Northport Public School

FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2017

Dennis, Gartland & Niergarth

C O N T E N T S

Page

MANAGEMENT'S DISCUSSION AND ANALYSIS ..... *i*

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS 2

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION 5

STATEMENT OF ACTIVITIES 6

BALANCE SHEET - GOVERNMENTAL FUNDS 7

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS 8

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE STATEMENT OF ACTIVITIES 9

STATEMENT OF FIDUCIARY NET ASSETS 10

NOTES TO FINANCIAL STATEMENTS 11

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND 34

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY 35

SCHEDULE OF SCHOOL DISTRICT'S DEFINTED BENEFIT PENSION CONTRIBUTIONS 35

COMBINING FINANCIAL STATEMENT OF NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS 37

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NON-MAJOR GOVERNMENTAL FUNDS 38

INDEPENDENT AUDITORS' 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* 39

NORTHPORT PUBLIC SCHOOL
NORTHPORT, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017

Our discussion and analysis of Northport Public School (the "School District") financial performance provides an overview of the school district's financial activities for the fiscal year ended June 30, 2017. Please read this analysis in conjunction with the school district's financial statements, which immediately follow this section.

Northport School District is one of the few remaining one building schools in Michigan. The School District is located in the tip of Leelanau County. Northport Public School serves students in grades Kindergarten through 12th grade. The population for the 2016-2017 school year was 150 pupils based on the October 2016 count. Students attending the School District are afforded more individualized attention due to small class sizes. Educators in the School District are committed to the philosophy that all children are capable of learning if they have the appropriately specified learning tasks and a suitable amount of time commensurate with their individual learning rates. Northport Public School District offers a core academic curriculum that meets and or exceeds State guidelines at all levels.

A. Fund Financial Statements

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

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, Capital Projects Funds and Sinking Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. 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. The obligations for future years' debt service are not recorded in the fund financial statements.

B. Government-Wide Financial Statements

The government-wide financial statements are calculated using full accrual accounting and more closely resemble those presented by business and industry. The entire School District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the School District.

C. Summary of Net Position

The following schedule summarizes net position at fiscal year ended June 30, 2017:

	2016-2017	2015-2016
Assets		
Current Assets	$ 4,126,119	$ 3,440,054
Non-Current Assets		
Capital Assets - Net	5,513,354	5,418,032
Total Assets	9,639,473	8,858,086
Deferred Outflows of Resources for Pension Obligation	542,808	511,786
	$ 10,182,281	$ 9,369,872
Liabilities		
Current Liabilities	$ 1,571,112	$ 535,091
Non Current Liabilities	5,852,379	6,870,340
Total Liabilities	7,423,491	7,405,431
Deferred Inflows of Resources for Pension Obligation	26,375	18,820
Net Position		
Invested in Capital Assets Net of Related Debt	4,311,493	4,203,361
Restricted for Debt Service	1,097,147	1,011,484
Restricted for Capital Projects	448,436	217,645
Restricted for Food Service	7,303	13,218
Unrestricted	(3,131,964)	(3,500,087)
Total Net Position	2,732,415	1,945,621
Total Liabilities and Net Position	$ 10,182,281	$ 9,369,872

D. Analysis of Financial Position

During the fiscal year ended June 30, 2017, the School District's net position increased by $786,794. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2017, $246,498 was recorded for depreciation expense.

2.Capital Outlay Acquisitions

For the fiscal year ended June 30, 2017, $341,820 of expenditures were capitalized and recorded as assets of the School District. These additions to the School District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is an increase to capital assets in the amount of $95,322 for the fiscal year ended June 30, 2017.

E. Results of Operations

For the fiscal years ended June 30, 2017 and 2016, the results of operations, on a School District-wide basis, were:

	2017	2016
General Revenues		
Property Taxes	$ 3,813,658	$ 3,227,530
State Sources	17,775	18,693
Investment and Other	265,650	313,192
Total General Revenues	4,097,083	3,559,415
Program Revenues		
Charges for Services	37,530	41,092
Operating Grants	684,091	739,103
Total Program Revenues	721,621	780,195
Total Revenues	4,818,704	4,339,610
Expenses		
Instruction	2,061,765	2,412,867
Supporting Services	1,547,777	1,394,562
Food Service	173,201	170,952
Other Transactions	315	131
Interest on Long-Term Debt	2,354	2,690
Unallocated Depreciation	246,498	239,586
Total Expenses	4,031,910	4,220,788
Change in Net Position	$ 786,794	$ 118,822

F. Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

The School District levies 13.388 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2016-2017 fiscal year, the School District levied $3,307,551 in non-homestead property taxes for general operations. This represented a 3.0% increase from the prior year.

2. State Sources

The State of Michigan funds districts based on a blended student enrollment. For the year ended June 30, 2017, the foundation allowance was based on a blended average of pupil membership counts taken in February and October of 2015-2016. For the 2016-2017 fiscal year, the School District received a base foundation allowance of $8,977 per student FTE. However, no actual State aid was received because the non-homestead property taxes are greater than the gross foundation allowance.

3. Student Enrollment

The following schedule summarizes the general education student enrollment for the past three fiscal years:

Fiscal Year	Blended Student FTE	FTE Change from Prior Year
2016-2017	162	5
2015-2016	167	7
2014-2015	174	9

4. Operating Grants

The School District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2017, Federal, State, and other grants accounted for $684,091. This represents a decrease of $ 55,012 of total grant resources received for the 2015-2016 fiscal year.

5. Sinking Fund

For the fiscal year ended June 30, 2017, the School District levied 1.2436 mills on all property for the 2016 Sinking Fund. A total of $500,842 was levied for the 2016-17 fiscal year, these funds will be utilized for capital project acquisitions and repairs throughout the District. The School District is utilizing the remaining fund balance in the 2002 Sinking Fund to fund the 2009 sewer installment loan with Leelanau Township and to fund the 2003 School Improvement Bonds (QZAB).

6. Comparative Expenditures and Transfers

A comparison of the expenditures and transfers reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances is shown below:

Expenditures and Transfers	2016-2017	2015-2016	Increase (Decrease)
General Fund	$ 3,733,443	$ 4,033,966	$ (300,523)
Food Service Fund	175,045	170,952	4,093
Capital Projects Fund	79,516	90,940	(11,424)
2016 Sinking Fund	195,406	-	195,406
	$ 4,183,410	$ 4,295,858	$ (112,448)

G. General Fund Budgetary Highlights

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

For the 2016-2017 fiscal year, the School District amended the general fund budget one time with the Board adopting the changes in June 2017. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget, and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
Total Revenues	$ 4,079,573	$ 4,188,098	$ 4,197,948	$ 9,850
EXPENDITURES				
Instruction	$ 2,375,373	$ 2,003,879	$ 2,002,990	$ (889)
Supporting Services	1,807,947	1,700,797	1,654,738	(46,059)
Community Services	150	-	-	-
Payments to other governments	-	500	315	(185)
Transfers Out	90,000	90,000	75,398	(14,602)
Total Expenditures and transfers	$ 4,273,470	$ 3,795,176	$ 3,733,441	$ (61,735)

The original revenue budget of $4.079 million was increased to $4.188 million primarily as a result of anticipated increases in local and State income.

The original expenditure budget of $4.273 million decreased to $3.795 million primarily as a result of reduction in personnel.

The total revenues variance of $9,850 is 0.23% of total revenues and the total expenditures variance of $61,735 is approximately 1.65% of the total General Fund expenditures for the year.

H. Capital Asset and Debt Administration

1. Capital Assets

By the end of the 2016-2017 fiscal year, the School District had invested over $5.513 million in a broad range of capital assets, including a school building and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of $95,322 over the prior fiscal year. Depreciation expense for the year amounted to $246,498, bringing the accumulation to $4.374 million as of June 30, 2017.

2. Long-Term Debt

At June 30, 2017, the School District had $1,125,000 in bonded debt outstanding. No new bonded debt was issued in the 2016-2017 fiscal year.

I. Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the School District was aware of the following items that could significantly affect its financial health in the future:

- With the current economic condition in the country and the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2017-2018 fiscal year. However, currently the actual non-homestead property tax levy is greater than the gross foundation allowance, and thus the School District anticipates that no actual foundation allowance revenue will be received from the State. The School District anticipates that revenues received from the non-homestead property tax levy will increase slightly in the coming year.

- State-wide pressures for equity in the funding of schools always poses the possibility that the State of Michigan makes changes in the funding structure for schools and that the District's "Out of Formula" status could be changed. Although not anticipated, district officials must plan for the eventual possibility of significantly less dollars per student should these demands for equity result in changes in State school funding.

- As with other employers, the School District continues to face increases in rates paid for employee benefits, particularly retirement. The State has increased the total retirement rate for 2017-2018 to 36.88%. PA 92 of 2017 will result in major reform to the retirement system during 2017-18, creating uncertainty for future rates.

- Political turnover at the federal level has created uncertainty for the future funding of Impact Aid and 21st Century Community Learning Centers allocations. The District recognized over $215,000 in revenue from these awards in 2016-17.

J. Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact Northport Public School District, 104 Wing Street, P.O. Box 188, Northport, Michigan 49670, Fax (231) 386-9838, Telephone (231) 386-5153.

DENNIS, GARTLAND & NIERGARTH

Certified Public Accountants
Business Advisors

Thomas E. Gartland, Retired
Brad P. Niergarth, CPA
James G. Shumate, CPA
Robert C. Thompson, CPA
Michael D. Shaw, CPA
Mary F. Krantz, CPA
Shelly K. Bedford, CPA
Heidi M. Wendel, CPA
Shelly A. Ashmore, CPA
James M. Taylor, CPA

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Education
Northport Public School

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

415 Munson Avenue | P.O. Box 947 | Traverse City, Michigan 49685-0947
231-946-1722 ph | 231-946-2762 fax | www.dgncpa.com

CPAMERICA INTERNATIONAL
Member Crowe Horwath International.

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 Northport Public School as of June 30, 2017, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages *i* through *ix*, budgetary comparison information on page 34 and pension schedules on page 35, 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 inquires 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 School District's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2017, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Dennis, Gartland & Niergarth

October 10, 2017

Northport Public School

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
Current assets	
Cash and cash equivalents	$ 4,019,087
Due from other governments	102,645
Other receivables	2,889
Inventory	1,498
Total current assets	4,126,119
Non-current assets	
Capital assets, net of accumulated depreciation	5,513,354
Total assets	9,639,473
DEFERRED OUTFLOWS OF RESOURCES FOR PENSION OBLIGATION	542,808
Total assets and deferred outflows of resources	$10,182,281
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	$ 117,536
Salaries and benefits payable	282,744
Unearned revenue	33,022
Current portion of long-term debt	1,137,810
Total current liabilities	1,571,112
NON-CURRENT LIABILITIES	
Bonds payable	1,125,000
Installment loan payable	76,861
Compensated absences	75,809
Net pension obligation	5,712,519
Less current portion of non-current liabilities	(1,137,810)
Total non-current liabilities	5,852,379
Total liabilities	7,423,491
DEFERRED INFLOWS OF RESOURCES FOR PENSION OBLIGATION	26,375
NET POSITION	
Invested in capital assets, net of related debt	4,311,493
Restricted	
Debt Service	1,097,147
Food Service	7,303
Capital projects	448,436
Unrestricted (Deficit)	(3,131,964)
Total net position	2,732,415
Total liabilities, deferred inflows of resources and net position	$10,182,281

The accompanying notes are an integral part of these statements.

Northport Public School

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities				
Instruction	$ 2,061,765	$ 1,340	$ 563,161	$ (1,497,264)
Support Services	1,547,777	6,989	56,399	(1,484,389)
Food Service	173,201	29,201	64,531	(79,469)
Other transactions	315	-	-	(315)
Interest on long-term debt	2,354	-	-	(2,354)
Depreciation-unallocated	246,498	-	-	(246,498)
Total School District	$ 4,031,910	$ 37,530	$ 684,091	(3,310,289)
General purpose revenues				
Property taxes				
Levied for general purposes				3,312,711
Levied for Capital Projects				500,850
Levied for Debt Service				97
State school aid - unrestricted				17,775
Investment and other				265,650
Total general purpose revenues				4,097,083
Change in net position				786,794
Net position - beginning of year				1,945,621
Net position - ending of year				$ 2,732,415

The accompanying notes are an integral part of these financial statements.

Northport Public School

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2017

	General Fund	2016 Sinking Fund	QZAB Debt Service Fund	Other Governmental Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 2,470,494	$ 308,998	$ 1,048,466	$ 191,129	$ 4,019,087
Due from other governments and other receivables	102,323	-	-	3,211	105,534
Inventory	-	-	-	1,498	1,498
Total assets	$ 2,572,817	$ 308,998	$ 1,048,466	$ 195,838	$ 4,126,119
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 117,428	$ -	$ -	$ 108	$ 117,536
Salaries and benefits payable	282,744	-	-	-	282,744
Unearned revenue	32,714	-	-	308	33,022
Total liabilities	432,886	-	-	416	433,302
FUND BALANCES					
Nonspendable - inventory	-	-	-	1,498	1,498
Restricted					
Debt retirement	-	-	1,048,466	48,681	1,097,147
Capital projects	-	308,998	-	139,438	448,436
Food Service	-	-	-	5,805	5,805
Assigned - compensated absences	75,809	-	-	-	75,809
Assigned - school buses	160,000				160,000
Assigned - Afterschool program	135,000				135,000
Unassigned	1,769,122	-	-	-	1,769,122
Total fund balances	2,139,931	308,998	1,048,466	195,422	3,692,817
Total liabilities and fund balances	$ 2,572,817	$ 308,998	$ 1,048,466	$ 195,838	

Reconciliation of Governmental Fund Balances to District-Wide Government Activities Net Position

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $9,887,000 and the accumulated depreciation is $4,373,646.		5,513,354
Deferred outflows of resources for pension obligation is not a financial resource and, therefore, is not reported as an asset in governmental funds.		542,808
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds payable	$ 1,125,000	
Installment loans payable	76,861	
Compensated absences	75,809	
Net pension obligation	5,712,519	(6,990,189)
Deferred inflows of resources for pension obligation is not a financial resource and, therefore, is not reported as a liability in governmental funds.		(26,375)
Total net position - governmental activities		$ 2,732,415

The accompanying notes are an integral part of these financial statements.

Northport Public School

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

Year Ended June 30, 2017

	General Fund	2016 Sinking Fund	QZAB Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Local sources	$ 3,344,786	$ 504,404	$ 21,190	$ 1,325	$ 3,871,705
State sources	400,546	-	-	8,188	408,734
Federal sources	282,524	-	-	56,343	338,867
Other transactions	170,092	-	-	29,306	199,398
Total revenues	4,197,948	504,404	21,190	95,162	4,818,704
Expenditures					
Instruction	2,002,990	-	-	-	2,002,990
Supporting Services	1,492,418	-	-	-	1,492,418
Payments to other governments	315				315
Food Service	-	-	-	173,201	173,201
Debt Service					
Principal	-	-	-	12,810	12,810
Interest	-	-	-	2,354	2,354
Capital outlay	162,322	195,406	-	1,844	359,572
Total expenditures	3,658,045	195,406	-	190,209	4,043,660
REVENUES OVER (UNDER) EXPENDITURES	539,903	308,998	21,190	(95,047)	775,044
Other financing sources (uses)					
Operating transfers in	-	-	64,352	75,398	139,750
Operating transfers out	(75,398)	-	-	(64,352)	(139,750)
Total other financing sources (uses)	(75,398)	-	64,352	11,046	-
REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES)	464,505	308,998	85,542	(84,001)	775,044
Fund balance, beginning of year	1,675,426	-	962,924	279,423	2,917,773
Fund balance, end of year	$ 2,139,931	$ 308,998	$ 1,048,466	$ 195,422	$ 3,692,817

The accompanying notes are an integral part of these financial statements.

Northport Public School

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES WITH THE DISTRICT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

Total Net Change in Fund Balances - Governmental Funds		$ 775,044
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlay exceeds depreciation in the period.		
Capital outlays	$ 341,820	
Depreciation expense	(246,498)	95,322
Change in deferred outflow of resources for pension obligation		31,022
In the statement of activities, certain operating expenses - compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, sick time used was more than the the amounts earned by $9,058.		9,058
Repayment of bond and installment loan principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		12,810
Change in deferred inflow of resources for pension obligation		(7,555)
Increase in net pension obligation		(128,907)
Change in net position of governmental activities		$ 786,794

The accompanying notes are an integral part of these financial statements.

Northport Public School

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2017

	Agency Fund
ASSETS	
Cash and cash equivalents	$ 28,839
LIABILITIES	
Due to student groups	$ 28,839

The accompanying notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Northport Public School (the "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 of the School District's accounting policies are described below.

A. Reporting Entity

The School District is a Michigan public school district located in Leelanau County which consists of one K-12 building and primarily serves the Northport Community. As of June 30, 2017, the School District employed 20 professional staff and 18 non-professional staff and had 150 students enrolled within the School District as of the October 2016 count. The School District receives funding from local, State, and Federal government sources and must comply with all of the requirements of these funding source entities. The School District's Board is a special purpose government and considered to be a primary government because it has a separately elected governing body, is legally separate and is fiscally independent of other State and local governments. The financial reporting entity of the School District includes the School District as the primary government and its component units; i.e., legally separate organizations for which the primary government is financially accountable and any other organizations which management has determined, based on the nature of significance of their relationship with the School District, must be included to prevent the School District's financial statements from being misleading. Based on criteria established in Governmental Accounting Standards Board ("GASB") Statement No. 61, as amended, management has not identified any component units. Student, parent and teacher organizations are not included, except to the extent that the School District holds assets in the capacity of an agent.

B. 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 School District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the School District's activities are classified as 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 or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead 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 School District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The School District first utilizes restricted resources to finance qualifying activities.

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

The net costs (by function) are normally covered by general revenue (property taxes, State sources, intermediate district sources, interest income and other revenues.)

The School District does not allocate indirect costs.

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

Major individual governmental funds are reported as separate columns in the fund financial statements and all other funds are combined and reported as non-major funds. Major funds are generally those that represent 10% or more of governmental fund assets, liabilities, revenues or expenditures.

Governmental Funds – Governmental funds are those funds through which most School District functions typically are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities are accounted for through governmental funds.
The School District reports the following major governmental funds:

The *GENERAL FUND* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those accounted for in another fund.

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

The *2016 SINKING FUND* records capital project activities funded with Sinking Fund millage.

Other Non-Major Governmental Funds

SPECIAL REVENUE FUNDS account for revenue sources that are restricted or committed to expenditures for specific purposes (not including expendable trusts or major capital projects). The School District accounts for its Food Service activities in the special revenue fund.

The *CAPITAL PROJECTS SINKING FUND* records capital project activities funded with Sinking Fund millage as well as funding for the Qualified Zone Academy Bond ("QZAB") obligations.

The 2009 *DEBT SERVICE FUND* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Fiduciary Funds

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

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

C. Measurement Focus, Basis of Accounting and Basis of Presentation

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.

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 School District generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Material 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 School 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. For the year ended June 30, 2017, the foundation allowance was based on pupil membership counts taken in February and October of 2016.

For fiscal year ended June 30, 2017, the per pupil foundation allowance was $8,977.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills on Principal Residence Exemption ("PRE") property and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes (formerly known as Non-Homestead) which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The State revenue is recognized during the foundation period and is funded through payments from October 2016 to August 2017. Thus, the unpaid portion at June 30th is reported as due from other governments. However, because the actual local non homestead property tax levy of 13.388 mills is greater than the gross foundation allowance, the School District received no actual foundation allowance revenue from the State for the year ended June 30, 2017.

The School 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. Categorical funds received, which are not expended by the close of the fiscal year are recorded as unearned revenue.

D. Other Accounting Policies

1. Cash and Cash Equivalent Investments

Cash includes amounts in demand deposits.

Investments are carried at market value.

The School District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

(a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government or obligations of the State.

(b) Certificates of deposit issued by any State or national bank organized and authorized to operate in this State.

(c) Commercial paper rated prime 1 or prime 2 at the time of purchase and maturing not more than 270 days after the date of purchase.

(d) Michigan Investment Liquid Asset Fund Plus ("MILAF").

The School District's deposits and investments are held separately by several of the School District's funds.

2. Short-Term Interfund Receivables/Payables

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

3. Property Taxes

Property taxes levied by the School District are collected by various municipalities and periodically remitted to the School District. Property taxes are assessed as of January 1 and billed and due July 1. Unpaid taxes become delinquent as of September 14th and are subject to penalties and interest after that date. Uncollected taxes at year-end are not material and are not accrued.

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

	Taxable Value	Mills	Tax Levy
General Fund – Non-Homestead	$ 247,053,436	13.388	$ 3,307,551
2016 Sinking Fund – Homestead and Non-Homestead	402,951,658	1.2436	501,111

4. Inventories and Prepaid Expenditures

Inventories are valued at cost. In the General Fund, the School District considers all supplies to be consumed when acquired and any inventories on hand at year-end are considered to be immaterial. The Food Service inventory consists of food products held for consumption. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

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

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and Improvements	25 - 50 years
Buses and Vehicles	7 - 10 years
Furniture and Other Equipment	5 - 15 years

The School District's capitalization policy is to capitalize individual amounts exceeding $5,000.

6. Compensated Absences

It is the School District's policy to permit employees to accumulate earned but unused sick pay benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. The benefit vests after one year of employment. A liability is recorded in the statement of net position as benefits accumulate and a liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee retirements.

At June 30, 2017, the non-current liability to the employees for accumulated sick leave and related fringe benefits is estimated at $75,809. It is reasonably possible that the estimated liability could change significantly due to non-vested teachers and/or support staff leaving the district or a higher or lower than normal use of employee sick leave. No portion of this liability was reported as a current liability in the General Fund at June 30, 2017.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred. The School District has opted to apply the provisions of GASB 34 paragraph 146 which allows the amortization of material premiums and discounts to be applied prospectively for all bonds issued after July 1, 2002.

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

8. Pension Plan

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

9. Use of Estimates

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

10. Fund Equity

The Fund Balance consists of five categories:

Non-spendable, Restricted, Committed, Assigned, and Unassigned.

• **Non-spendable Fund Balance** consists of funds that cannot be spent due to their form (e.g. inventories and pre-paids), or funds that legally or contractually must be maintained intact.

• **Restricted Fund Balance** consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

• **Committed Fund Balance** consists of funds that are set aside for a specific purpose by the School District's highest level of decision making authority (Board of Education). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

• **Assigned Fund Balance** consists of funds that are set aside with the intent to be used for a specific purpose by the School District's highest level of decision making authority (Board of Education) or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.

• **Unassigned Fund Balance** consists of funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

When both restricted and unrestricted funds are available for expenditure, restricted funds are spent first unless legal requirements disallow it.

When committed, assigned and unassigned funds are available for expenditure, committed funds are spent first, assigned funds second, and unassigned funds last.

The School District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures.

The Food Service Fund is a special revenue fund that is used only to report the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service and capital outlay, and that compose a substantial portion of the fund's resources. Other sources, such as interfund transfers, may supplement the fund as long as those sources are committed or assigned to the purposes of the fund. The fund balance of this fund is restricted.

The fund balances of the Debt Service Funds, Capital Projects Sinking Fund and 2016 Sinking Fund are restricted as well.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds.

The School District maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is utilized in the governmental funds. Encumbrances outstanding at year-end are reversed and either cancelled or are included as re-appropriations of fund balance for the subsequent year.

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

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

2. Public hearings are conducted to obtain taxpayer comments.

3. The budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations, if it appears that actual revenues and other financing sources and available fund balance will be less than appropriations or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, in excess of the amount appropriated.

4. The superintendent and the business manager are charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.

5. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.

6. Budgeted amounts were originally adopted on June 13, 2016, and amended by the School Board of Education on June 12, 2017.

B. Excess of Expenditures Over Appropriations

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2017, the School District was in compliance with the Act.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The School District's deposits and investments are all on deposit with banks located in the State of Michigan and Michigan School District Liquid Asset Fund Plus.

Interest rate risk. The School 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 investing pools and limiting the average maturity in accordance with the School District's cash requirement.

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

Credit risk. The School District will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the School District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the School District will do business in accordance with the School District's investment policy. The School District's investment in the Michigan Liquid Asset Fund ("MILAF") investment pool was rated AAAm by Standard and Poor's.

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

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2017, $ 810,304 of the government's bank balance of $ 1,310,304 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investments are categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered, or securities held by the School District or the School District's agent in the School District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the School District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the School District's name. At year-end all of the School District's investments were uncategorized as to risk.

Investments Not Subject to Categorization: Investment Trust Funds	$ 2,737,457

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

Balance sheet classifications:

	Governmental		Fiduciary	
	Deposits	Investments	Assets	Total
Cash and cash equivalents	$ 1,281,630	$ 2,737,457	$ 28,839	$ 4,047,926

B. Receivables

Receivables as of year-end for the government's individual major funds and non-major funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Non-major Funds	Total
Receivables			
Due from Other Governmental Units	$ 101,387	$ 1,258	$ 102,645

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report unavailable in connection with receivables for revenues that are not yet considered to be available. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Grants received, but not yet utilized	$ -	$ 33,022

C. Capital Assets

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

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Other capital assets:				
Building and improvements	$ 8,795,142	$ 161,831	$ -	$ 8,956,973
Furniture and equipment	182,603	103,874	(12,000)	274,477
Buses and vehicles	579,435	76,115	-	655,550
Subtotal	9,557,180	341,820	(12,000)	9,887,000
Less accumulated depreciation				
Building and improvements	3,612,067	199,574	-	3,811,641
Furniture and equipment	115,215	13,242	(12,000)	116,457
Buses and vehicles	411,866	33,682	-	445,548
	4,139,148	246,498	(12,000)	4,373,646
Net capital assets	$ 5,418,032	$ 95,322	$ -	$ 5,513,354

Depreciation for the fiscal year ended June 30, 2017, amounted to $246,498. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Long-Term Debt

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

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

	Bonds Payable	Installment Loan Payable	Compensated Absences	Total
Balance June 30, 2016	$ 1,125,000	$ 89,671	$ 84,867	$1,299,538
Additions	-	-	-	-
Deletions	-	(12,810)	(9,058)	(21,868)
Balance June 30, 2017	1,125,000	76,861	75,809	1,277,670
Less current portion	(1,125,000)	(12,810)	-	(1,137,810)
Total due after one year	$ -	$ 64,051	$ 75,809	$ 139,860

Long-term obligation debt at June 30, 2017:

2003 School Improvement (QZAB) Bonds; due June 1, 2018; interest rate of zero. This debt will be paid by the sinking fund.	$1,125,000
Sanitary sewer connection installment debt; due in installments of $12,810 plus interest at 2.625% through June 30, 2023. This debt will be paid by the sinking fund	76,861
Obligation under contract for compensated absences	75,809
Total general long-term debt	$1,277,670

The annual requirements to amortize debt outstanding as of June 30, 2017, including interest payments of $7,061 are as follows:

Years Ending June 30,	Principal	Interest	Amounts Payable
2018	$ 1,137,810	$ 2,017	$ 1,139,827
2019	12,810	1,681	14,491
2020	12,810	1,345	14,155
2021	12,810	1,009	13,819
2022	12,810	673	13,483
2023	12,811	336	13,147
	1,201,861	7,061	1,208,922
Compensated absences	75,809	-	75,809
	$ 1,277,670	$ 7,061	$ 1,284,731

The annual requirements to amortize the accrued compensated absences are uncertain because it is unknown when the employees will use the leave time.

E. Short-Term Debt

The School District incurred no short-term debt activity for the year.

F. Tax Abatements

The School District had the following tax abatements for the year ended June 30, 2017:

Tax Abatement Program	Tax Abated By	Gross Amount Abated
Property exempt from Ad Valorem taxes Public Act 261 of 2003	Leelanau Township	$ 1,337

G. Interfund Receivables, Payables and Transfers

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as "due to/from other funds" [(i.e., the current portion of interfund loans or "advances to/from other funds")(i.e., the non-current portion of interfund loans)].

There were no interfund receivables or payables reported in the governmental fund financial statements at June 30, 2017.

Interfund transfers as shown in the individual fund financial statements at June 30, 2017 were:

	Transfers In	Transfers Out
General Fund	$ -	$ 75,398
School Service Fund – Food Service Fund	75,398	-
Capital Projects – Sinking Fund	-	64,352
QZAB Debt Service Fund	64,352	-
	$ 139,750	$ 139,750

Transfers are used to move unrestricted general fund revenues to finance various programs that the School District must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies.

H. 2003 School Improvement Bonds

The 2003 School Improvement Bonds are "qualified zone academy bonds" ("QZAB") under Section 1397E(d)(6) of the Internal Revenue Code, allowing holders of the bonds certain income tax credits. The QZAB bonds are due June 1, 2018 but require annual deposits of $64,352 into a sinking fund beginning June 1, 2004. The sinking fund deposits plus the interest earned thereon, which is fixed at 2.15%, will be sufficient to pay off the bonds upon maturity. This fund has accumulated $1,048,466 as of June 30, 2017. The required annual deposits are to be funded by the Capital Projects Sinking Fund.

I. Sinking Fund Tax Levy

On June 10, 2002, the taxpayers approved a sinking fund tax levy. The School District is authorized to levy 1.00 mills for five years which ended with the 2006 tax roll. No further levies have been authorized. The sinking fund will be used for the repairs of school buildings, to fund the 2003 School Improvement Bonds, and to pay for an installment loan for a sewer connection to the school.

On March 8, 2016, the taxpayers approved a sinking fund levy. The School District is authorized to levy 1.25 mills for five years beginning July 1, 2016. The sinking fund will be used for the repairs of school buildings.

The transactions for the sinking funds are accounted for in a capital projects fund and a sinking fund. For these funds, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

J. Single Audit Report

Current Federal guidelines require entities with Federal expenditures exceeding $750,000 to have a "Single Audit" of Federally funded programs. At June 30, 2017, the School District's expenditures for Federally funded programs were less than $750,000 and therefore, the School District is not required to have a "Single Audit" for the fiscal year ended June 30, 2017.

K. Lease Information

The rental expense for the year ended June 30, 2017 was $3,447.

The rental expense consists of a lease agreement for one copier. The future minimum lease payments for the lease remaining at June 30 are:

2018	$ 3,447
2019	3,447
2020	3,447
2021	2,010
	$ 12,351

NOTE 4 - OTHER INFORMATION

A. Pension Plan

Plan Description

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

The System is administered by the Office of Retirement Services ("ORS") within the Michigan Department of Technology, Management and 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/mspers-cafr.

Benefits Provided

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

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

Regular Retirement

The retirement benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation ("FAC"). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period. There is no mandatory retirement age.

Funding Policy

Defined Contribution Plan

Employer contributions to the Plan are dependent on the plan elected by the participant.

Contributions and Funded Status

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

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

The schedule below summarizes pension contribution rates in effect for the Plan's fiscal year September 30, 2016:

Pension Contribution Rates

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

Required contributions to the pension plan from the School District were $514,155 for the year ended September 30, 2016.

The School District's contributions to the MPSERS Defined Contribution Plan were $17,768, for the year ended June 30, 2017, which is equal to the pension expense recognized by the School District for the year.

Post-Employment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverages. Required contributions for post-employment health care benefits are included as part of the School District's total contribution to the MPSERS Plan discussed above.

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

At June 30, 2017, the School District reported a liability of $5,712,519 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2015. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employees during the measurement period. At September 30, 2016, the School District's proportion was .02290%, which was an increase of .000036% from its proportion measured as of September 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense of $558,865. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 71,193	$ 13,539
Changes of assumptions	89,311	-
Net difference between projected and actual earnings on pension plan investments	94,942	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	50,443	12,836
School District contributions subsequent to the measurement date	236,919	-
Total	$ 542,808	$ 26,375

From the above table, $236,919 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as follows:

Year ended September 30	Amount
2017	$ 59,376
2018	51,910
2019	147,248
2020	20,980
	$ 279,514

Actuarial Assumptions

Projection 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 actual valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2016
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:	7.0%
Projected Salary Increases	3.5-12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members

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

Notes:

- Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, 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: 4.6273 for non-university employers
- Recognition period for assets is 5 years
- Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report (www.michigan.gov/mpsers-cafr).

Long-Term Expected Rate of Return on Investments

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.9%
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate & 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.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the School 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% Decrease (Non-Hybrid/Hybrid) (7.0% / 6.0%)	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) (8.0% / 7.0%)	1% Increase (Non-Hybrid/Hybrid) (9.0% / 8.0%)
$ 7,356,287	$ 5,712,519	$ 4,326,665

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS Comprehensive Annual Financial Report ("CAFR"). The 2016 MPSERS CAFR is available at: www.michigan.gov/mpsers-cafr.

Payables to the Michigan Public Schools Employees' Retirement System (MPSERS)

The School District reported $97,760 and $1,631 payable to the plan at June 30, 2017 for legally required defined benefit and defined contribution plan contributions, respectively.

B. Risk Management

The School 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 School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of $500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2017 or any of the prior three years.

C. Sale of Taxes Receivable

The School District has sold its rights to delinquent real property taxes receivable and related late payment penalties to the Leelanau County Treasurer. For the 2017 tax roll the School District received a lump sum payment of $97,611 for general operating tax revenues and $828 for sinking fund revenues. These amounts represent 100% of the present value of the delinquent real property tax receivable. In exchange for these payments, the county is allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the county is ultimately unable to collect any of these delinquent taxes, the School District will have to repay the county.

D. Commitments and Contingencies

In the normal course of operations, the School District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

The teachers of the School District are organized under the Northport Education Association. The Board of Education and the Northport Education Association have a contract through June 30, 2019. The support staff of the School District are organized under the Northport Education Support Personnel Association. The Board of Education and the Northport Education Support Personnel Association have a contract through June 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

Northport Public School

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances - Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual Total
Revenues					
Local and intermediate sources	$ 3,375,390	$ 3,419,362	$ 3,430,774	$ 43,972	$ 11,412
State program revenues	381,670	402,071	400,546	20,401	(1,525)
Federal program revenues	291,581	283,351	282,524	(8,230)	(827)
Incoming transfers and other transactions	30,932	83,314	84,104	52,382	790
Total revenues	4,079,573	4,188,098	4,197,948	108,525	9,850
Expenditures					
Instruction					
Basic programs	2,095,722	1,823,544	1,823,043	272,178	501
Added needs	279,651	180,335	179,947	99,316	388
Total instruction	2,375,373	2,003,879	2,002,990	371,494	889
Supporting Services					
Pupil support	92,115	95,966	94,540	(3,851)	1,426
Instructional staff support	87,275	69,718	68,934	17,557	784
General administration	430,092	295,766	292,390	134,326	3,376
Business services	115,000	110,945	98,788	4,055	12,157
Plant operations and maintenance	537,090	531,764	521,138	5,326	10,626
Transportation	308,881	350,235	338,761	(41,354)	11,474
Central support	144,200	174,196	168,936	(29,996)	5,260
Athletics	93,294	72,207	71,253	21,087	954
Total supporting services	1,807,947	1,700,797	1,654,740	107,150	46,057
Community Services	150	-	-	150	-
Payments to other governmental agencies	-	500	315	(500)	185
Total expenditures	4,183,470	3,705,176	3,658,045	478,294	47,131
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(103,897)	482,922	539,903	586,819	56,981
Other financing uses					
Operating transfers out	(90,000)	(90,000)	(75,398)	-	14,602
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(193,897)	392,922	464,505	586,819	71,583
Fund balance, beginning of year	1,675,426	1,675,426	1,675,426	-	-
Fund balance, end of year	$ 1,481,529	$ 2,068,348	$ 2,139,931	$ 586,819	$ 71,583

Northport Public Schools

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

Michigan Public School Employees Retirement Plan

	9/30/2016	9/30/2015	9/30/2014
School District's proportion of collective net pension liability	0.02290%	0.02286%	0.02254%
School District's proportionate share of net pension liability	$ 5,712,519	$ 5,583,612	$ 4,964,699
School District's covered-employee payroll	1,964,969	1,941,869	1,935,155
School District's proportionate share of net pension liability as a percentage of covered-employee payroll	290.72%	287.54%	256.55%
Plan fiduciary net position as a percentage of total pension liability	63.27%	63.17%	66.20%

SCHEDULE OF SCHOOL DISTRICT'S DEFINED BENEFIT PENSION CONTRIBUTIONS

Michigan Public School Employees Retirement Plan

	6/30/2017	6/30/2016	6/30/2015
Statutorily required employer contributions	$ 312,135	$ 441,003	$ 419,699
School District contributions made to the Plan	312,135	441,003	419,699
Contributions deficiency (excess)	$ -	$ -	$ -
School District's covered-employee payroll	$ 1,709,940	$ 1,940,303	$ 1,939,965
Contributions as a percentage of covered-employee payroll	18.25%	22.73%	21.63%

COMBINING FINANCIAL STATEMENTS OF NON-MAJOR GOVERNMENTAL FUNDS

Northport Public School

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2017

	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Non-Major Governmental Funds
	Food Service	Sinking Fund	2009 Debt Service Fund	
ASSETS				
Cash and cash equivalents	$ 3,010	$ 139,438	$ 48,681	$ 191,129
Due from other governments and other receivables	3,211	-	-	3,211
Inventory	1,498	-	-	1,498
Total assets	$ 7,719	$ 139,438	$ 48,681	$ 195,838
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 108	$ -	$ -	$ 108
Unearned revenue	308	-	-	308
Total liabilities	416	-	-	416
FUND BALANCES				
Nonspendable - inventory	1,498	-	-	1,498
Restricted for Debt Retirement	-	-	48,681	48,681
Restricted for Capital Projects	-	139,438		139,438
Restricted for Food Service	5,805	-	-	5,805
Total fund balances	7,303	139,438	48,681	195,422
Total liabilities and fund balances	$ 7,719	$ 139,438	$ 48,681	$ 195,838

Northport Public School

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Non-Major Governmental Funds
	Food Service	Sinking Fund	2009 Debt Service	
Revenues				
Interest	$ -	$ 1,301	$ 24	$ 1,325
State revenues	8,188	-	-	8,188
Federal revenues	56,343	-	-	56,343
Other	29,201	8	97	29,306
Total revenues	93,732	1,309	121	95,162
Expenditures				
Food Service	173,201	-	-	173,201
Debt Service				
Principal	-	12,810	-	12,810
Interest	-	2,354	-	2,354
Capital outlay	1,844	-	-	1,844
Total expenditures	175,045	15,164	-	190,209
REVENUES UNDER EXPENDITURES	(81,313)	(13,855)	121	(95,047)
Other financing sources				
Operating transfers in	75,398	-	-	75,398
Operating transfers out	-	(64,352)	-	(64,352)
Total financing sources (uses)	75,398	(64,352)	-	11,046
REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES	(5,915)	(78,207)	121	(84,001)
Fund balance, beginning of year	13,218	217,645	48,560	279,423
Fund balance, end of year	$ 7,303	$ 139,438	$ 48,681	$ 195,422

DENNIS, GARTLAND & NIERGARTH

Certified Public Accountants
Business Advisors

Thomas E. Gartland, Retired
Brad P. Niergarth, CPA
James G. Shumate, CPA
Robert C. Thompson, CPA
Michael D. Shaw, CPA
Mary F. Krantz, CPA
Shelly K. Bedford, CPA
Heidi M. Wendel, CPA
Shelly A. Ashmore, CPA
James M. Taylor, CPA

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

Board of Education
Northport Public School

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 Northport Public School (the "School District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 10, 2017.

Internal Control Over Financial Reporting

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

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

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

415 Munson Avenue | P.O. Box 947 | Traverse City, Michigan 49685-0947
231-946-1722 ph | 231-946-2762 fax | www.dgncpa.com

CPAMERICA INTERNATIONAL
Member Crowe Horwath International

Compliance and Other Matters

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

Purpose of this Report

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

Dennis, Gartland & Niergarth

October 10, 2017