Interest and Costs on Long-term Debt	204,931	267,829
Unallocated Depreciation	<u>605,868</u>	<u>620,518</u>
 Total Expenses	 <u>8,329,430</u>	 <u>8,396,584</u>
 Change in Net Position	 <u>\$ 1,071,919</u>	 <u>\$ 1,142,399</u>

As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was \$8,329,430. Certain activities were partially funded from those who benefited from the programs (\$195,028 charges for services) or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions \$1,890,175). We paid for the remaining "public benefit" portion of our governmental activities with \$2,632,414 in taxes (for General & Debt Service funds) and \$4,600,904 in State foundation allowance.

Montabella Community Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$3,280,485, which is an increase of \$451,040 from last year.

In the General Fund, our principal operating fund, the fund balance increased from \$1,750,243 to \$2,023,257. General Fund balance is available to fund costs related to allowable school operating purposes. Montabella Community Schools uses its Fund Balance to "smooth" unexpected changes in revenues and/or expenditures.

Capital Projects Funds fund balances increased \$161,087 as the Site and Facility Sinking Fund accumulates resources for future capital improvement projects.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements.

General Fund Expenditures:

The District's budget for expenditures and other financing uses changed as follows during the year:

		<u>Percent</u>
Total Expenditures and Other Financing Uses Original Budget	\$ 7,581,539	100.0%
Total Expenditures and Other Financing Uses Final Budget	<u>7,589,047</u>	<u>100.1%</u>
Increase in Budget Expenditures	<u>\$ 7,508</u>	<u>0.1%</u>

The District's final budget exceeded actual expenditures by \$149,911 or 2.0%. The final actual expenditures were lower than the final budget due to a decrease in personnel costs.

Montabella Community Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Revenue Change and Other Financing Sources from Original to Final Budget:

		Percent
Total Revenues and Other Financing Sources Original Budget	\$ 7,434,286	100.0%
Total Revenues and Other Financing Sources Final Budget	7,677,726	103.3%
Increase in Budget Revenues	\$ 243,440	3.3%

The District's final actual general fund revenues differed from the final budget by 33,423, a variance of 0.44% from the final budget. The final actual revenues were higher than the final budget due to an increase in Federal grants and reimbursements.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2017, the School District had \$20,811,614 invested in a broad range of capital assets, including buildings and improvements, vehicles, and equipment. This amount represents a net decrease (including additions and disposals) of \$645,595 from last year. See Note C to the financial statements for more information related to capital assets.

	2017	2016
Vehicles	\$ 1,198,180	\$ 1,131,201
Buildings and improvements	17,481,040	18,228,665
Equipment	2,132,394	2,097,343
Total historical cost	\$ 20,811,614	\$ 21,457,209

This year's additions of \$392,556 included various building improvements and purchase of equipment.

Debt

At the end of this year, the School District had \$3,279,452 in bonds and other obligations outstanding versus \$4,255,009 in the previous year. Those obligations consisted of the following:

	2017	2016
General Obligation Bonds	\$ 3,205,000	\$ 4,190,000
Severance pay	74,452	65,009
Total	\$ 3,279,452	\$ 4,255,009

See Note D to the financial statements for more information related to long-term debt.

Montabella Community Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the School District's 2017/2018 fiscal year budgets. One of the most important factors affecting the budget is our student count. Another is the State foundation revenue which is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2018 fiscal year will consist of 90% student count in October 2017 and 10% student count in February 2017. The 2017/2018 budget was adopted in June 2017, based on an estimated student enrollment of 755. Approximately 75% of total budgeted General Fund revenue is derived from the foundation allowance, including property taxes. Under State law, the School District cannot generate additional property tax revenue for general operations. As a result, District funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, State law requires the District to amend the budget, if actual District resources are not sufficient to fund original appropriations.

Since the District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues.

Contacting the District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Montabella Community Schools central office which is located at 302 West Main Street, Edmore, Michigan.

BASIC FINANCIAL STATEMENTS

Montabella Community Schools
STATEMENT OF NET POSITION
June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 2,786,769
Accounts receivable	3,382
Current portion of contract receivable	9,000
Due from other governmental units	1,269,773
Prepays	73,473
Inventories	<u>11,645</u>
Total current assets	4,154,042
Noncurrent assets	
Noncurrent portion of contract receivable	27,500
Capital assets, net of accumulated depreciation	<u>10,782,987</u>
Total noncurrent assets	<u>10,810,487</u>
TOTAL ASSETS	14,964,529
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	314,891
Deferred outflows of resources related to pensions	<u>1,357,706</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,672,597
LIABILITIES	
Current liabilities	
Accounts payable	43,750
Accrued payroll	406,539
Accrued interest payable	21,367
Other accrued liabilities	137,653
Due to other governmental units	194,469
Unearned revenue	82,146
Current portion of compensated absences	18,613
Current portion of long-term debt	<u>1,030,000</u>
Total current liabilities	1,934,537
Noncurrent liabilities	
Noncurrent portion of compensated absences	55,839
Noncurrent portion of long-term debt	2,175,000
Net pension liability	<u>10,121,856</u>
Total noncurrent liabilities	<u>12,352,695</u>
TOTAL LIABILITIES	14,287,232
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>330,731</u>
NET POSITION	
Net investment in capital assets	7,892,878
Restricted for debt service	109,255
Restricted for capital projects	980,195
Unrestricted	<u>(6,963,165)</u>
TOTAL NET POSITION	<u>\$ 2,019,163</u>

See accompanying notes to financial statements.

Montabella Community Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 4,263,289	\$ 8,703	\$ 1,087,551	\$ (3,167,035)
Supporting services	2,716,262	57,622	407,921	(2,250,719)
Food service	516,720	128,703	394,703	6,686
Payments to other districts	22,360	-	-	(22,360)
Interest and costs on long-term debt	204,931	-	-	(204,931)
Unallocated depreciation	605,868	-	-	(605,868)
TOTAL	\$ 8,329,430	\$ 195,028	\$ 1,890,175	(6,244,227)
General Revenues				
Property taxes				2,632,414
State school aid - unrestricted				4,600,904
Investment earnings				6,915
Sale of asset				24,855
Miscellaneous				51,058
TOTAL GENERAL REVENUES				7,316,146
CHANGE IN NET POSITION				1,071,919
Net position, beginning of year				947,244
Net position, end of year				\$ 2,019,163

See accompanying notes to financial statements.

Montabella Community Schools

Governmental Funds

BALANCE SHEET

June 30, 2017

	<u>General</u>	<u>Site and Facility Sinking</u>
ASSETS		
Cash	\$ 1,585,408	\$ 980,190
Accounts receivable	948	-
Contract receivable	36,500	-
Due from other governmental units	1,209,943	-
Due from other funds	2,229	5
Prepays	73,473	-
Inventories	-	-
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 2,908,501</u>	<u>\$ 980,195</u>
LIABILITIES		
Accounts payable	\$ 27,937	\$ -
Accrued payroll	406,539	-
Other accrued liabilities	137,653	-
Due to other governmental units	194,469	-
Due to other funds	-	-
Unearned revenue	82,146	-
	<u> </u>	<u> </u>
TOTAL LIABILITIES	848,744	-0-
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	36,500	-
FUND BALANCES		
Nonspendable		
Prepays	73,473	-
Restricted		
Food and nutrition	-	-
Debt service	-	-
Capital projects	-	980,195
Assigned		
Subsequent year's expenditures	273,857	-
Unassigned	1,675,927	-
	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>2,023,257</u>	<u>980,195</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 2,908,501</u>	<u>\$ 980,195</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total
\$ 221,171	\$ 2,786,769
2,434	3,382
-	36,500
59,830	1,269,773
16	2,250
-	73,473
11,645	11,645
<u>\$ 295,096</u>	<u>\$ 4,183,792</u>
\$ 15,813	\$ 43,750
-	406,539
-	137,653
-	194,469
2,250	2,250
-	82,146
<u>18,063</u>	<u>866,807</u>
-	36,500
-	73,473
146,411	146,411
130,622	130,622
-	980,195
-	273,857
-	1,675,927
<u>277,033</u>	<u>3,280,485</u>
<u>\$ 295,096</u>	<u>\$ 4,183,792</u>

Montabella Community Schools

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

June 30, 2017

Total fund balance - governmental funds **\$ 3,280,485**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 20,811,614	
Accumulated depreciation is	<u>(10,028,627)</u>	
Capital assets, net		10,782,987

Long-term receivables are not available to pay for current period expenditures and, therefore, are considered unavailable in the funds. These consist of:

Unavailable revenue		36,500
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Governmental funds report the difference between the carrying amount of the defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of net position. These amounts consist of:

Deferred charges on refunding		314,891
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Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	1,357,706	
Deferred inflows of resources related to pensions	<u>(330,731)</u>	
		1,026,975

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	(3,205,000)	
Accrued interest payable	(21,367)	
Compensated absences	(74,452)	
Net pension liability	<u>(10,121,856)</u>	
		<u>(13,422,675)</u>

Net position of governmental activities **\$ 2,019,163**

Montabella Community Schools

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2017

	General	Site and Facility Sinking	Nonmajor Governmental Funds	Total
REVENUES				
Local sources	\$ 1,347,897	\$ 328,428	\$ 1,309,842	\$ 2,986,167
State sources	5,794,465	-	22,782	5,817,247
Federal sources	464,196	-	371,921	836,117
TOTAL REVENUES	7,606,558	328,428	1,704,545	9,639,531
EXPENDITURES				
Current				
Instruction	4,384,769	-	-	4,384,769
Supporting services	3,032,007	-	-	3,032,007
Food service	-	-	516,720	516,720
Debt service				
Principal retirement	-	-	985,000	985,000
Interest, fiscal, and other charges	-	-	169,886	169,886
Capital outlay	-	167,341	-	167,341
TOTAL EXPENDITURES	7,416,776	167,341	1,671,606	9,255,723
EXCESS OF REVENUES OVER EXPENDITURES	189,782	161,087	32,939	383,808
OTHER FINANCING SOURCES (USES)				
Other transactions	89,592	-	-	89,592
Transfers in	16,000	-	-	16,000
Transfers out	-	-	(16,000)	(16,000)
Payments to other districts	(22,360)	-	-	(22,360)
TOTAL OTHER FINANCING SOURCES (USES)	83,232	-0-	(16,000)	67,232
NET CHANGE IN FUND BALANCES	273,014	161,087	16,939	451,040
Fund balances, beginning of year	1,750,243	819,108	260,094	2,829,445
Fund balances, end of year	<u>\$ 2,023,257</u>	<u>\$ 980,195</u>	<u>\$ 277,033</u>	<u>\$ 3,280,485</u>

See accompanying notes to financial statements.

Montabella Community Schools

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

Year Ended June 30, 2017

Net change in fund balances - total governmental funds \$ 451,040

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 392,556	
Disposal of capital assets	(63,597)	
Depreciation expense	<u>(605,868)</u>	
Excess of depreciation expense and disposal of assets over capital outlay		(276,909)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(Decrease) in unavailable revenue		(9,000)
-----------------------------------	--	---------

Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of the difference between the carrying amount of defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the current year, these amounts consist of:

Deferred charges - net current year amortization	(41,610)	
Bond and note principal retirement	<u>985,000</u>	
		943,390

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	6,565	
(Increase) in compensated absences	(9,443)	
Increase in deferred outflows of resources related to pensions	193,590	
(Increase) in deferred inflows of resources related to pensions	(74,851)	
(Increase) in net pension liability	<u>(152,463)</u>	
		<u>(36,602)</u>

Change in net position of governmental activities \$ 1,071,919

Montabella Community Schools

Fiduciary Funds

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash	\$ 15,947	\$ 167,686
LIABILITIES		
Due to individuals		
Junior/Senior High School	\$ -	\$ 140,328
Elementary	-	25,860
Accounts payable	-	1,498
TOTAL LIABILITIES	-0-	\$ 167,686
NET POSITION		
Held in trust for private purposes	\$ 15,947	

Montabella Community Schools

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2017

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Investment earnings	
Interest	\$ 79
DEDUCTIONS	
Scholarships and other adjustments	<u>17,750</u>
CHANGE IN NET POSITION	(17,671)
Net position - beginning of year	<u>33,618</u>
Net position - end of year	<u><u>\$ 15,947</u></u>

See accompanying notes to financial statements.

Montabella Community Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of Montabella Community Schools (primary government). The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements of the District contain all the funds controlled by the District.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the district-wide financial statements) present information for the District as a whole. All non-fiduciary activities of the District are included (i.e., fiduciary fund activities are not included in the district-wide financial statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Separate financial statements are provided for governmental funds and fiduciary funds even though the latter is excluded from the district-wide financial statements.

The governmental fund financial statements present the District's individual major funds and aggregated nonmajor funds. Separate columns are shown for the major funds on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column. The fiduciary funds are reported by type.

The District presents the following major governmental funds:

- a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District.
- b. Site and Facility Sinking Fund - The Site and Facility Sinking Fund is used to account for the financial resources related to the District's sinking fund millage.

Montabella Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The District also reports fiduciary funds to account for assets held by the District as an agent for other organizations, student groups, or individuals. Agency funds are, by nature, custodial; therefore, operating results are not measured.

3. Measurement Focus

The district-wide and fiduciary private purpose trust fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty (60) days of the end of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

If/when both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports unearned or unavailable revenue on its governmental funds balance sheet, when applicable. Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty (60) days of year-end. Unearned revenues arise when the District receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the unearned or unavailable revenue is removed from the balance sheet and revenue is recognized.

Montabella Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General and Special Revenue funds. All unexpended appropriations lapse at fiscal year-end.

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

- a. 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 for financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). 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 not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.
- d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level by more than \$1,500 must be approved by the School Board.
- e. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
- f. The budgets, as presented, have been amended in a legally permissible manner. Supplemental appropriations were made during the year with the last one being approved June 19, 2017.

6. Cash

Cash consists of checking, savings and money market accounts.

7. Short-term Interfund Receivables/Payables

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

8. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The total amount of \$1,269,773 due from other governmental units consists of \$1,028,496 and \$241,277 related to State Aid and grant and local programs, respectively.

9. Inventories

Inventories are stated at cost on a first in/first out basis. The Food Service Fund inventory consists of food and paper goods. Inventory amounts for consumable inventory are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of fund balance. Inventory that will be sold, rather than used in providing services (i.e., food in the Food Service Fund), and for which the proceeds from the sales are restricted for food service activities are not classified as "nonspendable" but instead are reflected as a component of restricted fund balance in accordance with GASB Statement No. 54.

Montabella Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Prepays

Prepays consist of certain insurance premiums and other expenditures representing costs applicable to future periods. Reported prepaid expenditures are equally offset by nonspendable fund balance, which indicates they do not constitute "available spendable resources" even though they are a component of fund balance.

11. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost greater than \$5,000 and an estimated useful life of more than one year, except for new computers, printers, data projectors and televisions (which have no cost threshold) and all new classrooms (recorded at total content cost). Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	20 - 50 years
Equipment	5 - 20 years
Vehicles	8 years

12. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated vested severance amounts and nonvested severance amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a long-term liability in the district-wide financial statements.

13. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The District has several items that qualify for reporting in these categories and are reported in the district-wide financial statement of net position. These items relate to the District's net pension liability and are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, changes in proportion and differences between employer contributions and proportionate share of contributions, contributions made subsequent to the measurement date, and State Aid related to pensions. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply. The District also reports deferred charges on refunding which result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Montabella Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Unearned Revenues

The unexpended balance of various federal and/or state categorical and local grants is carried forward as unearned revenue until the period in which eligible expenditures are incurred. Other monies collected in advance are also presented as unearned. These same amounts have been shown as "unearned revenue" on the Statement of Net Position and the Balance Sheet, when applicable, to indicate that the revenue has not been recognized because it has not been earned.

15. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the district-wide financial statements and is due within one year.

16. Long-Term Obligations

Long-term debt is recognized as a liability in the district-wide financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

17. Net Pension Liability

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

18. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current revenue (collected as of year-end). Amounts received subsequent to June 30 are recognized as revenue when collected.

The District levies taxes of \$18.0000 per \$1,000 of taxable valuation on most nonprimary residence exempt property and \$6.0000 per \$1,000 of taxable value on commercial personal property for general governmental services. The District also levies \$5.4200 for debt service and \$1.5000 for a building and site sinking fund per \$1,000 of taxable valuation on the total applicable taxable valuation of all property within the District. Total 2016 taxable value of the District, which was used as a basis of the tax revenue, was \$213,492,363.

Montabella Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

19. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995, the State utilized a district power equalizing approach. 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 year ended June 30, 2017, the foundation allowance was based on the average of pupil membership counts taken in February 2016 and September 2016. The average calculation was weighted 90% for the September 2016 count and 10% for the February 2016 count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the year and two (2) payments made subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

20. State Categorical Revenue

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. Categorical funds received which are not expended by the close of the fiscal year are reported as unearned revenue.

21. Interfund Transactions

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are recorded when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers on the governmental fund financial statements. Transfers are netted as part of the reconciliation to the district-wide financial statements.

22. Federal Programs

Federal programs are accounted for in the General Fund and specific Special Revenue Funds. The District has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

23. Comparative Data

Comparative data for the prior year has not been presented in the financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.

Montabella Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE B: CASH - CONTINUED

2. Certificates of deposit issued by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this state.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or federal agency obligation repurchase agreements.
6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the School District.

Deposits

There is a custodial credit risk as it relates to 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, the carrying amount of the District's deposits was \$2,970,402 and the bank balance was \$2,985,572 of which \$478,826 was covered by federal depository insurance. The balance of \$2,506,746 was uninsured and uncollateralized.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2017, the District did not have any accounts that were subject to rating.

Interest Rate Risk

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.

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.

Montabella Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE B: CASH - CONTINUED

Custodial Credit Risk

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 authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with Board approved policy.

As of June 30, 2017, the cash referred to above has been reported in the cash captions in the basic financial statements as follows:

	Governmental Activities	Fiduciary Funds	Total
Cash	\$ 2,786,769	\$ 183,633	\$ 2,970,402

Due to significantly higher cash flow at certain periods during the year, the amount the District held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash, was substantially higher at these peak periods than at year-end.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets being depreciated				
Vehicles	\$ 1,131,201	\$ 217,730	\$ (150,751)	\$ 1,198,180
Buildings and improvements	18,228,665	139,775	(887,400)	17,481,040
Equipment	2,097,343	35,051	-	2,132,394
Subtotal	21,457,209	392,556	(1,038,151)	20,811,614
Less accumulated depreciation for:				
Vehicles	(654,995)	(114,430)	114,244	(655,181)
Buildings and improvements	(7,851,397)	(440,479)	860,310	(7,431,566)
Equipment	(1,890,921)	(50,959)	-	(1,941,880)
Subtotal	(10,397,313)	(605,868)	974,554	(10,028,627)
Capital assets, net	\$ 11,059,896	\$ (213,312)	\$ (63,597)	\$ 10,782,987

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

Montabella Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE D: LONG-TERM DEBT

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2017.

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Amounts Due Within One Year
2010 School Building and Site	\$ 1,145,000	\$ -	\$ (220,000)	\$ 925,000	\$ 265,000
2015 Refunding Bonds	3,045,000	-	(765,000)	2,280,000	765,000
Severance payable	65,009	20,167	(10,724)	74,452	18,613
	<u>\$ 4,255,009</u>	<u>\$ 20,167</u>	<u>\$ (995,724)</u>	<u>\$ 3,279,452</u>	<u>\$ 1,048,613</u>

Significant details regarding outstanding long-term debt (including current portions) are presented below:

General Obligation Bonds

\$1,550,000 2010 Building and Site Bonds dated June 2, 2010, due in annual installments ranging from \$265,000 to \$350,000 through May 1, 2020, with an interest rate of 4.00 percent, payable semi-annually.	\$ 925,000
\$3,820,000 2015 Refunding Bonds dated March 17, 2015, due in annual installments ranging from \$755,000 to \$765,000 through May 1, 2020, with an interest rate of 4.00 percent, payable semi-annually.	<u>2,280,000</u>
	<u>\$ 3,205,000</u>

Advance Refunding - Prior

On July 14, 2005 the District defeased the portion of the 1999 School Building and Site Bonds, which are due and payable May 1, 2011 through May 1, 2020. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2005 Refunding Bonds in the amount of \$7,895,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2017, bonds due and payable May 1, 2017 through May 1, 2020 for the 1999 School Building and Site Bonds in the amount of \$2,470,000 are considered defeased.

On March 17, 2015 the District defeased the portion of the 2005 Refunding Bonds, which are due and payable May 1, 2016 through May 1, 2020. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued 2015 Refunding Bonds in the amount of \$3,820,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2017, bonds due and payable May 1, 2017 through May 1, 2020 for the 2005 Refunding Bonds in the amount of \$2,415,000 are considered defeased.

Severance Payable

In recognition of services to the District, a severance payment will be made upon termination to eligible employees according to their respective employment contracts or past District practice as follows:

Administrative Staff - Employees with at least twelve (12) years of service will be paid up to seventy-five (75) days of accumulated sick days at a rate of \$20 per day.

Montabella Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE D: LONG-TERM DEBT - CONTINUED

Severance Payable - continued

Teachers - Employees with at least twelve (12) years of service will be paid up to eighty-five (85) days of accumulated sick days at a rate of \$30 per day.

Support Staff - Employees with at least ten (10) years of service will be paid up to fifty (50) days of accumulated sick days at a rate of \$15 per day.

Under GASB Statement No. 16 requirements, the District has elected to implement the “vesting” method of calculating the compensated absences liability. The amounts accumulated for all employees currently vested are calculated along with an amount for other employees who currently are not vested but are probable to vest in future years. The amounts for employees who currently are not vested are calculated taking total unused sick amounts at June 30, 2017, for all non-vested employees and multiplying it by a historical termination percentage.

This percentage is based on an estimate of the percentage of employees who have terminated employment fully vested in the past five (5) years.

A summary of the calculated amounts of severance payable and related payroll taxes as of June 30, 2017, which has been recorded in the district-wide financial statements, is as follows:

	Vested Employees	Non-vested Employees	Total
Severance payable	\$ 60,735	\$ 8,426	\$ 69,161
Payroll taxes	4,646	645	5,291
	\$ 65,381	\$ 9,071	\$ 74,452

The annual requirements to pay the debt principal and interest outstanding for the long-term debt are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2018	\$ 1,030,000	\$ 128,200
2019	1,070,000	87,000
2020	1,105,000	44,200
	\$ 3,205,000	\$ 259,400

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2017, are as follows:

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

Montabella Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE E: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

Due to General Fund from:	
Nonmajor governmental funds	<u>\$ 2,229</u>
Due to nonmajor governmental funds from:	
Nonmajor governmental funds	<u>\$ 16</u>
Due to Site and Facility Sinking Fund	
Nonmajor governmental funds	<u>\$ 5</u>

NOTE F: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to General Fund from:	
Nonmajor governmental funds	<u>\$ 16,000</u>

The transfer from the nonmajor governmental funds to the General Fund was to fund general operations.

NOTE G: EMPLOYEE RETIREMENT SYSTEM

PLAN DESCRIPTION

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

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

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

BENEFITS PROVIDED

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

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

Montabella Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

CONTRIBUTIONS AND FUNDED STATUS

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

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

The schedule below summarizes pension contribution rates in effect for fiscal year 2016.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0 %	18.95 %
Member Investment Plan	3.0 - 7.0	18.95
Pension Plus	3.0 - 6.4	17.73
Defined Contribution	0.0	14.56

Required contributions to the pension plan from the District were \$911,018 for the year ended September 30, 2017.

NET PENSION LIABILITY - NON-UNIVERSITY

Measurement of the MPSERS Net Pension Liability

The plan's net pension liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

MPSERS (Plan) Net Pension Liability - Non-University
As of September 30, 2016

Total Pension Liability	\$ 67,917,445,078
Plan Fiduciary Net Position	42,968,263,308
Net Pension Liability	\$ 24,949,181,770
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.27%
Net Pension Liability as a percentage of Covered-Employee Payroll	295.81%

Montabella Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

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

At June 30, 2017, the District reported a liability of \$10,121,856 for its proportionate share of the MPSERS 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 rolled forward from September 2015. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2016, the District's proportion was 0.04056890 percent, which was a decrease of 0.00024740 percent from its proportion measured as of September 30, 2015.

For the year ended June 30, 2017, the District recognized total pension expense of \$991,347. 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
Differences between expected and actual experience	\$ 126,145	\$ 23,989
Changes of assumptions	158,247	-
Net difference between projected and actual earnings on pension plan investments	168,225	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	110,873	51,565
State Aid related to pensions	-	255,177
District's contributions subsequent to the measurement date	794,216	-
Total	\$ 1,357,706	\$ 330,731

\$794,216 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. \$255,177 reported as deferred inflows of resources under the caption "State Aid related to pensions" will be recognized as an increase to State Aid revenue during the year ending June 30, 2018. Other amounts 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	\$ 106,317
2018	93,092
2019	258,486
2020	30,041

Montabella Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return	
- MIP and Basic Plans (Non-Hybrid):	8.0%
- Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For Retirees, 100% of the table rates were used. For active members 80% of the table rates were used for males and 70% of the tables were used for females. This assumption was first used for the September 30, 2014, valuation of the System.

Montabella Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016, are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0%	5.9%
% Alternative Investment Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	0.9%
Real Estate & Infrastructure Pools	10.0%	4.3%
Absolute Return Pools	15.5%	6.0%
Short Term Investment Pools	<u>2.0%</u>	0.0%
Total	<u>100%</u>	

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

Discount Rate

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

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

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

	<u>1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%</u>	<u>Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%</u>	<u>1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%</u>
District's proportionate share of the net pension liability	\$ 13,034,402	\$ 10,121,856	\$ 7,666,299

Montabella Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

Defined Contribution Plan

Benefit provisions of MPSERS also requires the District to contribute to a defined contribution tax-deferred investment account for all eligible employees. The District is required to match 50% of an employee's contributions up to 1% of an employee's salary. The retirement benefits are determined by the final average compensation and years of service with disability and survivor benefits available to members. The District contribution for the year ended June 30, 2017, was \$8,595.

NOTE H: OTHER POST-EMPLOYMENT 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/orsschools/0,1607,7-206-36585---,00.html>.

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10.0 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate.

Contribution rates for the year ended June 30, 2017, are as follows:

	Health Contribution Rate	
	Basic/MIP	Pension Plus
July 1, 2016 - September 30, 2016	6.40 - 6.83%	6.40 - 6.83%
October 1, 2016 - June 30, 2017	5.69 - 5.91%	5.69 - 5.91%

The District's required and actual contributions to the various plans for the last three (3) fiscal years are as follows:

Fiscal Year Ending June 30,	Defined Benefit Plan	Defined Contribution Plan	
	Employer Health Contributions	Employer Contributions	Employee Contributions
2017	\$ 211,353	\$ 13,611	\$ 13,611
2016	198,259	12,190	12,190
2015	117,050	7,813	7,813

Montabella Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE I: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for data breach, property, fleet, liability, in-land marine, crime, employee dishonesty, boiler and machinery, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insurer Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

NOTE J: SINKING FUNDS

The Capital Projects Funds of the District include the capital project activities funded by the local millage for a bond sinking fund and the Athletic Facility Capital Projects Fund. For the expenditures recorded within the Site and Facilities Sinking Fund the District has complied with the applicable provisions of Section 1212 (1) of the Revised School Code. For the expenditures recorded within the Athletic Facility Capital Projects Fund the District has complied with the applicable provisions of Section 1351 (1) of the Revised School Code.

NOTE K: FLEXIBLE BENEFITS PLAN

In October 1996, the District approved by Board action to implement a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Code. The Plan, available to all employees, permits them to receive cash in lieu of medical benefits. The Plan, effective October 1, 1997, provides employees with the opportunity to choose among benefits consisting of cash or health benefits.

The Plan is administered by Montabella Community Schools.

NOTE L: SUBSEQUENT EVENTS

In July 2017, the District upgraded to energy efficient lighting systems for the elementary, junior and high schools. The energy efficient lighting system was installed for a total of \$102,177.

NOTE M: CONTRACTUAL COMMITMENTS

At June 30, 2017, the District has one contractual commitment, totaling \$164,962. The contractual commitment was for the purchase of two school busses.

NOTE N: CONTINGENT LIABILITIES

The District participates in a number of Federal and State assisted grant programs that are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the programs have not yet been completed or final resolution has not been received. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Montabella Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE O: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) fund balance classifications under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, District's highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the Board of Education. Committed fund balances do not lapse at year end.

For assigned fund balance, the Board of Education is authorized to assign amounts to a specific purpose. The authorization policy is a full vote and approval by the Board of Education.

For the classification of fund balances, the District considers restricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the District considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE P: CHANGES IN ACCOUNTING PRINCIPLES

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present.

Montabella Community Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE Q: UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The District is currently evaluating the impact this standard will have on the financial statement when adopted during the District's 2017-2018 fiscal year.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017-2018 fiscal year.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities for all state and local governments, focusing on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries for whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The District is current evaluating the impact this standard will have on the financial statements when adopted during the 2018-2019 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Montabella Community Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2017

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 1,334,743	\$ 1,336,047	\$ 1,347,897	\$ 11,850
State sources	5,666,693	5,752,912	5,794,465	41,553
Federal sources	410,850	484,176	464,196	(19,980)
TOTAL REVENUES	7,412,286	7,573,135	7,606,558	33,423
EXPENDITURES				
Current				
Instruction				
Basic programs				
Preschool	154,429	231,588	231,120	468
Elementary	1,613,335	1,556,123	1,536,862	19,261
Middle school	489,336	409,579	402,603	6,976
High school	1,172,081	1,191,442	1,182,068	9,374
Summer school	2,868	3,110	3,794	(684)
Total basic programs	3,432,049	3,391,842	3,356,447	35,395
Added needs				
Special education	635,988	650,688	627,335	23,353
At risk	419,677	425,602	400,887	24,715
Total added needs	1,055,665	1,076,290	1,028,322	47,968
Total instruction	4,487,714	4,468,132	4,384,769	83,363
Supporting services				
Pupil	402,423	381,455	374,432	7,023
Instructional staff	329,296	336,455	327,102	9,353
General administration	251,454	243,782	252,216	(8,434)
School administration	401,805	395,378	390,368	5,010
Business services	149,095	125,542	113,825	11,717
Central services	86,900	115,125	102,047	13,078
Pupil transportation	620,273	616,135	609,497	6,638
Operation and maintenance	628,491	684,319	658,719	25,600
Athletics	201,088	200,364	203,801	(3,437)
Total supporting services	3,070,825	3,098,555	3,032,007	66,548
TOTAL EXPENDITURES	7,558,539	7,566,687	7,416,776	149,911
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(146,253)	6,448	189,782	183,334

Montabella Community Schools

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2017

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Other transactions	\$ -	\$ 89,591	\$ 89,592	\$ 1
Transfers in	22,000	15,000	16,000	1,000
Payments to other districts	(23,000)	(22,360)	(22,360)	-0-
TOTAL OTHER FINANCING SOURCES (USES)	(1,000)	82,231	83,232	1,001
NET CHANGE IN FUND BALANCE	(147,253)	88,679	273,014	184,335
Fund balance, beginning of year	1,750,243	1,750,243	1,750,243	-0-
Fund balance, end of year	<u>\$ 1,602,990</u>	<u>\$ 1,838,922</u>	<u>\$ 2,023,257</u>	<u>\$ 184,335</u>

Montabella Community Schools

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Michigan Public School Employee Retirement Plan

Last Three Measurement Dates (ultimately ten years will be displayed)
 (Amounts were determined as of 9/30 of each fiscal year)

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Montabella Community Schools' proportion of net pension liability (%)	0.04011%	0.04082%	0.04057%
Montabella Community Schools' proportionate share of net pension liability	\$ 8,833,751	\$ 9,969,392	\$ 10,121,856
Montabella Community Schools' covered-employee payroll	3,256,555	3,370,415	3,208,392
Montabella Community Schools' proportionate share of net pension liability as a percentage of its covered-employee payroll	271.26%	295.79%	315.48%
Plan fiduciary net position as a percentage of total pension liability	66.20%	63.17%	63.27%

Montabella Community Schools

SCHEDULE OF CONTRIBUTIONS

Michigan Public School Employee Retirement Plan

Last Three Fiscal Years (ultimately ten fiscal years will be displayed)
 (Amounts were determined as of 6/30 of each fiscal year)

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorily required contributions	\$ 743,352	\$ 890,322	\$ 942,795
Contributions in relation to statutorily required contributions	<u>743,352</u>	<u>890,322</u>	<u>942,795</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Montabella Community Schools' covered-employee payroll	\$ 3,378,733	\$ 3,358,407	\$ 3,341,304
Contributions as a percentage of covered-employee payroll	22.00%	26.51%	28.22%

Montabella Community Schools

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2017

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local government unit not incur expenditures in excess of the amounts appropriated.

The District's budgeted expenditures have been adopted and shown at the functional classification level in the General Fund.

During the year ended June 30, 2017, the District incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Instruction			
Summer school	\$ 3,110	\$ 3,794	\$ 684
General administration	243,782	252,216	8,434
Athletics	200,364	203,801	3,437

NOTE B: MICHIGAN PUBLIC SCHOOL EMPLOYEE RETIREMENT PLAN

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

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

OTHER SUPPLEMENTARY INFORMATION

Montabella Community Schools

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2017

	Special Revenue Fund	Debt Service Fund		Total
	Food Service	Middle School Debt	2015 Refunding Bonds	
ASSETS				
Cash and cash equivalents	\$ 90,702	\$ 36,422	\$ 94,047	\$ 221,171
Receivables	2,297	-	137	2,434
Due from other funds	-	4	12	16
Due from other governmental units	59,830	-	-	59,830
Inventories	11,645	-	-	11,645
TOTAL ASSETS	<u>\$ 164,474</u>	<u>\$ 36,426</u>	<u>\$ 94,196</u>	<u>\$ 295,096</u>
LIABILITIES				
Accounts payable	\$ 15,813	\$ -	\$ -	\$ 15,813
Due to other funds	2,250	-	-	2,250
TOTAL LIABILITIES	18,063	-0-	-0-	18,063
FUND BALANCES				
Restricted				
Food and nutrition	146,411	-	-	146,411
Debt service	-	36,426	94,196	130,622
TOTAL FUND BALANCES	<u>146,411</u>	<u>36,426</u>	<u>94,196</u>	<u>277,033</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 164,474</u>	<u>\$ 36,426</u>	<u>\$ 94,196</u>	<u>\$ 295,096</u>

Montabella Community Schools

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2017

	Special Revenue Fund	Debt Service Fund		Total
	Food Service	Middle School Debt	2015 Refunding Bonds	
REVENUES				
Local sources	\$ 128,932	\$ 302,604	\$ 878,306	\$ 1,309,842
State sources	22,782	-	-	22,782
Federal sources	371,921	-	-	371,921
TOTAL REVENUES	523,635	302,604	878,306	1,704,545
EXPENDITURES				
Current				
Food service	516,720	-	-	516,720
Debt service				
Principal retirement	-	220,000	765,000	985,000
Interest, fiscal, and other charges	-	46,178	123,708	169,886
TOTAL EXPENDITURES	516,720	266,178	888,708	1,671,606
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,915	36,426	(10,402)	32,939
OTHER FINANCING (USES)				
Transfer out	(16,000)	-	-	(16,000)
NET CHANGE IN FUND BALANCES	(9,085)	36,426	(10,402)	16,939
Fund balances, beginning of year	155,496	-	104,598	260,094
Fund balances, end of year	<u>\$ 146,411</u>	<u>\$ 36,426</u>	<u>\$ 94,196</u>	<u>\$ 277,033</u>

**Montabella Community Schools
(Edmore, Michigan)**

**SUPPLEMENTARY INFORMATION
TO FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

June 30, 2017

Montabella Community Schools

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

Board of Education
Montabella Community Schools
Edmore, Michigan

Report on Compliance for Each Major Federal Program

We have audited Montabella Community Schools' (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Montabella 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.

Report on Internal Control Over Compliance

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montabella 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. We issued our report thereon dated September 11, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

September 11, 2017

Montabella Community Schools
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	(Memo Only) Prior Years' Expenditures	Balance June 30, 2016 Accrued or (Deferred) Revenue	Cash Receipts In-Kind Payments	Expenditures	Balance June 30, 2017 Accrued or (Deferred) Revenue
U.S. DEPARTMENT OF EDUCATION								
Passed Through Michigan Department of Education								
Title I Grants to Local Educational Agencies								
2015-16 Regular	84.010	1615301516	\$ 342,792	\$ 318,470	\$ 89,693	\$ 89,693	\$ -	\$ -0-
2016-17 Regular		1715301617	319,428	-	-	223,472	295,077	71,605
			662,220	318,470	89,693	313,165	295,077	71,605
Rural Education								
2015-16	84.358	1606601516	22,749	21,144	-	-	-	-0-
2016-17		1706601617	17,775	-	-	13,529	14,532	1,003
			40,524	21,144	-0-	13,529	14,532	1,003
Improving Teacher Quality								
2015-16	84.367	1605201516	161,373	120,247	16,657	16,657	-	-0-
2016-17		1705201617	127,472	-	-	87,618	106,639	19,021
			288,845	120,247	16,657	104,275	106,639	19,021
TOTAL U.S. DEPARTMENT OF EDUCATION			991,589	459,861	106,350	430,969	416,248	91,629

See accompanying notes to the schedule. No Federal awards were passed through by the District to any subrecipients during the year.

Montabella Community Schools

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended June 30, 2017

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	(Memo Only) Prior Years' Expenditures	Balance June 30, 2016 Accrued or (Deferred) Revenue	Cash Receipts In-Kind Payments	Expenditures	Balance June 30, 2017 Accrued or (Deferred) Revenue
U.S. DEPARTMENT OF AGRICULTURE								
Passed Through Michigan Department of Education								
National School Breakfast Program ^{(e)(f)}	10.553							
2015-16 Cash assistance		161970	\$ 113,936	\$ 97,733	\$ 5,033	\$ 21,236	\$ 16,203	\$ -0-
2016-17 Cash assistance		171970	104,146	-	-	104,146	104,146	-0-
			218,082	97,733	5,033	125,382	120,349	-0-
National School Lunch Program ^{(e)(f)}	10.555							
2015-16 Cash assistance		161960	203,959	170,061	8,490	37,800	29,310	-0-
2016-17 Cash assistance		171960	187,487	-	-	187,487	187,487	-0-
2016-17 Noncash assistance - Entitlement ^{(a)(c)}		57020	34,775	-	-	34,775	34,775	-0-
			426,221	170,061	8,490	260,062	251,572	-0-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			644,303	267,794	13,523	385,444	371,921	-0-
TOTAL FEDERAL AWARDS			\$ 1,635,892	\$ 727,655	\$ 119,873	\$ 816,413	\$ 788,169	\$ 91,629

(d)

(b)(g)

Montabella Community Schools

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the Federal grant activity of Montabella Community Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The District has elected not to use the ten (10) percent *de minimis* indirect rate allowed under the Uniform Guidance.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) through (g) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards.

- (a) The current year revenues for the Food Donation Program are determined based on the 2002/03 guidance provided in the Michigan Department of Education Administrative Policy Number 7. The amounts reported in this schedule as commodities received were taken from the Recipient Entitlement Balance Report, which are in agreement in all material respects with the District's reported amounts.
- (b) The expenditures reported in this schedule are in agreement with the amounts reported in the financial statements and financial reports. The financial reports tested, including claims for advances and reimbursements, were materially correct, complete, accurate, and timely, and contain information that is supported by the books and records from which the financial statements have been prepared.
- (c) The amount of out of condition commodities due to spoilage or shrinkage included in expenditures is immaterial to the Schedule of Expenditures of Federal Awards taken as a whole.
- (d) The amounts reported in this schedule as cash received are in agreement with the "paid during date range" amounts on the Grant Auditor Report, as applicable.
- (e) Denotes program tested as "major program".
- (f) Denotes programs required to be clustered by the United States Department of Agriculture.
- (g) Agrees to total revenues from federal sources per financial statements, less medicaid fee for service revenue not subject to single audit of \$47,948.



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

Board of Education
Montabella Community Schools
Edmore, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montabella Community Schools (the District), 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 and have issued our report thereon dated September 11, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

September 11, 2017

Montabella 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 disclosed that are required to be reported under 2 CFR 200.516(a). _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings

None noted.

Montabella Community Schools

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED

Year Ended June 30, 2017

FINDINGS/NONCOMPLIANCE

Control Deficiencies Related to Internal Controls Over the Financial Statements.

None noted.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

None noted.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with the Uniform Guidance.

None noted.