

ADAMS TOWNSHIP SCHOOL DISTRICT
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2016



ADAMS TOWNSHIP SCHOOL DISTRICT

June 30, 2016

ADMINISTRATION

Superintendent..... Tim Keteri
High School Principal..... Mike Benda
Elementary Principal..... Kim Harris

BOARD OF EDUCATION

President..... Steve Nicholas
Vice President..... Darren Niemi
Treasurer..... Chad Snell
Secretary..... Annette Butina
Trustee..... Kristen Archambeau
Trustee..... Justin Marier
Trustee..... Eric Mattila

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RUKKILA | NEGRO AND ASSOCIATES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Adams Township School District
Painesdale, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Adams Township School District as of June 30, 2016, 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.

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 pension requirements on pages 6 through 12 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The additional information on pages 42 to 47 are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional information on pages 42 to 47 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2016 on our consideration of the Adams Township School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Adams Township School District internal control over financial reporting and compliance.

*Rukkila, Negro and Associates,
Certified Public Accountants, PC*

October 28, 2016

**ADAMS TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

This section of Adams Township School District's annual financial report presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follows this section.

Financial Highlights

- The District's General Fund ended the year within budget. The fund balance increased by \$87,839 to \$112,393. Revenues and other sources in the General Fund totaled \$4,107,041 and expenditures totaled \$4,019,202, compared to \$3,950,673 and \$3,950,673 last year.
- The District's enrollment decreased by two students this year. Last year state membership was 453 and this year it is 451.

Overview of the Financial Statements

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the District as a whole and represent an overall view of the District's finances.

Statement of Net Position and the Statement of Activities

These statements provide information that help determine how the District is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The District's net position and the changes in the net position during the year are reported by these two statements. Increases or decreases in the District's net position is one way to determine if the financial position of the District is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the District.

- The Statement of Fiduciary Assets and Liabilities, presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

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

**ADAMS TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

Overview of the Financial Statements (Continued)

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the District's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including the Debt Service Fund, School Service, and Community Service funds.

Major Funds: Under GASB Statement 34, the audit focus has shifted from type of governmental fund to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the District, the General Fund and Debt Service Fund meet this requirement.

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller funds. Detailed information about non-major funds can be found after the notes to the financial statements.

- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management's Discussion and Analysis, provides information about the required budgetary comparison information on the General Fund.
- Other supplementary information provides detailed information about the General, Debt Service, Capital Projects, and School Service Funds.

**ADAMS TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

Overview of the Financial Statements (Continued)

Summary of Net Position

	<u>2016</u>	<u>2015</u>
Assets		
Current assets	\$ 922,184	\$ 894,205
Restricted cash	119,621	182,733
Investments	-	\$ 28,403
Capital assets - Net	<u>6,137,507</u>	<u>6,341,791</u>
Total assets	<u>7,179,312</u>	<u>7,447,132</u>
Deferred outflows of resources - Pension	397,245	464,377
Liabilities		
Current liabilities	1,118,445	3,525,840
Noncurrent liabilities	4,563,443	3,634,956
Net pension liability	<u>5,037,151</u>	<u>4,566,629</u>
Total liabilities	<u>10,719,039</u>	<u>11,727,425</u>
Deferred inflows of resources - Pension	37,093	504,843
Net position		
Net investment in capital assets	466,893	179,566
Restricted		
Debt service	52,319	181,302
Capital projects	21,739	21,695
Food service	-	(15,610)
Unrestricted	<u>(4,662,856)</u>	<u>(4,687,712)</u>
Total net position	<u>\$ (4,121,905)</u>	<u>\$ (4,320,759)</u>

Results of Operations in Governmental Activities

	<u>2016</u>	<u>2015</u>
Program Revenues		
Charges for services	\$ 129,446	\$ 75,282
Operating grants and contributions	851,758	771,093
General Revenues		
Taxes	963,848	926,979
Unrestricted state aid	2,943,539	2,953,457
Miscellaneous	<u>57,692</u>	<u>38,113</u>
Total revenues	<u>4,946,283</u>	<u>4,764,924</u>
Functions/program expenses		
Instruction	2,542,367	2,568,795
Supporting services	1,557,690	1,475,140
School service	260,466	249,193
Athletics	120,936	114,174
Interest expense	219,379	239,346
Other expense	<u>9,043</u>	<u>8,724</u>
Total expenses	<u>4,709,881</u>	<u>4,655,372</u>
Change in net position	236,402	109,552
Net position - Beginning	<u>(4,320,759)</u>	<u>(4,430,311)</u>
Net position - Ending	<u>\$ (4,084,357)</u>	<u>\$ (4,320,759)</u>

**ADAMS TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

Overview of the Financial Statements (Continued)

The following table highlights the District's General Fund activities:

	2016	% of total	2015	% of total
Revenues				
Taxes	\$ 375,607	9.2 %	\$ 373,779	9.4 %
Other local revenue	138,802	3.4 %	115,267	2.9 %
Unrestricted state aid	2,943,539	72.3 %	2,954,157	74.6 %
Federal sources	125,824	3.1 %	128,951	3.3 %
State sources	485,301	11.9 %	385,556	9.7 %
Other financing sources	-	- %	4,772	0.1 %
Total revenues	\$ 4,069,073	99.9 %	3,962,482	100.0 %
Expenditures				
Basic program	\$ 1,931,286	49.3 %	\$ 1,954,876	49.4 %
Added needs	363,188	9.3 %	397,623	10.1 %
Pupil	630	- %	595	- %
Instructional staff	31,267	0.8 %	26,056	0.7 %
General administration	267,286	6.8 %	261,226	6.6 %
School administration	368,702	9.4 %	345,669	8.7 %
Business-fiscal services	49,301	1.3 %	47,803	1.2 %
Operations & maintenance	500,960	12.8 %	526,599	13.3 %
Pupil transportation	210,709	5.4 %	211,849	5.4 %
Athletics	120,432	3.1 %	114,250	2.9 %
Technical support	100,307	2.6 %	46,690	1.2 %
Other supporting services	3,377	0.1 %	6,919	0.2 %
Other financing uses	(29,620)	(0.9)%	10,518	0.3 %
Total expenditures	\$ 3,917,825	100.0 %	\$ 3,950,673	100.0 %

Significant Transactions and Changes in Individual Funds

A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	2016	2015	Change
General Fund			
Revenues/Transfers	\$ 4,069,073	\$ 3,962,482	\$ 106,591
Expenditures/Transfers	\$ 3,917,825	\$ 3,950,673	\$ (32,848)
Fund Balance	\$ 112,393	\$ 24,555	\$ 87,838
Debt Service Fund			
Revenues/Transfers	\$ 590,749	\$ 566,555	\$ 24,194
Expenditures/Transfers	\$ 719,732	\$ 1,094,652	\$ (374,920)
Fund Balance	\$ 52,319	\$ 181,302	\$ (128,983)
School Service Fund			
Revenues/Transfers	\$ 248,449	\$ 238,050	\$ 10,399
Expenditures/Transfers	\$ 284,561	\$ 249,406	\$ 35,155
Fund Balance	\$ -	\$ (15,610)	\$ 15,610
Capital Projects Fund			
Revenues/Transfers	\$ 44	\$ 87	\$ (43)
Expenditures/Transfers	\$ -	\$ -	\$ -
Fund Balance	\$ 21,739	\$ 21,695	\$ 44

**ADAMS TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

General Fund: Revenues increased overall by \$149,331 which consisted of a combination of decreases in contributions and special education and increases in state sources. Significant increases to revenue included contributions with an increase of \$22,622, At Risk increased by \$26,252, special education increased by \$43,690, UAAL Stabilization/Cost offset increased by \$42,903, and payments from other districts increased by \$22,149. The significant decrease to revenue included contributions of \$41,993 and special education decreased by \$12,953.

Expenses in the General Fund increased overall by \$73,301 which included a combination of increases and decreases in various areas. Basic instruction expenditures decreased by \$58,025, and school administration increased by \$23,033, and operations and maintenance increased by \$25,637.

Debt Service Fund: The Debt Service Fund collects property taxes and receives interest earnings on bank deposits to finance the payment of interest and principal on bond issue-related debt of the District. During the year, \$300,000 was paid to the School Bond Loan Fund.

Food Service Fund: The School Food Service program for the District ended the year with a deficit of \$15,610. The original budget the school had prepared showed a deficit fund balance of \$11,891 and the amended budget had a deficit fund balance of \$1,094. The amended budget increased revenues by \$9,390 while the expenditures were decreased by \$3,170. The deficit Fund Balance is covered by the General Fund.

Capital Projects Fund: The Capital Projects Fund is used for the purpose of setting aside money from the General Fund for future building repairs/improvements, and technology updates. By doing this, when a major capital purchase is needed, all the money does not have to come out of the General Fund at one time. The Capital Projects Fund is also used for recording bond proceeds and the expenditures for bond issues.

**ADAMS TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the annual budget prior to the start of the fiscal year on July 1. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the fiscal year ended June 30, 2016, the original budget was adopted in June 2015. Since the original budget is adopted two months before the District is in session, we often have many unknowns such as the number of students we will have for the year. Since much of the District's revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. The District amended its budget twice during the fiscal year.

	Budgeted Amounts		Actual	Variance Final to Actual	% Variance
	Original	Final			
Revenues	\$ 3,957,365	\$ 4,064,033	\$ 4,069,073	\$ 5,040	0.1 %
Expenditures					
Instruction	\$ 2,210,648	\$ 2,323,227	\$ 2,294,474	\$ 28,753	1.2 %
Supporting services	1,634,781	1,667,491	1,652,971	14,520	0.9 %
Facility/Site improvement	-	37,590	37,548	42	0.1 %
Total expenditures	\$ 3,845,429	\$ 4,028,308	\$ 3,984,993	\$ 43,315	1.1 %
Other financing sources (uses)	\$ 3,730	\$ (490)	\$ 3,759	\$ 4,249	(867.1)%

Changes to the original budget for revenues was for increases in contributions, property taxes, special education, and MPERS UAAL Stabilization/Cost off set.

Original budget expenditures adjustments for instruction were made for the increase in special education expenses and teacher salaries, retirement, and health insurance. Supporting services expenditures increased because of repair costs and an increase in purchased service.

Other financing sources was adjusted for additional proceeds received from insurance and a loan for a tractor.

Capital Assets and Debt Administration

Capital Assets – The District's capital assets had a net decrease of \$204,284. Additions consisted of technical equipment and a greenhouse.

Additional information on the District's capital assets can be found on page 27 of this report.

Long-term Debt – At the end of the current fiscal year, the District's total long term debt was \$5,120,058. The District's total debt decreased by \$369,600.

Additional information on the District's long-term debt can be found on page 28 of this report.

**ADAMS TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations

The graph depicts a decrease of two students enrolled from the previous year, using the State Aid Membership Count.

<u>Year</u>	<u>Student Total</u>	<u>Change</u>
2011-12	430	19
2012-13	449	19
2013-14	443	-6
2014-15	453	10
2015-16	451	-2

Our elected officials and administration consider many factors when setting the District's fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil.

Approximately 72% of total General Fund revenues are from the foundation allowance. Under State law, the District cannot assess 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.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Adams Township School District.

ADAMS TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

Assets	
Cash and cash equivalents	\$ 234,108
Accounts receivable	49,598
Due from fiduciary funds	12,060
Due from governmental units	624,195
Prepaid expenses	2,223
Restricted cash	119,621
Capital assets - Net	<u>6,137,507</u>
Total assets	<u>7,179,312</u>
Deferred outflows of resources - Pension	397,245
Liabilities	
Accounts payable	67,088
Accrued expenditures and salaries payable	345,436
Other liabilities	1,909
Due to governmental units	50,174
Deferred revenues	441
Accrued interest	940,862
Note payable, due within one year	390,306
Notes payable, due in more than one year	8,047
Bonds payable, due within one year	265,000
Bonds payable, due in more than one year	3,265,000
Compensated absences	98,250
Net pension liability	5,037,151
School bond fund payable	<u>1,191,705</u>
Total liabilities	<u>11,661,369</u>
Deferred inflows of resources - Pension	37,093
Net position	
Net investment in capital assets	466,893
Restricted	
Debt service	52,319
Capital projects	21,739
Unrestricted	<u>(4,662,856)</u>
Total net position	<u>\$ (4,121,905)</u>

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

ADAMS TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

<u>Functions/Programs</u>	Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
Government Activities				
Instruction and instructional support	\$ 2,542,367	\$ 27,806	\$ 383,189	\$ (2,131,372)
Support services	1,557,690	7,995	257,734	(1,291,961)
School food service	260,466	74,241	173,917	(12,308)
Athletics	120,936	19,404	36,918	(64,614)
Interest on long-term debt	219,379	-	-	(219,379)
Other debt service	9,043	-	-	(9,043)
Total governmental activities	<u>\$ 4,709,881</u>	<u>\$ 129,446</u>	<u>\$ 851,758</u>	<u>(3,728,677)</u>
General revenues:				
Taxes, levied for general operations				375,607
Taxes, levied for debt service				575,038
Other taxes				13,203
Unrestricted state aid				2,943,539
Earnings on investments				1,450
Penalties and interest				2,026
Miscellaneous				54,216
Total general revenues, transfers, and special items				<u>3,965,079</u>
Change in net position				236,402
Net position - Beginning of year				<u>(4,320,759)</u>
Net position - End of year				<u>\$ (4,084,357)</u>

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

ADAMS TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2016

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 215,491	\$ -	\$ 18,617	\$ 234,108
Accounts receivable	37,459	-	12,139	49,598
Prepaid expenses	2,223	-	-	2,223
Due from governmental units	622,910	-	1,285	624,195
Due from fiduciary funds	12,060	-	-	12,060
Due from other funds	36,105	-	-	36,105
Restricted cash	39,590	58,292	21,739	119,621
Total assets	<u>\$ 965,838</u>	<u>\$ 58,292</u>	<u>\$ 53,780</u>	<u>\$ 1,077,910</u>
Liabilities				
Accounts payable	\$ 67,088	\$ -	\$ -	\$ 67,088
Accrued expenditures and salaries payable	345,436	-	-	345,436
Due to other funds	-	5,973	30,132	36,105
Due to governmental units	50,174	-	-	50,174
Note payable, due within one year	390,306	-	-	390,306
Deferred revenues	441	-	-	441
Other liabilities	-	-	1,909	1,909
Total liabilities	<u>853,445</u>	<u>5,973</u>	<u>32,041</u>	<u>891,459</u>
Fund balances				
Non-spendable	2,223	-	-	2,223
Restricted				
Debt service	-	52,319	-	52,319
Capital projects	-	-	21,739	21,739
Unassigned	110,170	-	-	110,170
Total fund balances	<u>112,393</u>	<u>52,319</u>	<u>21,739</u>	<u>186,451</u>
Total liabilities and fund balances	<u>\$ 965,838</u>	<u>\$ 58,292</u>	<u>\$ 53,780</u>	<u>\$ 1,077,910</u>

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

ADAMS TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2016

Fund Balance Reported in Governmental Funds	\$ 186,451
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds	6,137,507
Net pension liability	(5,037,151)
Deferred outflows from the difference between pension changes of assumptions and contributions subsequent to the measurement date	397,245
Deferred inflows from the difference between projected and actual investment earnings of the pension plan	(37,093)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(4,828,002)
Accrued interest is not included as a liability in governmental funds	<u>(940,862)</u>
Net position of governmental activities	<u><u>\$ (4,121,905)</u></u>

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

ADAMS TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2016

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
Revenues				
Local sources	\$ 514,409	\$ 590,749	\$ 74,576	\$ 1,179,734
State sources	3,428,840	-	13,737	3,442,577
Federal sources	125,824	-	160,180	286,004
Total revenues	<u>4,069,073</u>	<u>590,749</u>	<u>248,493</u>	<u>4,908,315</u>
Expenditures				
Instruction	2,294,474	-	-	2,294,474
Supporting services	1,532,539	-	-	1,532,539
School service	-	-	258,700	258,700
Athletics	120,432	-	-	120,432
Facility/Site improvement	37,548	-	-	37,548
Debt service	-	719,732	-	719,732
Total expenditures	<u>3,984,993</u>	<u>719,732</u>	<u>258,700</u>	<u>4,963,425</u>
Excess (deficiency) of revenues over expenditures	<u>84,080</u>	<u>(128,983)</u>	<u>(10,207)</u>	<u>(55,110)</u>
Other financing sources (uses)				
Incoming transfers - other schools	37,968	-	-	37,968
Operating transfers in (out)	(25,861)	-	25,861	-
Interest payments on loans	(437)	-	-	(437)
Debt principal payments	(7,911)	-	-	(7,911)
Total other financing sources (uses)	<u>3,759</u>	<u>-</u>	<u>25,861</u>	<u>29,620</u>
Net change in fund balances	87,839	(128,983)	15,654	(25,490)
Fund balances - Beginning of year	<u>24,554</u>	<u>181,302</u>	<u>6,085</u>	<u>211,941</u>
Fund balances - End of year	<u>\$ 112,393</u>	<u>\$ 52,319</u>	<u>\$ 21,739</u>	<u>\$ 186,451</u>

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

ADAMS TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$	(25,490)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation		(204,285)
Accrued expenses are recorded in the statement of activities when incurred; they are not reported in governmental funds until paid		128,319
The change in net pension liability amounts does not require the use of current resources and is not reported in the governmental funds		(69,904)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		370,214
Change in net position of governmental activities	\$	198,854

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

ADAMS TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF ASSETS AND LIABILITIES
June 30, 2016

	<u>Fiduciary Funds</u>
Assets	
Cash	\$ 38,807
Accounts receivable	<u>3,016</u>
Total assets	<u><u>\$ 41,823</u></u>
Liabilities	
Due to other funds	12,060
Due to student groups	<u>29,763</u>
Total liabilities	<u><u>\$ 41,823</u></u>

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

**ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

Adams Township School District (the "District") is governed by the Adams Township School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Numbers 14 and 39.

Excluded from the reporting entity:

Adams Township School District Foundation, Inc.

The potential component unit has a separately elected board and provides assistance with development, implementation, and/or maintenance of educational programs which significantly contribute to the education and personal growth of Adams Township School students. The foundation is excluded from the reporting entity because the District does not have the ability to exercise influence or control over the operations, approve budgets, or provide funding.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues and are reported as general revenues.

In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position are reported in three parts – net investment in capital assets; restricted; and unrestricted net position.

**ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenue must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The District does allocate indirect costs.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

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

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

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

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

The District reports the following major governmental funds:

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

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Other Non-Major funds:

Special Revenue Funds - Special Revenue Funds are used to account for the activities of specific school service revenue sources such as the School Food Service.

Capital Projects Fund - The Capital Projects Fund is used to account for all revenues and expenditures associated with the District's capital structures.

Fiduciary Funds – The Trust and Agency Fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. This fund is used to account for assets that the District holds for others in an agency capacity (primary student activities).

**ADAMS TOWNSHIP SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Scholarship Fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals or private organizations designated for scholarship purposes. The Fund distributes the assets according to scholarship requirements.

Fiduciary funds are not included in the government-wide statements.

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

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

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue - The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts and the local county treasurer.

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 non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2015 to August 2016. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

Foundation		\$	7,391.00
Less Local Support:			
Assumed Local Revenue	\$	367,013.00	
Divided by General Education k-12 membership		447.14	
Calculated Local Support			(820.80)
Foundation Grant Allowance Per Pupil			<u>\$ 6,570.20</u>

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

**ADAMS TOWNSHIP SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Accounting Policies

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

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

For the year ended June 30, 2016, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund - Non-homestead	18.0000
Debt service fund - Homestead and non-homestead	11.4500

Receivables and Payables – Activity between funds are reported as “due to/from other funds.”

All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Inventory – The District utilizes the purchase method of recording inventories of food supplies, materials and supplies. Under the purchase method, inventories are recorded as expenditures when they are purchased.

Capital Assets – Capital assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Fixed assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

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

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Accrued Benefits – The liabilities for accrued benefits reported in the district-wide statements of \$98,250, consist of retirement incentives.

Teachers - The District's contract with the Copper Country Education Association includes a retirement incentive payment to retiring teachers with at least 10 years of service. The minimum benefit is \$4,500 and is increased each 10 years by \$1,500 with a maximum of \$7,500. As of June 30, 2016, there were eleven (11) teachers who qualified for the early retirement incentive, with a liability of \$82,500.

Twelve Month Employees - The District's contract with the Adams Township School District Support Personnel Association includes a retirement incentive payment to eligible retiring twelve month employees with at least 10 years of service. The minimum benefit is \$4,500 and is increased each 10 years by \$1,500 with a maximum of \$7,500. As of June 30, 2016, there was no potential liability to the District.

**ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

School Year Employees - The District's contract with the Adams Township School District Support Personnel Association MEA/NEA includes a retirement incentive payment to eligible retiring school year employees and teachers with at least 10 years of service. The minimum benefit is \$3,375 and is increased each 10 years by \$1,125 with a maximum of \$5,625. As of June 30, 2016, there were four (4) support staff employees who qualified for the early retirement incentive, with a potential liability to the District of \$15,750.

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of Net Position.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position - Deferred outflows are reported in a separate section following assets, and deferred inflows are reported in a separate section following liabilities. The statement of net position then arrives at net position which includes the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

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

Fund Balance - Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either a.) Not in spendable form, or b.) Legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, laws or regulations of other governments. *Committed fund balance*, if any, is reported from amounts that can be used for specific purposes pursuant to constraints imposed by formal action by the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned balance.

**ADAMS TOWNSHIP SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2016**

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978) enacted at a regular meeting by School Board approval. The Act provides that a local unit shall not incur expenditures in excess of the amount appropriated.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.
5. Budget appropriations lapse at the end of the fiscal year.

In the body of the financial statements, the District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

NOTE C - DEPOSITS AND INVESTMENTS

At year-end, the District's cash deposits (checking, savings and certificates of deposit) and investments were reported in the basic financial statements in the following categories and breakdown between deposits and investments for the District is as follows:

	Governmental Funds	Fiduciary Funds
Unrestricted cash	\$ 234,108	\$ -
Restricted cash	119,621	38,807
Total cash and cash equivalents	\$ 353,729	\$ 38,807

Investment and Deposit Risk

Interest Rate Risk – In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements. The District's investments held at year end do not have maturity dates.

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments below. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year end.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2016

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk - Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State law does not require and the District does not have a policy for deposit custodial credit risk. As of June 30, 2016 the District's bank balance was 100% insured.

Custodial Credit Risk - Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. The custodial credit risk of these investments cannot be determined.

Concentration of Credit Risk – State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments below. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above and are external investment pools.

Michigan law authorizes the District to deposit and invest in:

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. In a primary or fourth class school district, the bonds, bill or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
2. Certificates of deposits issued by the 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, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the Federal Deposit Insurance Corporation.
5. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
6. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2016

NOTE D - CAPITAL ASSETS

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

	Balance July 01, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not being depreciated				
Land	\$ 2	\$ -	\$ -	\$ 2
Capital assets, being depreciated				
Buildings and additions	8,128,561	\$ 7,000	\$ -	8,135,561
Improvements other than building	300,468	-	-	300,468
Equipment and furniture	573,726	34,271	-	607,997
Vehicles	22,976	-	-	22,976
Subtotal	<u>9,025,731</u>	<u>\$ 41,271</u>	<u>\$ -</u>	<u>9,067,002</u>
Accumulated depreciation				
Building and additions	2,319,589	\$ 188,801	\$ -	2,508,390
Improvements other than building	30,396	15,023	-	45,419
Equipment and furniture	321,943	38,859	-	360,802
Vehicles	12,014	2,872	-	14,886
Subtotal	<u>2,683,942</u>	<u>\$ 245,555</u>	<u>\$ -</u>	<u>2,929,497</u>
Net capital assets being depreciated	<u>6,341,789</u>			<u>6,137,505</u>
Net capital assets	<u>\$ 6,341,791</u>			<u>\$ 6,137,507</u>

Depreciation expense was charged to activities of the District as follows:

Governmental activities	
Instruction	\$ 236,860
Operations and maintenance	7,068
Pupil transportation	1,628
Total governmental	<u>\$ 245,556</u>

NOTE E - RECEIVABLES

	General Fund	Food Service Fund	Total
Federal	\$ 10,506	\$ -	\$ 10,506
State	612,404	1,285	613,689
Local	37,459	12,139	49,598
Total	<u>\$ 660,369</u>	<u>\$ 13,424</u>	<u>\$ 673,793</u>

**ADAMS TOWNSHIP SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2016**

NOTE F - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. There were no transfers as of June 30, 2016. The amounts of inter-fund activities as of June 30, 2016 are as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Fund</u>	<u>Inter-fund Payable</u>
General Fund	\$ 36,105	Food Service Fund	\$ 30,132
Food Service Fund	-	Debt Service Fund	5,973
Total	<u>\$ 36,105</u>	Total	<u>\$ 36,105</u>

NOTE G - ACCRUED EXPENSES

Accrued expenses as of June 30, 2016, for the District is as follows:

<u>Accrued Expenses</u>	<u>General Fund</u>
Salaries payable	\$ 231,332
Accrued expenditures	114,104
Total accrued expenses	<u>\$ 345,436</u>

NOTE H - LONG TERM DEBT

Michigan Finance Authority

On August 20, 2015, the District obtained four one-year operating loans from the Michigan Finance Authority, which are pledged by future state aid payments and will provide funds for general operating expenditures. State Aid Note, Series A \$169,893, State Aid Note, Series B \$80,107, State Aid Note, Series C \$149,951, and State Aid Note, Series D, \$200,049 have interest rates of .76%, .64%, 1.08%, and 1.4625% respectively. Interest is due semi-annually and principal due at maturity. Series A and B notes mature on July 20, 2016. Series C and D notes mature on August 22, 2016. The balance as of June 30, 2016 was \$390,306.

On August 22, 2016, the District obtained three one-year operating loans from the Michigan Finance Authority, which are pledged by future state aid payments and will provide funds for general operating expenditures. State Aid Notes Series 2016C-1 \$99,939, Series 2016C-2 \$150,061, and Series 2016C-3 \$250,000 have interest rates of 1%, .760%, and 1.2% respectively. Series 2016C-1 and Series 2016C-2 notes mature on July 20, 2017 with interest payments due monthly beginning January 20, 2017 and ending July 20, 2017. Series 2016C-3 note matures on August 22, 2017 with principal and interest due at maturity.

2007 Advance Refunding

On February 6, 2007 the District issued \$3,530,000 of general obligation unlimited tax refunding bonds to advance refund \$3,400,000 of outstanding unlimited tax and obligation bonds. The proceeds of the bonds were used to provide for the payment of the principal of, interest on and redemption premium on the 1997 Refunding Bonds and 2001 Building and Site Bonds Series A.

Optional Redemption: The Bonds or portions of the Bonds in multiples of \$5,000 maturing on or after May 1, 2018, are subject to redemption at the option of the District in such order as the District may determine and by lot within any maturity, on any date occurring on or after May 1, 2017, at par plus accrued interest to the date fixed for redemption.

**ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2016**

NOTE H - LONG TERM DEBT (Continued)

Mandatory Redemption of Term Bonds: The Bonds maturing on May 1, 2019, May 1, 2024 and May 1, 2031 are term bonds (the "Term Bonds") subject to mandatory redemption, in part, by lot, on the redemption dates and in the principal amounts set forth below and at a redemption price equal to the principal amount thereof, without premium, together with interest thereon to the redemption date. When Term Bonds are purchased by the District and delivered to the Paying Agent for cancellation or are redeemed in a manner other than by mandatory redemption, the principal amount of the Term Bonds affected shall be reduced by the principal amount of the Bonds so redeemed or purchased in order determined by the District.

Fiscal Year	November 1	May 1		Total
	Interest	Interest	Principal	
2016-2017	\$ 41,881	\$ 41,881	\$ 200,000	\$ 283,762
2017-2018	37,881	37,881	200,000	275,762
2018-2019	33,881	33,881	200,000	267,762
2019-2020	29,881	29,881	200,000	259,762
2020-2021	25,881	25,881	200,000	251,762
2021-2026	72,024	72,024	730,000	874,048
2026-2031	21,676	21,676	335,000	378,352
	<u>\$ 263,105</u>	<u>\$ 263,105</u>	<u>\$ 2,065,000</u>	<u>\$ 2,591,210</u>

2011 School Building and Site Bonds

On June 8, 2011, the District issued \$1,715,000 of unlimited tax general obligation school bonds for the purpose of remodeling, furnishing and refurnishing, equipping and re-equipping school facilities in part for energy conservation purposes; acquiring, installing and equipping educational technology improvements in school facilities; and developing and improving sites.

The bond issue (denominations of \$5,000 or multiples thereof) matures as indicated below and bears an interest rate not exceeding 6% per annum, payable. The Bonds are not subject to redemption prior to maturity. The District is required to make yearly payments through the maturity date, May 1, 2031.

Fiscal Year	November 1	May 1		Total
	Interest	Interest	Principal	
2016-2017	\$ 29,944	\$ 29,944	\$ 65,000	\$ 124,888
2017-2018	28,969	28,969	70,000	127,938
2018-2019	27,744	27,744	70,000	125,488
2019-2020	26,519	26,519	75,000	128,038
2020-2021	25,206	25,206	75,000	125,412
2021-2026	103,220	103,220	465,000	671,440
2026-2031	45,454	45,454	645,000	735,908
	<u>\$ 287,056</u>	<u>\$ 287,056</u>	<u>\$ 1,465,000</u>	<u>\$ 2,039,112</u>

**ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2016**

NOTE H - LONG TERM DEBT (Continued)

School Bond Qualification and Loan Program

The District has borrowed from the School Bond Loan Program for the purpose of making principal and interest payments on bond issues. In accordance with Act 108, Public Acts of Michigan, 1961, as amended, the State of Michigan can lend the District funds to make debt payments if, for any reason, the district is unable to pay the principal and interest on bonds when due. The loans will be repaid from taxes levied for that purpose. Repayment will commence subsequent to the repayment of the District's bond issues. However, repayments shall be made earlier if taxes levied and collected in any particular year exceed those required to repay the bonds. The interest rate associated with loans is established by the State at the time of borrowing and remains fixed for that specific borrowing until repayment.

At June 30, 2016, the principal balance due to the School Bond Loan Fund was \$1,191,705 and accrued interest in the amount of \$928,670. The interest rate is 3.34041%.

John Deere 3520 Tractor

On January 15, 2015, the District borrowed \$23,500 for a John Deere 3520 Tractor. The note has an interest rate of 2.75%.

Fiscal Year	January 15		Total
	Interest	Principal	
2016-2017	\$ 221	\$ 8,047	\$ 8,268

Long-term liabilities activity, as reported in and liquidated through the following funds for the fiscal year ended June 30, 2016, was as follows:

	Balance July 01, 2015	Increase	Decrease	Balance June 30, 2016	Current Portion
2007 Refunding Bonds	\$ 2,265,000	\$ -	\$ 200,000	\$ 2,065,000	\$ 200,000
2011 Building & Site Bonds	1,530,000	-	65,000	1,465,000	65,000
School Bond Loan	1,191,705	-	-	1,191,705	-
School Revolving Loan	97,383	-	97,383	-	-
Michigan Finance Authority	389,692	600,000	599,386	390,306	390,306
Tractor	15,878	-	7,831	8,047	8,047
	5,489,658	600,000	969,600	5,120,058	\$ 663,353
Accrued Interest	1,070,306	-	129,444	940,862	
Accrued Benefits	97,125	1,125	-	98,250	
Total	\$ 6,657,089	\$ 601,125	\$ 1,099,044	\$ 6,159,170	

As of June 30, 2016, the aggregate maturities of long-term debt are as follows:

Fiscal Year	Interest	Principal	Total
2016-2017	\$ 663,353	\$ 143,871	\$ 807,224
2017-2018	270,000	133,700	403,700
2018-2019	270,000	123,250	393,250
2019-2020	275,000	112,800	387,800
2020-2021	275,000	102,174	377,174
2021-2026	1,195,000	350,489	1,545,489
2026-2031	2,171,705	1,041,254	3,212,959
	\$ 5,120,058	\$ 2,007,538	\$ 7,127,596

**ADAMS TOWNSHIP SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2016**

NOTE I -EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

The Michigan Public School Employees' Retirement System (MPSERS/System) 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 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 pension plan. Retirement benefits for defined benefit plan members are determined by final average compensation and years of service. Defined benefit 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 defined benefit plan members.

A defined benefit member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. 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.

NOTE J - MPSERS CONTRIBUTIONS AND FUNDING STATUS

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State 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. For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21 year period for the 2015 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2015.

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

Required contributions to the pension plan from Adams Township School District were \$397,843 for the year ended September 30, 2015

**ADAMS TOWNSHIP SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2016**

NOTE K - NET PENSION LIABILITY

Proportionate Share of Adams Township School District’s Net Pension Liability

At June 30, 2016, the Adams Township School District reported a liability of \$5,037,151 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014. The District’s proportionate share of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, the District's proportion was .02062 percent, which was a decrease of .00011 percent from its proportion measured as of September 30, 2014.

Long-Term Expected Return on Plan Assets

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.9%
% Alternative Investment Pools	18.0 %	9.2%
International Equity	16.0 %	7.2%
Fixed Income Pools	10.5 %	.9%
Real Estate and Infrastructure Pools	10.0 %	4.3%
Absolute Return Pools	15.5 %	6.0%
Short Term Investment Pools	2.0 %	0.0%
Total	100.0 %	

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

Discount Rate

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

**ADAMS TOWNSHIP SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2016**

NOTE K - NET PENSION LIABILITY (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

As required by GASB Statement No. 68, the following presents the District’s proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

	1% Lower (7.0%)	Discount Rate (8.0%)	1% Higher (9.0%)
District's proportionate share of the net pension liability	\$ 6,494,179	\$ 5,037,151	\$ 3,808,817

Actuarial Valuations and 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

<u>Actuarial Assumptions</u>	
Valuation Date:	September 30, 2014
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	
-MIP and Basic Plans (Non-Hybrid)	8.0%
-Pension Plus Plan (Hybrid)	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP members

Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation for the System. For retirees 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2014, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.7158
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report.

**ADAMS TOWNSHIP SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2016**

NOTE L - PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

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

For the year ended June 30, 2016, the District recognized total pension expense of \$423,396. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between expected and actual experience	\$ -	\$ 16,685
Changes of assumptions	124,025	-
Net difference between projections and actual earnings on pension plan investments	25,711	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,670	20,408
District's contributions subsequent to the measurement date	235,839	-
Total	<u>\$ 397,245</u>	<u>\$ 37,093</u>

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

<u>Year Ended September 30</u>	<u>Amount</u>
2016	\$ 11,784
2017	\$ 11,784
2018	\$ 5,059
2019	\$ 95,686

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

NOTE M - PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2015 Comprehensive Annual Financial Report, available here: <http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html>.

NOTE N - PAYABLES TO THE PENSION PLAN

At June 30, 2016 the District reported a payable of \$88,800 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

**ADAMS TOWNSHIP SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2016**

NOTE O - 403(b) RETIREMENT PLAN

The District has a 403(b) plan which is a qualified tax sheltered annuity plan for the benefit of eligible employees. The plan is self administered by the District with a plan year ending December 31. Participants can invest in annuity contracts or custodial accounts which invest in mutual funds. The District is not required to make contributions. Distributions are governed by IRS regulations.

NOTE P- RECONCILIATION OF MDE GRANT REPORTS

The amounts reported as current payments on MDE grant reports prepared by the State of Michigan, reconcile with the federal revenue on the Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances on page 17 as follows:

Total current payments per MDE Reports	\$ 360,041
Prior year grants reported	(108,086)
State Revenue reported on grant auditor report	(3,544)
Title I Receivable	-
Payments received through other sources	
Medical Outreach	1,287
Food Distributions - Entitlement Commodities	15,905
Small Rural Achievement Grant - REAP	20,401
Total Federal Awards	<u>\$ 286,004</u>

The District expended less than \$750,000 in Federal awards during the fiscal year ended June 30, 2016 and is exempt from Federal Single Audit requirements, thus a schedule of federal financial assistance was not prepared.

NOTE Q - CONTINGENT LIABILITIES

Risk Pool

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The District joined together with other school districts currently operating a common risk management and insurance program. The District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The District is unable to provide an estimate of the amounts of additional assessments.

The MASB-SEG Property & Casualty Pool has published its own financial report for the year ended June 30, 2016, which can be obtained through the District.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2016

NOTE R- SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

Michigan Finance Authority - On August 20, 2015, the District entered into three one year operating loans notes with Michigan Finance Authority. See Note H on page 26 for additional information.

NOTE S - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2015, Governmental Accounting Standards Board (GASB), issued Statement No, 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, which will be effective for the District's 2018 fiscal year. The Statement will require School Districts who participate in defined benefit other post-employment benefit (OPEB) plans to report a net OPEB liability in the statement of net position. The School District will be required to recognize on the statement of net position their proportionate share of the net OPEB liability related to it's participation in the MPERS plan. There will be revised note disclosures and required supplementary information which will enhance the comparability and consistency of how governments calculate the OPEB liabilities and expense.

REQUIRED SUPPLEMENTARY INFORMATION

**ADAMS TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>			Variance Final to Actual
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Local sources	\$ 437,695	\$ 520,390	\$ 514,409	\$ (5,981)
State sources	3,409,205	3,417,822	3,428,840	11,018
Federal sources	110,465	125,821	125,824	3
Total revenues	<u>3,957,365</u>	<u>4,064,033</u>	<u>4,069,073</u>	<u>5,040</u>
Expenditures				
Instruction	2,210,648	2,323,227	2,294,474	28,753
Supporting services	1,634,781	1,667,491	1,652,971	14,520
Facility/Site improvement	-	37,590	37,548	42
Total expenditures	<u>3,845,429</u>	<u>4,028,308</u>	<u>3,984,993</u>	<u>43,315</u>
Excess (deficiency) of revenues over expenditures	111,936	35,725	84,080	48,355
Other financing sources (uses)				
Incoming transfers - other schools	12,000	40,475	37,968	(2,507)
Operating transfers in (out)	-	(32,610)	(25,861)	6,749
Interest payments on loans	-	(440)	(437)	3
Debt principal payments	(8,270)	(7,915)	(7,911)	4
Total other financing sources (uses)	<u>3,730</u>	<u>(490)</u>	<u>3,759</u>	<u>4,249</u>
Net change in fund balances	<u>\$ 115,666</u>	<u>\$ 35,235</u>	87,839	<u>\$ 52,604</u>
Fund balances - Beginning of year			<u>24,554</u>	
Fund balances - End of year			<u>\$ 112,393</u>	

**ADAMS TOWNSHIP SCHOOL DISTRICT
PENSION REQUIREMENTS - GASB 68
Year Ended June 30, 2016**

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

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

	9/30/2014	9/30/2015
A. District's proportion of net pension liability	0.02073 %	0.02062 %
B. District's proportionate share of net pension liability	\$ 4,566,629	\$ 5,037,151
C. District's covered-employee payroll	\$ 1,803,198	\$ 1,775,736
D. District's proportionate share of net pension liability as a percentage of its covered-employee payroll	39 %	35 %
E. Plan fiduciary net position as a percentage of total pension liability	66.20 %	63.17 %

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

Michigan Public School Employees Retirement Plan
Last Two Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	6/30/2015	6/30/2016
A. Statutorily required contributions	\$ 376,532	\$ 333,335
B. Contributions in relation to statutorily required contributions	376,445	333,335
C. Contribution deficiency (excess)	\$ 87	\$ -
D. District's covered-employee payroll	\$ 1,786,758	\$ 1,740,269
E. Contributions as a percentage of covered-employee	21 %	19 %

**ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - June 30, 2016**

NOTE A - CHANGE OF BENEFIT TERMS

There were no changes of benefit terms in 2015.

NOTE B - CHANGE OF ASSUMPTIONS

There were no changes of benefit assumptions in 2015.

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

ADAMS TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources			
Taxes	\$ 375,600	\$ 375,607	\$ 7
Earnings on investments	600	633	33
Rentals	7,355	7,995	640
Athletics	55,770	56,322	552
Charges for services	5,655	5,658	3
Contributions	20,500	12,503	(7,997)
Local grant	1,475	1,475	-
Miscellaneous	53,435	54,216	781
Total local sources	<u>520,390</u>	<u>514,409</u>	<u>(5,981)</u>
State sources			
Unrestricted grants			
Unrestricted state aid	2,936,010	2,943,539	7,529
Restricted grants			
Special education	69,925	69,925	-
MPSERS cost offset	24,515	24,515	-
MPSERS one-time liability payment	198,002	198,002	-
At-risk	114,125	114,069	(56)
Technology infrastructure grant	-	3,544	3,544
Early literacy targeted instruction	7,590	7,590	-
Data collection	11,350	11,353	3
Small isolated districts	19,915	19,913	(2)
Other state revenue	36,390	36,390	-
Total restricted grants	<u>481,812</u>	<u>485,301</u>	<u>3,489</u>
Total state sources	<u>3,417,822</u>	<u>3,428,840</u>	<u>11,018</u>
Federal sources			
Title I	80,272	80,272	-
Title II	23,864	23,864	-
REAP	20,400	20,401	1
Medicaid outreach	1,285	1,287	2
Total federal sources	<u>125,821</u>	<u>125,824</u>	<u>3</u>
Total revenues	<u>4,064,033</u>	<u>4,069,073</u>	<u>5,040</u>
Expenditures			
Instruction			
Basic program			
Elementary school	968,197	964,917	3,280
High school	987,438	966,369	21,069
Total basic program	<u>1,955,635</u>	<u>1,931,286</u>	<u>24,349</u>
Added needs			
Special education	148,815	144,275	4,540
Compensatory education	114,380	104,135	10,245
At-risk	104,397	114,778	(10,381)
Total added needs	<u>367,592</u>	<u>363,188</u>	<u>4,404</u>
Total instruction	<u>2,323,227</u>	<u>2,294,474</u>	<u>28,753</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (Continued)
Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Supporting services			
Pupil			
Guidance	630	630	-
Instructional staff			
Instructional supervision	6,979	9,070	(2,091)
Library	24,855	22,197	2,658
Total instructional staff	<u>31,834</u>	<u>31,267</u>	<u>567</u>
General administration			
Board of education	32,570	29,509	3,061
Executive administration	239,830	237,777	2,053
Total general administration	<u>272,400</u>	<u>267,286</u>	<u>5,114</u>
School administration			
Office of principal - Elementary school	180,424	180,592	(168)
Office of principal - High school	179,609	188,110	(8,501)
Total school administration	<u>360,033</u>	<u>368,702</u>	<u>(8,669)</u>
Business-fiscal services	52,050	49,301	2,749
Operations & maintenance	509,024	500,960	8,064
Pupil transportation	210,810	210,709	101
Athletics	124,795	120,432	4,363
Technical support	102,415	100,307	2,108
Other supporting services	3,500	3,377	123
Facility/Site improvement	<u>37,590</u>	<u>37,548</u>	<u>42</u>
Total supporting services	<u>1,705,081</u>	<u>1,690,519</u>	<u>14,562</u>
Total expenditures	<u>4,028,308</u>	<u>3,984,993</u>	<u>43,315</u>
Excess (deficiency) of revenues over expenditures	35,725	84,080	48,355
Other financing sources (uses)			
Operating transfers in (out)	(32,610)	(25,861)	6,749
Incoming transfers - other schools	40,475	37,968	(2,507)
Interest payments on loans	(440)	(437)	3
Debt principal payments	<u>(7,915)</u>	<u>(7,911)</u>	<u>4</u>
Total other financing sources (uses)	<u>(490)</u>	<u>3,759</u>	<u>4,249</u>
Net change in fund balances	<u>\$ 35,235</u>	87,839	<u>\$ 52,604</u>
Fund balances - Beginning of year		<u>24,554</u>	
Fund balances - End of year		<u>\$ 112,393</u>	

ADAMS TOWNSHIP SCHOOL DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2016

Revenues	
Local sources	
Taxes	\$ 575,038
Other taxes	13,203
Penalties and interest	2,026
Earnings on investments	482
Total revenues	<u>590,749</u>
Expenditures	
Interest expense	356,217
Redemption of bond principle	362,383
Other expense	1,132
Total expenditures	<u>719,732</u>
Excess (deficiency) of revenues over expenditures	(128,983)
Fund balances - Beginning of year	<u>181,302</u>
Fund balances - End of year	<u><u>\$ 52,319</u></u>

ADAMS TOWNSHIP SCHOOL DISTRICT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2016

	<u>Food Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 18,617	\$ -	\$ 18,617
Restricted cash	-	21,739	21,739
Receivables	12,139	-	12,139
Due from governmental units	1,285	-	1,285
Total assets	<u>\$ 32,041</u>	<u>\$ 21,739</u>	<u>\$ 53,780</u>
Liabilities			
Due to other funds	30,132	-	30,132
Other liabilities	1,909	-	1,909
Total liabilities	<u>32,041</u>	<u>-</u>	<u>32,041</u>
Fund balances			
Restricted	-	21,739	21,739
Total fund balances	<u>-</u>	<u>21,739</u>	<u>21,739</u>
Total liabilities and fund balances	<u>\$ 32,041</u>	<u>\$ 21,739</u>	<u>\$ 53,780</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2016

	Food Service Fund	Capital Projects Fund	Total
Revenues			
Local sources	\$ 74,532	\$ 44	\$ 74,576
State sources	13,737	-	13,737
Federal sources	160,180	-	160,180
Total revenues	<u>248,449</u>	<u>44</u>	<u>248,493</u>
Expenditures			
Salaries	41,924	-	41,924
Employee benefits	43,473	-	43,473
Supplies, materials, and other	173,303	-	173,303
Total expenditures	<u>258,700</u>	<u>-</u>	<u>258,700</u>
Excess (deficiency) of revenues over expenditures	<u>(10,251)</u>	<u>44</u>	<u>(10,207)</u>
Other financing sources (uses)			
Operating transfers in (out)	<u>25,861</u>	<u>-</u>	<u>25,861</u>
Net change in fund balances	15,610	44	15,654
Fund balances - Beginning of year	<u>(15,610)</u>	<u>21,695</u>	<u>6,085</u>
Fund balances - End of year	<u>\$ -</u>	<u>\$ 21,739</u>	<u>\$ 21,739</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources			
Student lunches	\$ 44,700	\$ 47,201	\$ 2,501
A-La-Carte	26,880	26,881	1
Other food sales	160	159	(1)
Earnings on investments	290	291	1
Total local sources	<u>72,030</u>	<u>74,532</u>	<u>2,502</u>
State sources	<u>12,620</u>	<u>13,737</u>	<u>1,117</u>
Federal sources			
School lunch program	138,560	144,275	5,715
USDA entitlements	12,000	15,905	3,905
Total federal sources	<u>150,560</u>	<u>160,180</u>	<u>9,620</u>
Total revenues	<u>235,210</u>	<u>248,449</u>	<u>13,239</u>
Expenditures			
Salaries	41,925	41,924	1
Employee benefits	43,525	43,473	52
Supplies, materials, and other	166,725	173,303	(6,578)
Total expenditures	<u>252,175</u>	<u>258,700</u>	<u>(6,525)</u>
Excess (deficiency) of revenues over expenditures	(16,965)	(10,251)	6,714
Operating transfers in (out)	<u>32,610</u>	<u>25,861</u>	<u>(6,749)</u>
Total other financing sources (uses)	<u>32,610</u>	<u>25,861</u>	<u>(6,749)</u>
Fund balances - Beginning of year		<u>(15,610)</u>	
Fund balances - End of year		<u>\$ -</u>	

COMMUNICATIONS SECTION

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

310 Sheldon Avenue, Houghton, Michigan 49931
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
Adams Township School District
Painesdale, 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 the Adams Township School District as of and for the year then ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 28, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

*Rukkila, Negro & Associates,
Certified Public Accountants, PC*

October 28, 2016

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Education
Adams Township School District
Painesdale, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Adams Township School District for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 11, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Adams Township School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2016. We noted no transactions entered into by Adams Township School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the useful lives of fixed assets, used to calculate depreciation, is based on the estimated useful lives of certain classes of assets. We evaluated the key factors and assumptions used to develop the useful lives to determine that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 28, 2016.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the budgetary comparison schedules which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on RSI.

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

Restriction on Use

This information is intended solely for the use of the Adams Township School District board and management and is not intended to be and should not be used for anyone other than these specified parties.

It has been a pleasure to provide audit services to Adams Township School District. Management was prepared for the audit, providing us with all supporting documents requested. Management was friendly, conscientious and very helpful.

We appreciate your business, thank you.

*Rukkila, Negro & Associates,
Certified Public Accountants, PC*

October 28, 2016