

Public Schools of
Petoskey



Year Ended
June 30, 2015

Financial
Statements and
Single Audit Act
Compliance

PUBLIC SCHOOLS OF PETOSKEY

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INDEPENDENT AUDITORS' REPORT

October 27, 2015

Board of Education
Public Schools of Petoskey
Petoskey, 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 *Public Schools of Petoskey* (the "District"), as of and for the year ended June 30, 2015, 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.

Independent Auditors' 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 of 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 auditors' 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 previously 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 Public Schools of Petoskey as of June 30, 2015, and the respective changes in financial position, and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 68

As described in Note 13, the District implemented the provisions of GASB Statement No. 68, *Financial Reporting for Pension Plans* in the current year. Accordingly, beginning net position of governmental activities was restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplementary information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rehmann Loban LLC

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MANAGEMENT'S DISCUSSION AND ANALYSIS

PUBLIC SCHOOLS OF PETOSKEY

Management's Discussion and Analysis

As management of the Public Schools of Petoskey (the "District"), a K-12 school district located in Emmet and Charlevoix Counties, Michigan, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

The District's financial statements consist of three parts: Management's Discussion and Analysis (this section), the basic financial statements and other supplementary information.

The basic financial statements include two kinds of statements that present different views of the District:

- . The first two statements are the District-wide financial statements that provide both short-term and long-term information about the District's overall financial status. These statements present an aggregate view of the District's finances and a longer-term view of those finances.
- . The next statements are fund financial statements that focus on individual funds of the District. These statements look at the District's operations in more detail than the District-wide financial statements by providing information about the District's most significant funds - the General Fund, the Sinking Fund, the Athletic Complex Fund, and the Debt Service Fund, with all other funds aggregated and presented in one column as nonmajor funds.

The statement of fiduciary assets and liabilities - agency fund presents financial information about activities for which the District acts solely as an agent for the benefit of students and others.

District-wide financial statements. The District-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position and the statement of activities, which appear first in the District's financial statements, include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and use the full accrual basis of accounting. This means that all of the current year's revenues and expenses are taken into account regardless of when cash is received.

The two District-wide financial statements report the District's net position and how it has changed. Net position - the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the District's financial health. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The relationship between revenues and expenses is the District's operating results. However, it should be noted that unlike most private-sector companies where improving shareholder wealth is the goal, the District's goal is to provide services to our students. Therefore, in order to assess the overall health of the District, one must consider many nonfinancial factors such as the quality of education provided, breadth of curriculum offered, condition of school facilities, and the safety of the schools.

The statement of net position and statement of activities report the governmental activities for the District, which encompass all of the District's services including instruction, supporting services, community services, food services, and athletics. Property taxes, unrestricted state aid, state grants, and federal grants finance most of these activities.

PUBLIC SCHOOLS OF PETOSKEY

Management's Discussion and Analysis

Fund financial statements. The District's fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants, though the District may establish other funds to help control and manage money for particular purposes. It may also establish other funds to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

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

The fund financial statements are formatted to comply with the legal requirements of the Michigan Department of Education's Bulletin 1022. The District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including:

- . Debt Service Fund - consisting of the 2015 refunding bonds, 2012 Technology bonds, 2005 refunding bonds, and two land contracts.
- . Special Revenue Fund - consisting of the Food Service Fund.
- . Capital Project Funds - consisting of the Sinking Fund, Technology Bonds Fund, Building & Site Fund, and the Athletic Complex Fund.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. Assets are not capitalized at the fund level. 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 debt obligations are not recorded at the fund level.

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in a separate statement of assets and liabilities - agency fund. 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.

PUBLIC SCHOOLS OF PETOSKEY

Management's Discussion and Analysis

District-Wide Financial Analysis

As stated earlier, the statement of net position provides the perspective of the District as a whole. At June 30, 2015, the District reported a net position of \$13,059,311. This balance was significantly impacted by the requirement to report the District's proportionate share of the MPSERS net pension liability on its statement of net position in fiscal year 2015. This was a new requirement due to the mandated implementation of GASB 68 starting with the year ended June 30, 2015. The table below provides a summary of the District's net position as of June 30, 2015, and June 30, 2014:

	Net Position		
	Governmental Activities		Percent Change
	2015	2014	
Assets			
Current and other assets	\$20,088,600	\$12,667,845	58.58%
Capital assets, net	52,028,629	49,209,394	5.73%
	<u>72,117,229</u>	<u>61,877,239</u>	<u>16.55%</u>
Deferred outflows of resources	4,846,350	-	100.00%
Liabilities			
Current and other liabilities	37,337,593	3,875,518	863.42%
Long-term liabilities	23,018,766	16,717,139	37.70%
	<u>60,356,359</u>	<u>20,592,657</u>	<u>193.10%</u>
Deferred inflows of resources	3,547,909	-	100.00%
Net position			
Net investment in capital assets	38,630,548	33,744,048	14.48%
Restricted	3,270,616	5,733,817	-42.96%
Unrestricted (deficit)	(28,841,853)	1,806,717	-1696.37%
Total net position	<u>\$13,059,311</u>	<u>\$41,284,582</u>	<u>-68.37%</u>

Net investment in capital assets, approximately \$38,631,000, is the original cost of the District's capital assets, less depreciation, less the long-term debt outstanding used to finance the acquisition of those assets. This debt will be repaid mainly from voter-approved property taxes collected as the debt and interest payments come due. Restricted net position of approximately \$3,271,000 is shown separately to recognize legal constraints from debt covenants and enabling legislation. These constraints limit the District's ability to use the restricted net position for day-to-day operations.

The remaining amount of net position, a deficit of approximately \$28,842,000 represents the accumulated results of the current and all past years' operations. As noted earlier, this deficit in 2015 is a result of the requirement to report the District's net pension liability of approximately \$32,093,000 on its statement of net position due to the implementation of GASB 68 effective June 30, 2015. The operating results of the General Fund will also have a significant impact on the change in unrestricted net position from year to year.

PUBLIC SCHOOLS OF PETOSKEY

Management's Discussion and Analysis

The results of this year's operations of the District as a whole are reported in the statement of activities, summarized in the table below, which shows the changes in net position for fiscal year 2015 and 2014.

	Change in Net Position		
	Governmental Activities		Percent
	2015	2014	Change
Program revenues			
Charges for services	\$ 797,502	\$ 758,203	5.18%
Grants and contributions	5,146,505	4,348,395	18.35%
General revenues			
Property taxes	19,806,126	19,603,430	1.03%
Unrestricted state aid	7,003,795	6,797,793	3.03%
Other	137,947	114,990	19.96%
Total revenues	<u>32,891,875</u>	<u>31,622,811</u>	<u>4.01%</u>
Expenses			
Instruction	17,747,686	17,301,917	2.58%
Supporting services	7,428,766	7,338,093	1.24%
Community services	8,471	10,889	-22.21%
Food services	931,269	903,199	3.11%
Athletics	558,509	472,625	18.17%
Interest on long-term debt	386,541	608,201	-36.45%
Bond issuance costs	181,834	-	100.00%
Unallocated depreciation	2,407,909	2,296,550	4.85%
Total expenses	<u>29,650,985</u>	<u>28,931,474</u>	<u>2.49%</u>
Increase in net position	<u>3,240,890</u>	<u>2,691,337</u>	<u>20.42%</u>
Net position, beginning of year	41,284,582	38,593,245	6.97%
Restatement for implementation of GASB 68	(31,466,161)	-	-100.00%
	<u>9,818,421</u>	<u>38,593,245</u>	<u>-74.56%</u>
Net position, end of year	<u>\$13,059,311</u>	<u>\$41,284,582</u>	<u>-68.37%</u>

Of the District's total revenues available to operate the District, 2.42% or approximately \$798,000 came from fees charged to those who benefited from the programs. Revenues from other governments or organizations that subsidize certain programs with grants and other directed types of funding approximated 15.65% or approximately \$5,147,000.

The State foundation allowance accounted for 21.29% or approximately \$7,004,000 of the revenue available. This revenue is determined by a formula that incorporates pupil headcount, the annual per pupil allowance, and the non-homestead property taxable values of the District. The increase of 3.03% is mainly due to a \$100 increase in the per pupil allowance over the prior year.

PUBLIC SCHOOLS OF PETOSKEY

Management's Discussion and Analysis

Local property taxes, of approximately \$19,806,000 or 60.22% of total revenue, supported the remaining portion of the governmental activities. Property tax revenue increased by 1.03% due to taxable value increases in the district as well as an increase in a debt service millage rate. The property tax revenue comes mainly from the 18 mills on all non-homestead property, which we are required to levy by the State in order to receive our full State foundation allowance. The District enjoys the support of the community in maintaining our facilities, as approximately \$1,824,000 of the \$19,806,000 in tax revenue is generated by a special millage specifically for capital expenditures. The proceeds and expenditures of this special millage are accounted for exclusively in the District's Sinking Fund. This special millage was renewed by voters in May 2012, and will expire on December 31, 2019.

The expense portion of table above shows the financial support of each functional area required during the year. The overall increase of 2.49% is due to salary and fringe benefit cost increases. Being in the business of educating children, the largest expenses were incurred in instruction, which accounted for approximately \$17,748,000 or 59.86% of total expenses. Support services cost approximately \$7,429,000 or 25.05% of total expenses, which include such items as transportation, maintenance, security, supervision, counseling, health care, and a variety of similar services that support the District's mission of educating children.

The District experienced an increase in net position of approximately \$3,241,000 or a 20.42% increase from fiscal 2014 increase in net position of approximately \$2,691,000. Overall, revenue increased 4.01%, while expenses increased by 2.49%. It should be noted that under the accrual basis of accounting, property taxes collected for debt service are recognized as revenue, while only interest on the debt is recognized as expense. The increase in net position differs from the change in fund balance and a reconciliation appears later in the financial statements.

Financial Analysis of the District's Funds

As noted earlier, the District uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources taxpayers and others provide, and may provide more insight in the District's overall financial health. As the District completed this year, the governmental funds reported a combined fund balance of approximately \$14,995,000, which is an increase of approximately \$6,112,000 from the prior year. The Athletic Complex capital projects funds reported a fund balance increase of approximately \$8,707,000 resulting from issuance of new debt for construction of a sports complex. Approximately \$2,266,000 in fund balance was used in the Sinking Fund and the 2012 Technology Bond Capital Projects Fund on infrastructure projects. Most other funds posted modest increases in fund balance due to cost cutting measures and careful budget oversight.

Of the combined governmental fund balances, 4.18% or approximately \$627,000 constitutes unassigned fund balance, which is available for spending at the District's discretion. District management has assigned approximately \$2,224,000 of fund balance to indicate planned uses of these funds. Of the assigned fund balance, approximately \$85,000 has been set aside to recognize the fund balance accumulated by the efforts of the Athletic department and supporters and approximately \$539,000 for capital projects. Management has assigned another \$1,600,000 as the minimum amount necessary to avoid borrowing for cash flow purposes. Approximately \$12,038,000 is restricted fund balance to indicate that it is not available for spending at the District's discretion. Of the restricted fund balance, approximately \$11,570,000 is earmarked for capital improvements, approximately \$455,000 is earmarked for payments on long-term debt and \$13,000 is earmarked for food service. The remaining fund balance is non-spendable, and is earmarked for inventory and prepaid items.

The General Fund is the principal operating fund of the District. At the end of the current fiscal year, assigned fund balance of the General Fund was approximately \$1,685,000, while total fund balance was approximately \$2,327,000. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 8.70% of total General Fund expenditures.

PUBLIC SCHOOLS OF PETOSKEY

Management's Discussion and Analysis

The fund balance of the District's General Fund decreased by approximately \$241,000 during the current fiscal year, due to a multi-year management plan designed to use accumulated fund balance to offset future expected declines in State funding.

General Fund Budgetary Highlights

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

A summary of variances from the final amended budget is as follows:

- . The District's General Fund revenues were approximately \$531,000 less than the final amended budget, a variance of (1.96)%. The actual revenue was under budget mainly due to state and federal grant awards not being spent in the time frame anticipated.
- . The District's General Fund expenditures were approximately \$1,192,000 less than the final amended budget, a variance of 4.26%. \$531,000 of the difference was due to state and federal grant awards that were not spent in the time frame anticipated. These funds are not lost, rather they carry forward to the next fiscal year. The remaining difference was due to cost-savings programs implemented throughout the year.
- . The difference between the original and final amended budget for the General Fund is mainly related to changes in health and retirement benefits, pupil count, state funding and other factors that were not known at the time of the original budget, along with various other small changes to budgeted revenues and expenditures.

Capital Asset and Debt Administration

Capital Assets. By June 30, 2015, the District had invested approximately \$83,129,000 in a broad range of capital assets, including school buildings, land, athletic facilities, furniture, and equipment. This represents a net increase (including all additions and disposals) of approximately \$5,227,000 or 6.71% from last year. More detailed information about capital assets is available in Note 7 to the financial statements.

This year's major capital asset additions include the surveillance system, the phone system, and the McDougal Road extension. Construction-in-progress is attributable mainly to the construction of the Athletic Complex.

	Capital Assets (Net of Depreciation)	
	2015	2014
Land	\$ 3,384,351	\$ 3,384,351
Construction in progress	3,820,724	1,102,574
Buildings and improvements	41,958,690	41,916,834
Furniture and equipment	2,864,864	2,805,635
Total capital assets, net	\$52,028,629	\$49,209,394

PUBLIC SCHOOLS OF PETOSKEY

Management's Discussion and Analysis

Debt Administration. At year-end, the District had approximately \$23,019,000 in general obligation bonds and other long-term debt outstanding - an increase of 37.70% from last year - as shown in the below table. The net increase is due to the issuances of the 2015 general obligation bonds offset by the scheduled annual principal payments made throughout the year. More detailed information about the District's long-term debt is presented in Note 8 to the financial statements, and in the Other Supplementary Information section.

	Long-Term Debt	
	2015	2014
General obligation bonds	\$21,897,240	\$14,784,060
Other long-term debt	1,121,526	1,933,081
Total long-term debt	<u>\$23,018,766</u>	<u>\$16,717,141</u>

In fiscal 2004, the District entered into a land contract for the purchase of land. The original amount of the 2004 land contract was \$700,000, and the remaining balance at year end is approximately \$208,000.

Factors Bearing on the District's Future

We considered many factors when setting the District's 2015-2016 fiscal year budget, including anticipated increases of state and federal funding and increased retirement and health care costs. The District has planned for these changes, as evidenced by the cost-savings measures implemented over the past several years, and the stability in our fund balance.

Approximately 89% of total General Fund revenues are from the foundation allowance, including property taxes. The State foundation allowance is determined by multiplying the blended student count by the foundation allowance per pupil. That makes our student count estimate one of the most important factors impacting our budget. In setting the budget for 2015-2016, we assumed a reduction of thirty-six (36) students based on the predictions of an independent pupil enrollment statistician, and a \$140 increase in the Foundation allowance and related performance funding based on State budget documents.

Since the District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect the revenues to fund its appropriation to school districts. For fiscal year 2014-2015, the District saw a foundation allowance of \$7,126, which was \$100 more than in 2013-2014. A loss of 31 students over our predictions contributed greatly to the negative direction of the 2013-2014 budget, but we were able to implement cost-savings measures early in the year to offset the revenue loss. Based on our statistician's recommendations, we anticipate slightly declining K-12 enrollment that mirrors the state-wide trend.

Modest budget cuts in 2014-2015 combined with an expected use of fund balance this year were part of a multi-year financial plan enacted two years ago. The district anticipates further modest use of fund balance going into 2015-2016. We believe the 2015-2016 foundation allowance will increase by \$265 to \$7,391 but student enrollment will decline by 36 students. Due to these offsetting factors, the district anticipates \$123,000 less revenue for the year. We also assume that our costs will increase by approximately \$183,000 due to staff contract provisions, retirement costs, and health care cost increases offset by modest budget cuts. The anticipated shortfall is expected to place our fund balance in a range between \$1.7 to \$2.1 million by the end of the 2015-2016 fiscal year. The District believes a fund balance of \$1.6 million, or 6.0% of expenses, is the minimum necessary to meet contingencies and cash flow requirements without borrowing, and the 2015-2016 budget falls within these parameters.

PUBLIC SCHOOLS OF PETOSKEY

Management's Discussion and Analysis

The District believes that constant monitoring of the budget and modest on-going cost cutting measures, when combined with the State's retirement reform and health care cost reforms, is sufficient to maintain the current programming for the next few years with only modest increases from State revenue sources. However, State funding increases over the past ten years have been less than the rate of inflation, and further cuts in 2-3 years will be necessary if that trend continues.

The District's labor contract with the Petoskey Education Association, which represents the District's teachers, was settled in August 2015, and will expire in August 2017. The District's labor contract with the Petoskey Educational Support Personnel Association, which represents the District's support personnel, was settled in August 2015, and will expire in August 2018.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances. It is also designed to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, 1130 Howard Street, Petoskey, Michigan 49770.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

PUBLIC SCHOOLS OF PETOSKEY

Statement of Net Position

Governmental Activities

June 30, 2015

Assets	
Cash and cash equivalents	\$ 14,773,083
Investments	3,144,314
Receivables	2,065,011
Prepays and other current assets	106,192
Capital assets not being depreciated	7,205,075
Capital assets being depreciated, net	<u>44,823,554</u>
Total assets	<u>72,117,229</u>
Deferred outflows of resources	
Deferred pension amounts	<u>4,846,350</u>
Liabilities	
Accounts payable and accrued liabilities	4,418,679
Unearned revenue	825,792
Long-term liabilities:	
Due within one year	3,140,761
Due in more than one year	19,878,005
Net pension liability	<u>32,093,122</u>
Total liabilities	<u>60,356,359</u>
Deferred inflows of resources	
Deferred pension amounts	<u>3,547,909</u>
Net position	
Net investment in capital assets	38,630,548
Restricted for:	
Capital outlay	2,862,331
Debt service	303,811
Food service	104,474
Unrestricted (deficit)	<u>(28,841,853)</u>
Total net position	<u>\$ 13,059,311</u>

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

PUBLIC SCHOOLS OF PETOSKEY

Statement of Activities For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction	\$ 17,747,686	\$ 99,082	\$ 4,125,062	\$ -	\$ (13,523,542)
Supporting services	7,428,766	64,195	122,308	-	(7,242,263)
Community services	8,471	-	-	-	(8,471)
Food services	931,269	443,708	491,301	-	3,740
Athletics	558,509	190,517	51,084	356,750	39,842
Interest on long-term debt	386,541	-	-	-	(386,541)
Bond issuance costs	181,834	-	-	-	(181,834)
Unallocated depreciation	2,407,909	-	-	-	(2,407,909)
Total governmental activities	<u>\$ 29,650,985</u>	<u>\$ 797,502</u>	<u>\$ 4,789,755</u>	<u>\$ 356,750</u>	<u>(23,706,978)</u>
General revenues					
Property taxes - operations					16,626,325
Property taxes - debt service					3,179,801
Unrestricted state aid					7,003,795
Unrestricted investment earnings					20,313
Other					117,634
Total general revenues					<u>26,947,868</u>
Change in net position					<u>3,240,890</u>
Net position, beginning of year, as restated					<u>9,818,421</u>
Net position, end of year					<u>\$ 13,059,311</u>

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

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FUND FINANCIAL STATEMENTS

PUBLIC SCHOOLS OF PETOSKEY

Balance Sheet Governmental Funds June 30, 2015

	General Fund	Sinking Fund	Athletic Complex Fund
Assets			
Cash and cash equivalents	\$ 807,432	\$ 2,181,263	\$ 9,570,559
Investments	2,875,293	215,139	-
Accounts receivable	31,537	-	-
Due from other funds	2,941	511,548	-
Due from other governmental units	2,008,939	-	-
Other assets	14,990	-	-
Total assets	\$ 5,741,132	\$ 2,907,950	\$ 9,570,559
Liabilities			
Accounts payable	\$ 253,548	\$ -	\$ -
Contracts payable	-	1,252,150	348,676
Salaries payable	1,529,180	-	-
Accrued liabilities	799,729	-	-
Due to other funds	5,608	27,943	514,489
Unearned revenue	825,792	-	-
Total liabilities	3,413,857	1,280,093	863,165
Fund balances			
Nonspendable:			
Inventory	7,269	-	-
Prepaid items	7,721	-	-
Restricted:			
Food service	-	-	-
Debt service	-	-	-
Capital outlay - capital project funds	-	1,627,857	8,707,394
Assigned:			
Athletics	85,403	-	-
Capital outlay - capital project funds	-	-	-
Subsequent years' expenditures	1,600,000	-	-
Unassigned	626,882	-	-
Total fund balances	2,327,275	1,627,857	8,707,394
Total liabilities and fund balances	\$ 5,741,132	\$ 2,907,950	\$ 9,570,559

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



Debt Service Fund	Nonmajor Funds	Total Governmental Funds
\$ 373,191	\$ 1,840,638	\$ 14,773,083
53,882	-	3,144,314
-	8,252	39,789
27,943	5,608	548,040
-	16,283	2,025,222
-	91,202	106,192
<u>\$ 455,016</u>	<u>\$ 1,961,983</u>	<u>\$ 20,636,640</u>
\$ -	\$ 84,191	\$ 337,739
-	-	1,600,826
-	-	1,529,180
-	-	799,729
-	-	548,040
-	-	825,792
<u>-</u>	<u>84,191</u>	<u>5,641,306</u>
-	6,202	13,471
-	85,000	92,721
-	13,272	13,272
455,016	-	455,016
-	1,234,474	11,569,725
-	-	85,403
-	538,844	538,844
-	-	1,600,000
-	-	626,882
<u>455,016</u>	<u>1,877,792</u>	<u>14,995,334</u>
<u>\$ 455,016</u>	<u>\$ 1,961,983</u>	<u>\$ 20,636,640</u>

PUBLIC SCHOOLS OF PETOSKEY

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2015

Fund balances - total governmental funds	\$ 14,995,334
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statements.	
Capital assets not being depreciated	7,205,075
Capital assets being depreciated, net	44,823,554
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(32,093,122)
Deferred outflows related to the net pension liability	4,846,350
Deferred inflows related to the net pension liability	(3,547,909)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Unamortized bond premiums, net	(2,022,240)
Bonds and land contracts payable	(20,083,235)
Early retirement incentives	(300,002)
Accrued interest on bonds payable	(151,205)
Compensated absences	(613,289)
Net position of governmental activities	<u>\$ 13,059,311</u>

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

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PUBLIC SCHOOLS OF PETOSKEY

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2015

	General Fund	Sinking Fund	Athletic Complex Fund
Revenues			
Local sources:			
Property taxes	\$ 14,328,998	\$ 1,823,976	\$ -
Payment in lieu of taxes	473,351	-	-
Charges for services	99,082	-	-
Rent income	-	-	-
Interest	4,206	8,455	1,343
Athletics	241,601	-	-
Other income	112,832	-	-
State sources	9,507,333	-	-
Federal sources	473,297	-	-
Interdistrict sources	1,270,535	-	-
Contributions	-	101,750	255,000
Total revenues	26,511,235	1,934,181	256,343
Expenditures			
Current:			
Instruction	18,595,074	-	-
Supporting services	8,114,697	-	-
Community services	8,471	-	-
Food services	-	-	-
Other	-	3,058	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	33,989	2,929,547	1,496,736
Total expenditures	26,752,231	2,932,605	1,496,736
Revenues under expenditures	(240,996)	(998,424)	(1,240,393)
Other financing sources (uses)			
Bond proceeds	-	-	-
Bond premium	-	-	-
Bond issuance costs	-	-	-
Payment to refunded debt escrow agent	-	-	-
Transfers in	-	-	9,947,787
Transfers out	-	(505,835)	-
Total other financing sources (uses)	-	(505,835)	9,947,787
Net change in fund balances	(240,996)	(1,504,259)	8,707,394
Fund balances, beginning of year	2,568,271	3,132,116	-
Fund balances, end of year	\$ 2,327,275	\$ 1,627,857	\$ 8,707,394

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

Debt Service Fund	Nonmajor Funds	Total Governmental Funds
\$ 3,179,801	\$ -	\$ 19,332,775
-	-	473,351
-	443,708	542,790
-	64,195	64,195
3,974	7,137	25,115
-	-	241,601
-	-	112,832
-	42,390	9,549,723
-	448,911	922,208
-	-	1,270,535
-	-	356,750
<u>3,183,775</u>	<u>1,006,341</u>	<u>32,891,875</u>
-	-	18,595,074
-	-	8,114,697
-	-	8,471
-	932,897	932,897
13,815	-	16,873
2,913,053	-	2,913,053
385,726	-	385,726
-	783,542	5,243,814
<u>3,312,594</u>	<u>1,716,439</u>	<u>36,210,605</u>
<u>(128,819)</u>	<u>(710,098)</u>	<u>(3,318,730)</u>
16,260,000	-	16,260,000
1,980,059	-	1,980,059
(181,833)	-	(181,833)
(8,627,439)	-	(8,627,439)
1,022,835	-	10,970,622
(10,464,787)	-	(10,970,622)
<u>(11,165)</u>	<u>-</u>	<u>9,430,787</u>
(139,984)	(710,098)	6,112,057
595,000	2,587,890	8,883,277
<u>\$ 455,016</u>	<u>\$ 1,877,792</u>	<u>\$ 14,995,334</u>

PUBLIC SCHOOLS OF PETOSKEY

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds	\$ 6,112,057
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital assets purchased/constructed	5,227,144
Depreciation expense	(2,407,909)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but a reduction in long-term liabilities on the statement of net position.	
Proceeds from issuance of long-term debt	(18,240,059)
Principal payments on bonds and land contracts	11,358,053
Early retirement incentive payments	300,660
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Amortization of bond premium	241,879
Change in net pension liability and related deferred amounts	671,480
Change in the accrual for compensated absences	37,842
Change in accrued interest payable on bonds	(60,257)
Change in net position of governmental activities	<u>\$ 3,240,890</u>

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

PUBLIC SCHOOLS OF PETOSKEY

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 15,193,234	\$ 15,199,149	\$ 15,260,070	\$ 60,921
State sources	9,841,487	9,899,400	9,507,333	(392,067)
Federal sources	592,058	672,577	473,297	(199,280)
Interdistrict sources	1,377,630	1,271,174	1,270,535	(639)
Total revenues	27,004,409	27,042,300	26,511,235	(531,065)
Expenditures				
Current:				
Instruction:				
Basic programs	14,683,996	14,513,668	14,292,952	(220,716)
Added needs	4,680,342	4,813,608	4,302,122	(511,486)
Supporting services:				
Pupil services	783,899	785,640	769,670	(15,970)
Instructional staff services	825,015	877,553	741,889	(135,664)
General administration	452,664	440,625	410,121	(30,504)
School administration	1,786,491	1,789,022	1,744,292	(44,730)
Business services	654,231	534,454	496,039	(38,415)
Operations and maintenance	2,165,018	2,150,156	2,097,917	(52,239)
Pupil transportation services	1,270,244	1,276,727	1,216,062	(60,665)
Support services - central	85,794	87,492	72,681	(14,811)
Athletic activities	548,975	617,467	566,026	(51,441)
Community services				
Community services direction	13,400	4,682	680	(4,002)
Non-public school pupils	15,216	18,770	7,791	(10,979)
Capital outlay	100,000	33,989	33,989	-
Total expenditures	28,065,285	27,943,853	26,752,231	(1,191,622)
Net change in fund balance	(1,060,876)	(901,553)	(240,996)	660,557
Fund balance, beginning of year	2,568,271	2,568,271	2,568,271	-
Fund balance, end of year	\$ 1,507,395	\$ 1,666,718	\$ 2,327,275	\$ 660,557

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

PUBLIC SCHOOLS OF PETOSKEY

Statement of Fiduciary Assets and Liabilities

Agency Fund
June 30, 2015

Assets	
Cash and cash equivalents	\$ 302,564
Investments	<u>425,000</u>
Total assets	<u>\$ 727,564</u>
Liabilities	
Due to student groups	\$ 341,878
Scholarships payable	271,945
Due to others	<u>113,741</u>
Total liabilities	<u>\$ 727,564</u>

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

NOTES TO FINANCIAL STATEMENTS

PUBLIC SCHOOLS OF PETOSKEY

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Public Schools of Petoskey (the “District”) has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 61 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit includes significant operational or financial relationships with the District.

District-Wide and Fund Financial Statements

The District-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. 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. The District had no business-type activities during the year ended June 30, 2015.

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 to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund follows the accrual basis of accounting, but does not have a measurement focus. 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.

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 government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period, except taxes which must be collected within 60 days, and reimbursement type grants which must be collected within one year. 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.

PUBLIC SCHOOLS OF PETOSKEY

Notes To Financial Statements

Property taxes, state school aid, expenditure-driven grants, 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.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for and reported in another fund.

The *Sinking Fund* is used to record capital project activities funded with the sinking fund millage.

The *Athletic Complex Fund* is used to account for capital project activities funded with the 2015 school building & site refunding bond proceeds.

The *Debt Service Fund* is used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

Additionally, the District reports the following fund types:

The *Special Revenue Fund* accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *Agency Fund* accounts for assets held for other groups and organizations and is custodial in nature.

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

The effect of interfund activity has been eliminated from the District-wide financial statements.

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and equity

Deposits and investments

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

Investments are reported at fair value.

PUBLIC SCHOOLS OF PETOSKEY

Notes To Financial Statements

Receivables and payables

The District follows the practice of recording revenues that have been earned but not yet received as receivables at year end. Receivables consist primarily of State School Aid payments from the State of Michigan and Federal grant funds earned but not yet collected. No amounts have been identified as potentially uncollectible by management, and therefore, no amount has been recorded as a provision for bad debts.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). There were no interfund advances outstanding at June 30, 2015.

Other assets

Inventory is valued at lower of cost (first-in, first-out) or market. Inventory consists of expendable supplies held for sale or consumption. The cost is recorded as an expenditure when consumed or sold rather than when purchased. Reported inventories are equally offset by nonspendable fund balance, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

Payments made to vendors for services that will benefit future periods are reported as prepaid items. Prepaid items are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

Capital assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	5-50
Furniture and equipment	5-15

PUBLIC SCHOOLS OF PETOSKEY

Notes To Financial Statements

Deferred outflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District reports deferred outflows of resources related to the net pension liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date. More detailed information on pension-related deferred outflows of resources can be found in Note 10.

Salaries payable and accrued employee benefits

A liability is recorded at June 30, 2015 for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The District pays these insurances for this period as a part of the compensation for services rendered in the preceding school year.

Compensated absences

District policy permits certain employees to accumulate earned but unused sick pay benefits, which are paid when the employee separates from service with the District. A liability is recorded in the District-wide financial statements for such amounts. No liability is recorded for accumulated vacation since hours earned do not vest.

Long-term obligations

In the District-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Bonded construction costs and sinking funds

The 2012 Technology Bonds Fund and the Athletic Complex Fund include activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Michigan Revised School Code. Beginning in the year of issuance, the District has recorded the annual construction activity in the 2012 Technology Bonds Fund and in the Athletic Complex Fund, respectively.

PUBLIC SCHOOLS OF PETOSKEY

Notes To Financial Statements

The Sinking Fund records capital project activities funded with a sinking fund millage. For this fund, the 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.

Deferred inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District's deferred inflows of resources are related to pension costs. More detailed information can be found in Note 10.

Fund balances

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 resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District'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 District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education has delegated the authority to assign fund balance to the District's CFO or his designee. 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 fund balance.

Interfund transactions

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the District.

Pensions

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 Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

PUBLIC SCHOOLS OF PETOSKEY

Notes To Financial Statements

Use of 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.

2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

The General Fund is under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (“GAAP”), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budget for the General Fund is adopted on a functional basis.

3. DEPOSITS AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of June 30, 2015:

	Totals
Statement of Net Position	
Cash and cash equivalents	\$ 14,773,083
Investments	3,144,314
Statement of Fiduciary Assets and Liabilities	
Agency funds	
Cash and cash equivalents	302,564
Investments	425,000
Total	<u>\$ 18,644,961</u>
Deposits and investments	
Bank deposits:	
Checking and savings accounts	\$ 15,075,272
Certificates of deposit:	
Maturing in less than one year	425,000
Investments	3,144,314
Cash on hand	375
Total	<u>\$ 18,644,961</u>

PUBLIC SCHOOLS OF PETOSKEY

Notes To Financial Statements

Michigan law authorizes the District to deposit and invest in:

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, bills, 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 five years after the purchase dates.

Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.

Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

Securities issued or guaranteed by agencies or instrumentalities of the 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.

Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

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.

The District's investment policy allows for all of these types of investments.

The District chooses to disclose its investments by specifically identifying each. As of year-end, the District had the following investments:

	Maturity	Fair Value	Rating
Michigan Liquid Asset Fund	n/a	\$ 3,144,314	S&P - AAAM

Certificates of deposit of \$425,000 are considered bank deposits for risk purposes.

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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 above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year-end.

PUBLIC SCHOOLS OF PETOSKEY

Notes To Financial Statements

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year-end, \$15,560,736 of the District's bank balance of \$16,060,736 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

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 above. 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.

4. RECEIVABLES

Receivables are 98 percent due from other governmental units and 2 percent due from customers.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are 43 percent due to vendors, 35 percent salaries payable, and 22 percent other accrued liabilities.

6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2015, was as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 2,941	\$ 5,608
Sinking Fund	511,548	27,943
Athletic Complex Fund	-	514,489
Debt Service Fund	27,943	-
Nonmajor Funds	5,608	-
	<u>\$ 548,040</u>	<u>\$ 548,040</u>

The Agency Fund owes the General Fund \$31,162 at June 30, 2015.

The District reports interfund balances between certain funds. These interfund balances resulted primarily from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

PUBLIC SCHOOLS OF PETOSKEY

Notes To Financial Statements

For the year ended June 30, 2015, interfund transfers consisted of the following:

	Transfers in	Transfers out
Sinking Fund	\$ -	\$ 505,835
Athletic Complex Fund	9,947,787	-
Debt Service Fund	1,022,835	10,464,787
	<u>\$ 10,970,622</u>	<u>\$ 10,970,622</u>

Transfers are used to: 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; 2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

7. CAPITAL ASSETS

Capital assets activity was as follows for the year ended June 30, 2015:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 3,384,351	\$ -	\$ -	\$ -	\$ 3,384,351
Construction-in-progress	1,102,574	3,820,724	-	(1,102,574)	3,820,724
	<u>4,486,925</u>	<u>3,820,724</u>	<u>-</u>	<u>(1,102,574)</u>	<u>7,205,075</u>
Capital assets, being depreciated:					
Buildings and improvements	67,543,536	783,215	-	890,898	69,217,649
Furniture and equipment	5,871,229	623,205	-	211,676	6,706,110
	<u>73,414,765</u>	<u>1,406,420</u>	<u>-</u>	<u>1,102,574</u>	<u>75,923,759</u>
Less accumulated depreciation for:					
Buildings and improvements	(25,626,702)	(1,632,257)	-	-	(27,258,959)
Furniture and equipment	(3,065,594)	(775,652)	-	-	(3,841,246)
	<u>(28,692,296)</u>	<u>(2,407,909)</u>	<u>-</u>	<u>-</u>	<u>(31,100,205)</u>
Total capital assets					
being depreciated, net	<u>44,722,469</u>	<u>(1,001,489)</u>	<u>-</u>	<u>1,102,574</u>	<u>44,823,554</u>
Governmental activities capital assets, net	<u>\$ 49,209,394</u>	<u>\$ 2,819,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,028,629</u>

Unallocated depreciation expense of \$2,407,909 was charged to the governmental activities.

PUBLIC SCHOOLS OF PETOSKEY

Notes To Financial Statements

8. LONG-TERM DEBT

Long-term debt of the District consists of the following at June 30, 2015:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Bonds Payable					
General obligation	\$ 14,500,000	\$ 16,260,000	\$ (10,885,000)	\$ 19,875,000	\$ 2,555,000
Premium on bonds	284,060	1,980,059	(241,879)	2,022,240	228,442
Total bond payable	<u>14,784,060</u>	<u>18,240,059</u>	<u>(11,126,879)</u>	<u>21,897,240</u>	<u>2,783,442</u>
Other long-term liabilities					
Land contracts	681,288	-	(473,053)	208,235	57,317
Early retirement incentives	600,662	-	(300,660)	300,002	300,002
Compensated absences	651,131	80,869	(118,711)	613,289	-
Total other long-term liabilities	<u>1,933,081</u>	<u>80,869</u>	<u>(892,424)</u>	<u>1,121,526</u>	<u>357,319</u>
Total long-term liabilities	<u>\$ 16,717,141</u>	<u>\$ 18,320,928</u>	<u>\$ (12,019,303)</u>	<u>\$ 23,018,766</u>	<u>\$ 3,140,761</u>

PUBLIC SCHOOLS OF PETOSKEY

Notes To Financial Statements

Long-term debt at June 30, 2015, includes the following:

General Obligation Bonds

2012 technology bonds due in annual installments ranging from \$470,000 to \$1,225,000 plus interest ranging from 1.50% to 2.00%; final payment due May 2020. \$ 3,615,000

2015 school building & site refunding bonds due in annual installments ranging from \$1,625,000 to \$2,075,000 plus interest ranging from 2.20% to 5.00%; final payment due May 2024. 16,260,000

Premium on bonds 2,022,240

Total general obligation bonds 21,897,240

Other Long-term Liabilities

Land contract payable in monthly installments of \$5,536 including interest charged at 5.00%; final payment due May 15, 2019. 208,235

Early retirement incentives 300,002

Compensated absences 613,289

Total other long-term liabilities 1,121,526

Total long-term debt \$ 23,018,766

Debt service requirements

The annual requirements to service the bonds, early retirement incentives, and land contracts outstanding to maturity, including both principal and interest, are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	\$ 3,140,761	\$ 914,063	\$ 4,054,824
2017	3,063,689	710,278	3,773,967
2018	3,171,774	606,995	3,778,769
2019	3,260,778	479,443	3,740,221
2020	2,758,445	350,750	3,109,195
2021-2024	<u>7,010,030</u>	<u>600,250</u>	<u>7,610,280</u>
Total	<u>\$ 22,405,477</u>	<u>\$ 3,661,779</u>	<u>\$ 26,067,256</u>

Interest expense charged to governmental activities in fiscal 2015 was \$386,541.

Compensated absences are generally liquidated by the General Fund.

PUBLIC SCHOOLS OF PETOSKEY

Notes To Financial Statements

During fiscal year 2015, the Public Schools of Petoskey advance refunded \$8,627,439 of the 2005 Refunding Bond to provide resources to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the certificates are considered defeased and the liability has been removed from the statement of net position. The refunding resulted in a savings of \$704,128.

9. PROPERTY TAXES

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1 of the following year. School related property taxes are levied on December 1 each year, based on the previous year's assessment, by township governments whose boundaries include property within the District, and are due on February 28. Delinquent real taxes are advanced to the District by the Revolving Tax Fund of the applicable County. Taxes are recorded as revenue in the year levied. Taxes receivable are recorded for property taxes collected within 60 days of year-end, if any.

10. RETIREMENT PLAN

General Information about the Pension Plan

Plan Description. The District contributes to the Michigan Public School Employees Retirement System ("MPSERS"), a cost-sharing multiple-employer pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Services with oversight from a 12-member board. Benefit provisions are established and may be amended by state statute. The Office of Retirement Services issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report can be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling (517) 322-5103.

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

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

The *Member Investment Plan (MIP)* includes additional subgroups based on hire date. The *MIP Fixed* plan includes members hired prior to January 1, 1990. The *MIP Graded* plan includes members first hired from January 1, 1990 through June 30, 2008. The *MIP Plus* plan includes members first hired from July 1, 2008 through June 30, 2010. Members who initially enrolled in the MIP plan and made a voluntary election to contribute a higher rate are participants in the *MIP 7 %* plan.

Members hired between July 1, 2010 and September 3, 2012 were enrolled in the *Pension Plus* plan. Members hired on or after September 4, 2012 are automatically enrolled in this plan unless an election is made to participate in the defined contribution plan. The plan includes a pension component as well as a savings component. Member contributions to the savings component are match at a rate of 50% by the employer (up to a maximum of 1%) and invested in a 401(k) plan.

PUBLIC SCHOOLS OF PETOSKEY

Notes To Financial Statements

Effective February 1, 2013, members that initially enrolled in MIP were provided the option to convert to a defined contribution plan (*Basic 4%*). In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4% employer contributions to a personal 401(k) account.

A member first enrolling in MPSERS on or after September 4, 2012 may elect to enroll in the *defined contribution* plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the Pension Plus plan as described above.

Benefits Provided. MPSERS provides retirement, death, disability and postemployment benefits to eligible participants. Retirement benefits are calculated as a percentage of the employee's final average compensation times the employee's years of service. All participants qualify for a benefit multiplier of 1.5% for the first 30 years of service. Certain benefit groups receive a reduced rate of 1.25% for service above 30 years. Disability benefits are calculated the same as regular service retirement. Participants are eligible to receive full retirement benefits upon reaching the age and years of service requirements below. Most plans offer additional options for early retirement if certain stipulations have been met. Voluntary contributions vest immediately.

Plan	Eligibility Based on Years of Service	Vesting
Member Investment Plan (MIP)	Age 46 with 30 years or age 60 with 10 years	10 years
Basic	Age 55 with 30 years or Age 60 with 10 years	10 years
Pension Plus	Age 60 with 10 years	4 years
Defined Contribution	Age 46 with 30 years or age 60 with 10 years	4 years

Contributions. Employer contributions to the plans are based on a percentage of covered payroll that has been actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Member contributions are determined based on date of hire and the plan selected. In addition, the District is invoiced monthly an amount that approximates 7.63% of covered payroll for "MPSERS UAAL Stabilization." This additional contribution is offset by monthly State aid payments equal to the amounts actually billed by the Office of Retirement Services. For the plan year ended September 30, 2015, an additional 1.13% MPSERS liability prepayment was invoiced as a one-time cost. Employer contribution requirements for pension and retiree healthcare, inclusive of the MPSERS UAAL Stabilization and one-time prepayment rates, range from 27.52% to 31.83% of covered payroll. Plan member contributions range from 0.0% to 7.0% of covered payroll.

The District's contribution to MPSERS under all pension plans for the year ended June 30, 2015, inclusive of the MPSERS UAAL Stabilization and one-time prepayment, was \$3,893,168.

PUBLIC SCHOOLS OF PETOSKEY

Notes To Financial Statements

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

At June 30, 2015, the District reported a liability of \$32,093,122 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At September 30, 2014, the District's proportion (as calculated by MPSERS) was 0.1457%.

For the year ended June 30, 2015, the District recognized pension expense of \$2,599,632. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to its pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Changes in assumptions	\$ 1,184,168	\$ -	\$ 1,184,168
Net difference between projected and actual earnings on pension plan investments	-	3,547,909	(3,547,909)
	<u>1,184,168</u>	<u>3,547,909</u>	<u>(2,363,741)</u>
District contributions subsequent to the measurement date	3,964,587	-	3,964,587
	<u>3,964,587</u>	<u>-</u>	<u>3,964,587</u>
Total	<u>\$ 5,148,755</u>	<u>\$ 3,547,909</u>	<u>\$ 1,600,846</u>

The amount of deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to its pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2016	\$ (579,058)
2017	(579,057)
2018	(579,057)
2019	<u>(626,569)</u>
Total	<u>\$ (2,363,741)</u>

PUBLIC SCHOOLS OF PETOSKEY

Notes To Financial Statements

Actuarial Assumptions. The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.5%
Salary increases	3.5% to 12.3%, including wage inflation at 3.5%
Investment rate of return	8% (7% for the Pension Plus plan)
Cost of living adjustments	3.0% annual, non-compounded for MIP members
Healthcare cost trend rate	8.5% year 1 graded to 3.5% year 12

The mortality table used in this valuation was the RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	4.80%	1.34%
Alternative investment pools	18.00%	8.50%	1.53%
International equity pools	16.00%	6.10%	0.98%
Fixed income pools	10.50%	1.50%	0.16%
Real estate and infrastructure pools	10.00%	5.30%	0.53%
Absolute return pools	15.50%	6.30%	0.98%
Short-term investment pools	2.00%	-0.20%	-0.02%
	<u>100.00%</u>		5.50%
Inflation			<u>2.50%</u>
Investment rate of return			<u>8.00%</u>

PUBLIC SCHOOLS OF PETOSKEY

Notes To Financial Statements

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that District contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the District, calculated using the discount rate of 8.0%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	\$ 42,311,986	\$ 32,093,122	\$ 23,483,577

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan. At June 30, 2015, the District reported a payable of \$521,805 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2015.

Other Postemployment Benefits

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the *Premium Subsidy* plan, a defined benefit postemployment healthcare plan, which is funded by employers on a cash disbursement basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 2.20% to 2.71% of covered payroll. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that covers up to 80% of cost.

Plan members enrolled on or after September 4, 2012 participate in the *Personal Healthcare Fund*. This defined contribution other postemployment benefits plan includes a required 2% employee contribution into a personal tax-deferred account, which is matched by an additional 2% employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund option. Effective February 1, 2013, these members are no longer required to make the 3% employee contribution. Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 are pending a Supreme Court resolution.

PUBLIC SCHOOLS OF PETOSKEY

Notes To Financial Statements

The District's contributions to MPSERS for other postemployment benefits amounted to \$404,997 for the year ended June 30, 2015.

11. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2015, was as follows:

	Governmental Activities
Capital assets:	
Capital assets not being depreciated	\$ 7,205,075
Capital assets being depreciated, net	<u>44,823,554</u>
	52,028,629
Less related debt:	
Noncurrent liabilities	
Due within one year	(3,140,761)
Due in more than one year	(19,878,005)
Add back: unexpended bond proceeds	8,707,394
Add back: early retirement incentives	300,002
Add back: compensated absences	<u>613,289</u>
Net investment in capital assets	<u><u>\$ 38,630,548</u></u>

12. COMMITMENTS AND CONTINGENCIES

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and contracts. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving environmental matters. No such claims or proceedings have been asserted as of June 30, 2015.

During fiscal year 2015, the District had entered into two construction contracts amounting to approximately \$13,310,000. As of June 30, 2015, approximately \$11,139,000 remains to be completed on these construction contracts.

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District has purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program, in which the District participates, operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

PUBLIC SCHOOLS OF PETOSKEY

Notes To Financial Statements

13. RESTATEMENT

The District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result of this change, beginning net position of governmental activities was decreased by \$31,466,161.



REQUIRED SUPPLEMENTARY INFORMATION

PUBLIC SCHOOLS OF PETOSKEY

Required Supplementary Information MPERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30, 2015
District's proportion of the net pension liability	0.1457%
District's proportionate share of the net pension liability	\$ 32,093,122
District's covered-employee payroll	12,742,819
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	251.85%
Plan fiduciary net position as a percentage of the total pension liability	66.20%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

PUBLIC SCHOOLS OF PETOSKEY

Required Supplementary Information MPERS Cost-Sharing Multiple-Employer Plan

Schedule of District Contributions

	Year Ended June 30, 2015
Contractually required contribution	\$ 3,893,168
Contributions in relation to the contractually required contribution	<u>(3,893,168)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 12,850,648
Contributions as a percentage of covered employee payroll	30.3%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

PUBLIC SCHOOLS OF PETOSKEY

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Special Revenue Fund	Capital Project Funds		Total
	Food Service	Building and Site	Technology Bonds	
Assets				
Cash and cash equivalents	\$ 22,188	\$ 525,172	\$ 1,293,278	\$ 1,840,638
Accounts receivable	188	8,064	-	8,252
Due from other funds	-	5,608	-	5,608
Due from other governmental units	16,283	-	-	16,283
Other assets	91,202	-	-	91,202
Total assets	<u>\$ 129,861</u>	<u>\$ 538,844</u>	<u>\$ 1,293,278</u>	<u>\$ 1,961,983</u>
Liabilities				
Accounts payable	\$ 25,387	\$ -	\$ 58,804	\$ 84,191
Fund balances				
Nonspendable:				
Inventory	6,202	-	-	6,202
Prepays	85,000	-	-	85,000
Restricted:				
Food service	13,272	-	-	13,272
Capital outlay	-	-	1,234,474	1,234,474
Assigned - capital outlay	-	538,844	-	538,844
Total fund balances	<u>104,474</u>	<u>538,844</u>	<u>1,234,474</u>	<u>1,877,792</u>
Total liabilities and fund balances	<u>\$ 129,861</u>	<u>\$ 538,844</u>	<u>\$ 1,293,278</u>	<u>\$ 1,961,983</u>

PUBLIC SCHOOLS OF PETOSKEY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2015

	Special Revenue Fund	Capital Project Funds		Total
	Food Service	Building and Site	Technology Bonds	
Revenues				
Local sources:				
Charges for services	\$ 443,708	\$ -	\$ -	\$ 443,708
Rent income	-	64,195	-	64,195
Interest	775	1,560	4,802	7,137
State sources	42,390	-	-	42,390
Federal sources	448,911	-	-	448,911
Total revenues	935,784	65,755	4,802	1,006,341
Expenditures				
Current:				
Food services	932,897	-	-	932,897
Capital outlay	-	17,150	766,392	783,542
Total expenditures	932,897	17,150	766,392	1,716,439
Net change in fund balances	2,887	48,605	(761,590)	(710,098)
Fund balances, beginning of year	101,587	490,239	1,996,064	2,587,890
Fund balances, end of year	\$ 104,474	\$ 538,844	\$ 1,234,474	\$ 1,877,792

PUBLIC SCHOOLS OF PETOSKEY

Balance Sheet

General Fund

June 30, 2015

(With Comparative Totals as of June 30, 2014)

	2015	2014
Assets		
Cash and cash equivalents	\$ 807,432	\$ 808,719
Investments	2,875,293	2,984,335
Accounts receivable	31,537	8,240
Due from other funds	2,941	6,570
Due from other governmental units	2,008,939	1,942,260
Other assets	14,990	19,045
Total assets	\$ 5,741,132	\$ 5,769,169
Liabilities		
Accounts payable	\$ 253,548	\$ 262,025
Salaries payable	1,529,180	1,432,010
Accrued liabilities	799,729	769,884
Due to other funds	5,608	710
Unearned revenue	825,792	736,269
Total liabilities	3,413,857	3,200,898
Fund balances		
Nonspendable:		
Inventory	7,269	8,443
Prepaid items	7,721	10,602
Assigned:		
Athletics	85,403	106,403
Subsequent years' expenditures	1,600,000	1,600,000
Unassigned	626,882	842,823
Total fund balances	2,327,275	2,568,271
Total liabilities and fund balances	\$ 5,741,132	\$ 5,769,169

PUBLIC SCHOOLS OF PETOSKEY

Schedule of Revenues

General Fund

For the Year Ended June 30, 2015

(With Comparative Totals For the Year Ended June 30, 2014)

	2015	2014
Revenues		
Local Sources		
Property taxes	\$ 14,328,998	\$ 14,203,784
Payment in lieu of taxes	473,351	471,539
Charges for services	99,082	107,081
Tuition	-	100
Interest	4,206	4,401
Athletics	241,601	241,405
Other income	112,832	89,028
Total local sources	15,260,070	15,117,338
State sources		
State aid - foundation allowance:		
Proposal A obligation	468,240	869,610
Discretionary payment	5,714,311	5,496,064
Prior year adjustments	129,558	43,131
Performance funding	174,157	88,319
Special education headlee obligation	748,652	725,418
State aid - other unrestricted grants:		
Best practice incentive	153,874	153,282
Equity payments	363,655	147,387
State aid - restricted grants:		
At-risk	371,015	388,382
MPSERS cost offset	1,261,563	813,954
Data collection	72,681	72,935
Technological infrastructure	34,227	29,472
First robotics	15,400	12,000
Total state sources	9,507,333	8,839,954
Federal sources		
Title I	346,488	293,135
Title II	70,959	59,963
Title IX	46,099	42,452
Other	9,751	12,547
Total federal sources	473,297	408,097
Interdistrict sources		
Vocational education - millage	440,960	408,694
Vocational education - added cost	103,595	131,320
Expense reimbursements	725,980	782,075
Total interdistrict sources	1,270,535	1,322,089
Total revenues	\$ 26,511,235	\$ 25,687,478

PUBLIC SCHOOLS OF PETOSKEY

Schedule of Operating Expenditures

General Fund

For the Year Ended June 30, 2015

(With Comparative Totals For the Year Ended June 30, 2014)

	Salaries	Employee Benefits	Purchased Services	Supplies, Materials and Other Expenses	Capital Outlay
Instruction					
Basic programs					
Elementary	\$ 3,695,239	\$ 2,554,398	\$ 172,460	\$ 92,218	\$ -
Middle school	1,953,268	1,373,189	72,605	33,171	-
High school	2,406,873	1,645,597	230,154	63,780	-
Total basic programs	8,055,380	5,573,184	475,219	189,169	-
Added needs					
Special education	1,167,990	770,686	479,956	2,406	-
Compensatory education	162,526	118,502	370,543	49,669	-
Vocational education	522,342	354,115	93,394	209,993	25,239
Total added needs	1,852,858	1,243,303	943,893	262,068	25,239
Total instruction	9,908,238	6,816,487	1,419,112	451,237	25,239
Supporting services					
Pupil services					
Guidance services	318,883	210,697	-	6,034	-
Health services	-	-	186,676	280	-
Other	16,563	6,860	23,677	-	-
Total pupil services	335,446	217,557	210,353	6,314	-
Instructional staff services					
Improvement of instruction	21,411	13,618	34,216	107	-
Library	50,826	51,118	68,054	26,720	-
Technology assisted instruction	138,472	118,625	891	1,591	-
Supervision	117,888	69,605	962	3,097	-
Academic student assessment	-	-	-	24,688	-
Total instructional staff services	328,597	252,966	104,123	56,203	-



Total	
2015	2014

\$ 6,514,315	\$ 6,150,942
3,432,233	3,250,911
4,346,404	4,019,994
<u>14,292,952</u>	<u>13,421,847</u>

2,421,038	2,261,923
701,240	663,422
1,205,083	1,223,662
<u>4,327,361</u>	<u>4,149,007</u>

<u>18,620,313</u>	<u>17,570,854</u>
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535,614	521,128
186,956	169,267
47,100	65,926
<u>769,670</u>	<u>756,321</u>

69,352	83,574
196,718	193,059
259,579	205,276
191,552	184,556
24,688	29,875
<u>741,889</u>	<u>696,340</u>

Continued...

PUBLIC SCHOOLS OF PETOSKEY

Schedule of Operating Expenditures

General Fund

For the Year Ended June 30, 2015

(With Comparative Totals For the Year Ended June 30, 2014)

	Salaries	Employee Benefits	Purchased Services	Supplies, Materials and Other Expenses	Capital Outlay
General administration					
Board of education	\$ -	\$ -	\$ 43,351	\$ 1,643	\$ -
Executive administration	167,208	110,126	81,463	6,330	-
Total general administration	167,208	110,126	124,814	7,973	-
School administration					
Office of the principal	975,031	712,604	31,596	25,061	-
Business services					
Fiscal services	238,074	162,784	17,280	77,901	-
Operations and maintenance	298,115	221,591	837,271	740,550	8,750
Security services	-	-	390	-	-
Transportation	-	-	1,216,062	-	-
Support services - central	41,759	30,922	-	-	-
Athletic activities	202,750	100,162	174,792	88,322	-
Total supporting services	2,586,980	1,808,712	2,716,681	1,002,324	8,750
Community services					
Community services direction	-	-	-	680	-
Non-public school pupils	-	-	5,541	2,250	-
Total community services	-	-	5,541	2,930	-
Total operating expenditures	\$ 12,495,218	\$ 8,625,199	\$ 4,141,334	\$ 1,456,491	\$ 33,989



Total	
2015	2014

\$ 44,994	\$ 40,854
<u>365,127</u>	<u>338,386</u>
410,121	379,240
<u>1,744,292</u>	<u>1,576,143</u>
496,039	499,606
<u>2,106,277</u>	<u>2,094,273</u>
390	1,843
<u>1,216,062</u>	<u>1,213,866</u>
72,681	78,870
<u>566,026</u>	<u>472,625</u>
<u>8,123,447</u>	<u>7,769,127</u>
680	1,103
<u>7,791</u>	<u>9,786</u>
8,471	10,889
<u>\$ 26,752,231</u>	<u>\$ 25,350,870</u>

Concluded

PUBLIC SCHOOLS OF PETOSKEY

Balance Sheet

Food Service Special Revenue Fund

June 30, 2015

(With Comparative Totals as of June 30, 2014)

	2015	2014
Assets		
Cash and cash equivalents	\$ 22,188	\$ 37,790
Accounts receivable	188	12,158
Due from other governmental units	16,283	-
Other assets	91,202	91,923
Total assets	\$ 129,861	\$ 141,871
Liabilities		
Accounts payable	\$ 25,387	\$ 33,714
Due to other funds	-	6,570
Total liabilities	25,387	40,284
Fund balances		
Nonspendable - inventory	6,202	6,923
Nonspendable - prepaid items	85,000	85,000
Restricted	13,272	9,664
Total fund balances	104,474	101,587
Total liabilities and fund balances	\$ 129,861	\$ 141,871

PUBLIC SCHOOLS OF PETOSKEY

Statement of Revenues, Expenditures and Changes in Fund Balances

Food Service Special Revenue Fund

For the Year Ended June 30, 2015

(With Comparative Totals For the Year Ended June 30, 2014)

	2015	2014
Revenues		
Local sources:		
Charges for services:		
Lunch sales	\$ 169,421	\$ 160,417
Breakfast sales	8,422	10,418
Ala carte sales	265,865	219,803
Interest income	775	766
State sources	42,390	36,119
Federal sources	448,911	486,929
Total revenues	<u>935,784</u>	<u>914,452</u>
Expenditures		
Current:		
Salaries	39,326	35,780
Employee benefits	29,736	24,050
Purchased services	406,222	383,383
Supplies, materials and other expenditures	71,108	83,057
Food costs	386,505	376,929
Total expenditures	<u>932,897</u>	<u>903,199</u>
Net change in fund balances	2,887	11,253
Fund balances, beginning of year	101,587	90,334
Fund balances, end of year	<u>\$ 104,474</u>	<u>\$ 101,587</u>

PUBLIC SCHOOLS OF PETOSKEY

Combining Balance Sheet

Capital Projects Funds

June 30, 2015

(With Comparative Totals as of June 30, 2014)

	Sinking Fund	Building and Site Fund	Technology Bonds Fund	Athletic Complex Fund
Assets				
Cash and cash equivalents	\$ 2,181,263	\$ 525,172	\$ 1,293,278	\$ 9,570,559
Investments	215,139	-	-	-
Accounts receivable	-	8,064	-	-
Prepaid items	-	-	-	-
Due from other funds	511,548	5,608	-	-
Due from other governmental units	-	-	-	-
Total assets	\$ 2,907,950	\$ 538,844	\$ 1,293,278	\$ 9,570,559
Liabilities				
Accounts payable	\$ -	\$ -	\$ 58,804	\$ -
Contracts payable	1,252,150	-	-	348,676
Due to other funds	27,943	-	-	514,489
Total liabilities	1,280,093	-	58,804	863,165
Fund balances				
Restricted - capital outlay	1,627,857	-	1,234,474	8,707,394
Assigned - capital outlay	-	538,844	-	-
Total fund balances	1,627,857	538,844	1,234,474	8,707,394
Total liabilities and fund balances	\$ 2,907,950	\$ 538,844	\$ 1,293,278	\$ 9,570,559



Total	
2015	2014

\$ 13,570,272	\$ 5,939,675
215,139	215,100
8,064	-
-	5,536
517,156	29,108
-	8,064

<u>\$ 14,310,631</u>	<u>\$ 6,197,483</u>
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\$ 58,804	\$ 162,070
1,600,826	388,596
542,432	28,398

<u>2,202,062</u>	<u>579,064</u>
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11,569,725	5,128,180
538,844	490,239

<u>12,108,569</u>	<u>5,618,419</u>
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<u>\$ 14,310,631</u>	<u>\$ 6,197,483</u>
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PUBLIC SCHOOLS OF PETOSKEY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Capital Projects Funds

For the Year Ended June 30, 2015

(With Comparative Totals For the Year Ended June 30, 2014)

	Sinking Fund	Building and Site Fund	Technology Bonds Fund	Athletic Complex Fund
Revenues				
Property taxes	\$ 1,823,976	\$ -	\$ -	\$ -
Rent income	-	64,195	-	-
Contributions	101,750	-	-	255,000
Interest	8,455	1,560	4,802	1,343
Total revenues	<u>1,934,181</u>	<u>65,755</u>	<u>4,802</u>	<u>256,343</u>
Expenditures				
Capital outlay	2,929,547	17,150	766,392	1,496,736
Other	3,058	-	-	-
Total expenditures	<u>2,932,605</u>	<u>17,150</u>	<u>766,392</u>	<u>1,496,736</u>
Revenues over (under) expenditures	<u>(998,424)</u>	<u>48,605</u>	<u>(761,590)</u>	<u>(1,240,393)</u>
Other financing sources (uses)				
Transfers in	-	-	-	9,947,787
Transfers out	(505,835)	-	-	-
Total other financing sources (uses)	<u>(505,835)</u>	<u>-</u>	<u>-</u>	<u>9,947,787</u>
Net change in fund balances	<u>(1,504,259)</u>	<u>48,605</u>	<u>(761,590)</u>	<u>8,707,394</u>
Fund balances, beginning of year	<u>3,132,116</u>	<u>490,239</u>	<u>1,996,064</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,627,857</u>	<u>\$ 538,844</u>	<u>\$ 1,234,474</u>	<u>\$ 8,707,394</u>



Total	
2015	2014
\$ 1,823,976	\$ 1,796,530
64,195	71,979
356,750	-
16,160	18,601
<u>2,261,081</u>	<u>1,887,110</u>
5,209,825	2,708,450
3,058	1,409
<u>5,212,883</u>	<u>2,709,859</u>
<u>(2,951,802)</u>	<u>(822,749)</u>
9,947,787	7,464
(505,835)	(132,853)
<u>9,441,952</u>	<u>(125,389)</u>
6,490,150	(948,138)
<u>5,618,419</u>	<u>6,566,557</u>
<u>\$ 12,108,569</u>	<u>\$ 5,618,419</u>

PUBLIC SCHOOLS OF PETOSKEY

Combining Balance Sheet Schedule

Debt Service Fund

June 30, 2015

(With Comparative Totals as of June 30, 2014)

	2005 Refunding Bonds	Foster Land Contract	Veurink Land Contract	2012 Technology Bonds	2015 Refunding Bonds
Assets					
Cash and cash equivalents	\$ 239,766	\$ -	\$ -	\$ 133,425	\$ -
Investments	53,882	-	-	-	-
Due from other funds	27,943	-	-	-	-
Total assets	\$ 321,591	\$ -	\$ -	\$ 133,425	\$ -
Fund balances					
Restricted	\$ 321,591	\$ -	\$ -	\$ 133,425	\$ -

Note: This schedule represents various debt issues that are accounted for in the Debt Service Fund.



Total	
2015	2014
\$ 373,191	\$ 541,133
53,882	53,867
27,943	-
<u>\$ 455,016</u>	<u>\$ 595,000</u>
<u>\$ 455,016</u>	<u>\$ 595,000</u>

PUBLIC SCHOOLS OF PETOSKEY

Combining Schedule of Debt Service Activities and Changes in Fund Balances

Debt Service Fund

For the Year Ended June 30, 2015

(With Comparative Totals For the Year Ended June 30, 2014)

	2005 Refunding Bonds	Foster Land Contract	Veurink Land Contract	2012 Technology Bonds	2015 Refunding Bonds
Revenues					
Local sources:					
Property taxes	\$ 2,543,841	\$ -	\$ -	\$ 635,960	\$ -
Interest income	3,974	-	-	-	-
Total revenues	2,547,815	-	-	635,960	-
Expenditures					
Principal	1,970,000	54,527	418,526	470,000	-
Interest	280,938	11,900	13,538	79,350	-
Other	3,645	-	7,344	2,826	-
Total expenditures	2,254,583	66,427	439,408	552,176	-
Revenues over (under) expenditures	293,232	(66,427)	(439,408)	83,784	-
Other financing sources (uses)					
Bond proceeds	-	-	-	-	16,260,000
Bond premium	-	-	-	-	1,980,059
Bond issuance costs	-	-	-	-	(181,833)
Payment to refunded debt escrow agent	-	-	-	-	(8,627,439)
Transfers in	-	66,427	439,408	-	517,000
Transfers out	(517,000)	-	-	-	(9,947,787)
Total other financing sources (uses)	(517,000)	66,427	439,408	-	-
Net change in fund balances	(223,768)	-	-	83,784	-
Fund balances, beginning of year	545,359	-	-	49,641	-
Fund balances, end of year	\$ 321,591	\$ -	\$ -	\$ 133,425	\$ -

Note: This schedule represents various debt issues that are accounted for in the Debt Service Fund.



Total	
2015	2014

\$ 3,179,801	\$ 3,131,577
3,974	3,599
<u>3,183,775</u>	<u>3,135,176</u>

2,913,053	2,431,164
385,726	680,240
13,815	3,144
<u>3,312,594</u>	<u>3,114,548</u>

<u>(128,819)</u>	<u>20,628</u>
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16,260,000	-
1,980,059	-
(181,833)	-

(8,627,439)	-
1,022,835	132,853
<u>(10,464,787)</u>	<u>(7,464)</u>

<u>(11,165)</u>	<u>125,389</u>
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(139,984)	146,017
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<u>595,000</u>	<u>448,983</u>
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<u>\$ 455,016</u>	<u>\$ 595,000</u>
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PUBLIC SCHOOLS OF PETOSKEY

Statement of Changes in Assets and Liabilities

Agency Fund
For the Year Ended June 30, 2015

	Balances July 1, 2014	Receipts	Disbursements	Balances June 30, 2015
Assets				
Cash	\$ 233,474	\$ 901,765	\$ 832,675	\$ 302,564
Investments	425,000	-	-	425,000
Accounts receivable	5,875	-	5,875	-
Total assets	\$ 664,349	\$ 901,765	\$ 838,550	\$ 727,564
Liabilities				
Due to student groups	\$ 330,432	\$ 658,513	\$ 647,067	\$ 341,878
Scholarships payable	246,497	26,632	1,184	271,945
Due to others	87,420	216,620	190,299	113,741
Total liabilities	\$ 664,349	\$ 901,765	\$ 838,550	\$ 727,564

The balances consist of the following:

Deposits due to student groups

Central Elementary				
Central 3rd Grade	\$ 14	\$ -	\$ -	\$ 14
Central 5th Grade	503	2,635	2,800	338
Central Library & Computer	820	4,000	3,856	964
Central School Fund	124	1,135	1,244	15
Central School Store	424	281	218	487
5th Grade Colonial Days	220	-	-	220
Central scholarship fund	374	-	125	249
Lincoln Elementary				
Lincoln School Fund	2,567	1,968	2,385	2,150
Ottawa Elementary				
Ottawa 4th Grade Field Trip	442	345	403	384
Ottawa 5th Grade Field Trip	4,342	14,652	13,634	5,360
Ottawa Field Trip Fund	1,072	3,484	3,108	1,448
Ottawa instructional supplies	8,346	4,509	3,991	8,864
Ottawa Learning Center	10	-	-	10
Ottawa Popcorn Sales	3,964	1,555	1,064	4,455
Ottawa School Fund	5,432	26,801	27,423	4,810
Ottawa Kindergarten	116	380	380	116
Sheridan Elementary				
Sheridan 3rd Grade	400	2,695	2,145	950
Sheridan 4th Grade	982	222	48	1,156
Sheridan 5th Grade	162	32	137	57
Sheridan Garden Fund	109	-	1	108
Sheridan School	14,791	3,367	10,022	8,136
Sheridan Student Council	100	985	864	221
Girls on the run	1,210	30	90	1,150
Petoskey Middle School				
6th Grade Club	1,981	22,654	22,845	1,790
7th Grade Club	2,730	8,790	6,845	4,675
8th Grade Club	6,712	15,523	13,699	8,536
Builder's Club	414	309	-	723

Continued...

PUBLIC SCHOOLS OF PETOSKEY

Statement of Changes in Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2015

	Balances July 1, 2014	Receipts	Disbursements	Balances June 30, 2015
Petoskey Middle School (continued)				
Middle School Adventure Education	\$ 1,602	\$ -	\$ 47	\$ 1,555
Middle School Art Club	834	100	186	748
Middle School Enrichment	3,187	2,199	2,046	3,340
Middle School Celebration Garden	216	-	-	216
Middle School Ecology Club	572	2,200	2,306	466
Middle School Fall Play	3,126	6,256	5,066	4,316
Middle School Photo Club	141	-	37	104
Middle School Student Council	2,521	1,448	1,422	2,547
Middle School Student Special needs	7,040	-	68	6,972
Middle School Yearbook	2,113	5,833	7,637	309
Middle School Greenhouse	73	-	-	73
Middle School Washington DC Trip	3,314	2,723	2,716	3,321
Middle School Wood Shop	632	-	475	157
Middle School Youth In Government	171	6,361	6,444	88
Middle School Book Fair	32	-	-	32
Middle School Fund	12,600	3,532	538	15,594
Middle School Store	908	5,281	6,133	56
Middle School Science Club Fund	10	695	672	33
Middle School Box Tops for Education	425	911	100	1,236
Middle School Special Needs Counseling	419	258	162	515
Petoskey Middle School Athletics				
Middle School Dance	289	360	396	253
Middle School Vocal	-	1,000	747	253
Middle School Athletics	198	-	183	15
Middle School Football	3,883	2,291	2,378	3,796
Middle School Track	3,981	2,963	2,450	4,494
Middle School Volleyball	2,840	376	661	2,555
Middle School Boys Basketball	136	-	-	136
Middle School Girls Basketball	681	-	600	81
Petoskey High School				
Auto Shop Tool Fund	50	49	-	99
Building Trades Fund	1,153	4,769	3,343	2,579
Business Club	163	-	-	163
Blue Crew	504	363	350	517
Class of 2014	1,003	-	1,003	-
Class of 2015	2,827	3,642	6,122	347
Class of 2016	1,550	6,061	4,057	3,554
Class of 2017	(123)	299	773	(597)
Communications/ Renaissance Program	-	133	133	-
DECA	1,533	24,751	21,450	4,834
Debate Club	9,681	7,431	10,005	7,107
Drafting	482	-	265	217
FCCLA	499	-	-	499
Forensics	374	-	374	-
French Club	909	212	962	159
Future Farmers of America	1,392	244	-	1,636
G Wing Productions	126	-	126	-
Graduated Classes	4,532	-	-	4,532

Continued...

PUBLIC SCHOOLS OF PETOSKEY

Statement of Changes in Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2015

	Balances July 1, 2014	Receipts	Disbursements	Balances June 30, 2015
Petoskey High School (continued)				
Guidance Dept Testing	\$ 6,711	\$ 33,680	\$ 32,604	\$ 7,787
HOSA	12	-	-	12
High School Art Club	2,759	-	-	2,759
High School Fall Play	2,549	4,887	5,744	1,692
High School Journalism	15	500	-	515
High School Learning Center	834	-	-	834
High School Quiz Bowl Team	397	680	523	554
High School Spring Musical	1,940	17,631	19,502	69
High School Steel Drum Band	(223)	39,367	39,144	-
High School Student Council	617	4,986	5,553	50
High School Vocal	5,974	16,085	20,860	1,199
High School Yearbook	874	13,503	8,152	6,225
High School Social Studies Club	26	-	26	-
High School Fund	855	2,321	2,142	1,034
Hospitality Foods Tip Fund	747	561	4	1,304
Indian Education/Unity Trip	280	-	-	280
Key Club	1,647	438	-	2,085
Model UN/H.S. Enrichment	3,137	13,287	14,208	2,216
National Honor Society	1,220	808	1,017	1,011
Petoskey High School Papermakers	1,309	-	-	1,309
Robotics	14,832	64,393	60,065	19,160
Renaissance Fund	329	1,412	1,251	490
Science Class	305	325	348	282
Skateboarding Club	91	-	-	91
Spanish Club	516	-	-	516
High School Special Needs Counseling	650	-	-	650
High School 8th & 9th Transition Fund	7,000	-	1,215	5,785
World History Trip Fund	457	311	745	23
High School Athletics				
Athletic Hall Of Fame	1,185	1,138	170	2,153
Track & Stadium Improvements	4,120	-	-	4,120
Northmen Fund	629	982	199	1,412
Boys Basketball	3,032	13,420	9,465	6,987
Boys Golf	3,294	-	2,745	549
Boys Tennis	1,940	6,775	7,126	1,589
Dance	11	-	-	11
Girls Basketball	1,529	7,591	1,586	7,534
Girls Golf	3,935	-	1,452	2,483
Girls Tennis	5,420	16,907	16,529	5,798
Girls Track	593	2,810	2,755	648
Girls Softball	6,290	1,500	6,655	1,135
High School Baseball	178	-	-	178
High School Boys Soccer	(250)	-	-	(250)
High School Cross Country	6,105	9,238	8,953	6,390
High School Football	(320)	10,395	10,075	-
High School Girls Soccer	339	-	618	(279)
High School Hockey	43,845	71,283	64,914	50,214
Pay To Participate Donations	1,650	-	-	1,650
Cross Country Ski Club	675	3,727	2,969	1,433
Turcott Field Fundraiser	1,503	-	1,449	54

Continued...

PUBLIC SCHOOLS OF PETOSKEY

Statement of Changes in Assets and Liabilities

Agency Fund
For the Year Ended June 30, 2015

	Balances July 1, 2014	Receipts	Disbursements	Balances June 30, 2015
High School Athletics (continued)				
Volleyball	\$ 8,915	\$ 3,218	\$ 2,210	\$ 9,923
Wrestling	3,412	18,711	17,511	4,612
Boys Track	34	100	-	134
Pink Game	781	24,088	24,156	713
Weight Room Improvements	-	968	-	968
District-Wide Accounts				
Elementary Enrichment	2,936	31,077	30,597	3,416
Elementary Enrichment Play	13,769	6,790	7,459	13,100
Elementary Music Fund	1,253	976	1,009	1,220
Student Reserve	20,809	2,551	3,602	19,758
Total due to student groups	330,432	658,513	647,067	341,878
Scholarships payable				
Doris Reber - Class of 1932 Scholarship	208,893	-	-	208,893
Eric Greyerbiehl Memorial Fund	1,082	-	351	731
McClutchey Memorial Scholarship	5,027	821	-	5,848
Midshipmen Scholarship	7,153	28	-	7,181
Vaughn Memorial Scholarship	16,278	64	300	16,042
Wil Moyer Music Scholarship	307	554	365	496
Future Sports Complex Donations	5,925	25,000	168	30,757
Memorial Scholarship - Scott Sweany	325	165	-	490
Duane Hasse Memorial Fund	1,507	-	-	1,507
Total scholarships payable	246,497	26,632	1,184	271,945
Due to others				
Central PTO	32,131	28,004	24,929	35,206
High School Staff Fund	362	470	287	545
Kathy Robinson Memorial Fund	96	-	-	96
Lincoln PTO	4,164	35,412	33,416	6,160
Maintenance Fund	1,102	892	823	1,171
Northmen Night	954	43,144	43,917	181
Ottawa PTO Board Fund	16,449	17,438	24,425	9,462
PEF Grants - Central	-	2,077	1,757	320
PEF Grants - High School	300	2,948	3,248	-
PEF Grants - Lincoln	-	716	229	487
PEF Grants - Middle School	-	566	566	-
PEF Grants - Ottawa	-	1,910	1,410	500
PEF Grants - Sheridan	-	1,288	1,288	-
PEF Grants - ACT/SAT Seminar	2	-	-	2
PEF Grants - District	40	-	40	-
Petoskey Family Fund	21,678	10,747	8,500	23,925
Robert Motely Memorial Fund	106	-	-	106
Senior Parent Committee	1,457	27,843	25,072	4,228
Spitler Building Pop Fund	339	346	495	190
Due to Primary Government	8,240	42,819	19,897	31,162
Total due to others	87,420	216,620	190,299	113,741
Totals	\$ 664,349	\$ 901,765	\$ 838,550	\$ 727,564

Concluded

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OTHER SUPPLEMENTARY INFORMATION (UNAUDITED)

PUBLIC SCHOOLS OF PETOSKEY

Schedule of Bond Indebtedness (Unaudited) For the Year Ended June 30, 2015

Purpose	2012 Technology Bonds
Date of issue	June 21, 2012
Rate of interest	1.50% to 2.00%
Original obligation	\$ 4,930,000
Amount previously paid	<u>1,315,000</u>
Balance outstanding - June 30, 2015	<u><u>\$ 3,615,000</u></u>

Fiscal Year	November 1, Interest	May 1, Interest	May 1, Principal	Annual Requirements
2015-2016	\$ 36,150	\$ 36,150	\$ 480,000	\$ 552,300
2016-2017	31,350	31,350	540,000	602,700
2017-2018	25,950	25,950	640,000	691,900
2018-2019	19,550	19,550	730,000	769,100
2019-2020	12,250	12,250	1,225,000	1,249,500
	<u>\$ 125,250</u>	<u>\$ 125,250</u>	<u>\$ 3,615,000</u>	<u>\$ 3,865,500</u>

Call Provision

Bonds of this issue are not subject to redemption prior to maturity.

Continued...

PUBLIC SCHOOLS OF PETOSKEY

Schedule of Bond Indebtedness (Unaudited)

For the Year Ended June 30, 2015

Purpose	2015 School Building & Site Refunding
Date of issue	February 25, 2015
Rate of interest	2.20% to 5.00%
Original obligation	\$ 16,260,000
Amount previously paid	-
Balance outstanding - June 30, 2015	<u>\$ 16,260,000</u>

Fiscal Year	November 1, Interest	May 1, Interest	May 1, Principal	Annual Requirements
2015-2016	\$ 480,828	\$ 351,825	\$ 2,075,000	\$ 2,907,653
2016-2017	320,700	320,700	2,235,000	2,876,400
2017-2018	276,000	276,000	2,240,000	2,792,000
2018-2019	220,000	220,000	2,275,000	2,715,000
2019-2020	163,125	163,125	1,305,000	1,631,250
2020-2021	130,500	130,500	1,435,000	1,696,000
2021-2022	94,625	94,625	1,500,000	1,689,250
2022-2023	57,125	57,125	1,570,000	1,684,250
2023-2024	17,875	17,875	1,625,000	1,660,750
	<u>\$ 1,760,778</u>	<u>\$ 1,631,775</u>	<u>\$ 16,260,000</u>	<u>\$ 19,652,553</u>

Call Provision

Bonds of this issue are not subject to redemption prior to maturity.

Continued...

PUBLIC SCHOOLS OF PETOSKEY

Schedule of Bond Indebtedness (Unaudited) For the Year Ended June 30, 2015

Purpose	2005 Refunding Bonds
Date of issue	May 27, 2005
Rate of interest	3.50% to 5.00%
Original obligation	\$ 21,370,000
Amount previously paid	<u>21,370,000</u>
Balance outstanding - June 30, 2015	<u><u>\$ -</u></u>

These bonds were refunded in fiscal 2015.

Continued...

PUBLIC SCHOOLS OF PETOSKEY

Schedule of Other Installment Debt (Unaudited)
For the Year Ended June 30, 2015

Purpose	Purchase of Foster property on land contract.
Date of issue	November 14, 2003
Rate of interest	5.00%
Original obligation	\$ 700,000
Amount previously paid	<u>491,766</u>
Balance outstanding - June 30, 2015	<u>\$ 208,234</u>

Fiscal Year	Interest	May 15, Principal	Annual Requirements
2015-2016	\$ 9,110	\$ 57,317	\$ 66,427
2016-2017	6,178	60,249	66,427
2017-2018	3,095	63,332	66,427
2018-2019	343	27,337	27,680
	<u>\$ 18,726</u>	<u>\$ 208,235</u>	<u>\$ 226,961</u>

Continued...

PUBLIC SCHOOLS OF PETOSKEY

Schedule of Other Installment Debt (Unaudited) For the Year Ended June 30, 2015

Purpose	Purchase of Veurink property on land contract.
Date of issue	December 22, 2006
Rate of interest	5.00%
Original obligation	\$ 700,000
Amount previously paid	<u>700,000</u>
Balance outstanding - June 30, 2015	<u><u>\$ -</u></u>

This land contract was paid off in fiscal 2015.

Concluded

PUBLIC SCHOOLS OF PETOSKEY

Property Tax Information (Unaudited) For the Year Ended June 30, 2015

Taxing District	Tax Levy	Collections and Other Reductions	Delinquent Personal Property Taxes	Percentage of Current Year Levy Collected
Bear Creek Township	\$ 5,774,101	\$ 5,511,160	\$ 262,941	95.45%
Littlefield Township	71,567	69,122	2,445	96.58%
Little Traverse Township	492,015	463,843	28,172	94.27%
Resort Township	3,813,147	3,669,557	143,590	96.23%
Springvale Township	847,995	802,995	45,000	94.69%
City of Petoskey	6,816,386	6,539,216	277,170	95.93%
Chandler Township	116,821	110,026	6,795	94.18%
Hayes Township	48,593	45,760	2,833	94.17%
Melrose Township	1,226,629	1,145,776	80,853	93.41%
Total	\$ 19,207,254	\$ 18,357,455	\$ 849,799	95.58%
Allocated as follows				
General Fund	\$ 14,210,358	\$ 13,576,153	\$ 634,205	95.54%
Debt Service Fund	3,175,433	3,042,060	133,373	95.80%
Capital Project Funds	1,821,463	1,739,242	82,221	95.49%
Total allocated to all funds	\$ 19,207,254	\$ 18,357,455	\$ 849,799	95.58%

PUBLIC SCHOOLS OF PETOSKEY

Ten-Year Summary of Enrollment (Unaudited)

For the Year Ended June 30, 2015

Year	Special Education	Elementary School	Middle School	High School	Total	Non-Resident	Resident
2006	76	1,261	700	1,050	3,087	324	2,763
2007	76	1,244	660	1,027	3,007	341	2,666
2008	73	1,224	669	1,020	2,987	342	2,645
2009	76	1,246	669	984	2,975	350	2,625
2010	68	1,218	651	994	2,932	367	2,565
2011	63	1,207	637	980	2,887	356	2,531
2012	59	1,223	687	982	2,951	359	2,592
2013	58	1,223	657	991	2,929	377	2,552
2014	64	1,258	657	969	2,949	391	2,558
2015	61	1,193	669	987	2,910	412	2,498

Note: Data above extracted from the September pupil counts only.

PUBLIC SCHOOLS OF PETOSKEY

**Ten-Year Summary of General Fund Expenditures,
Student Enrollment And Per Pupil Costs (Unaudited)
For the Year Ended June 30, 2015**

Year	Expenditures and Transfers*	Enrollment	Expenditures Per Pupil
2006	\$ 23,785,212	3,087	\$ 7,705
2007	24,725,450	3,007	8,223
2008	24,959,034	2,987	8,355
2009	25,666,499	2,975	8,628
2010	25,517,943	2,932	8,703
2011	24,962,122	2,887	8,646
2012	25,193,996	2,951	8,536
2013	25,549,194	2,929	8,721
2014	25,350,870	2,949	8,597
2015	26,752,231	2,910	9,193

* General Fund expenditures and transfers only.

SINGLE AUDIT ACT COMPLIANCE

INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133

October 27, 2015

Board of Education
Public Schools of Petoskey
Petoskey, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Public Schools of Petoskey* (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 27, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



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PUBLIC SCHOOLS OF PETOSKEY

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Approved Grant Award Amount
U.S. Department of Agriculture				
Child Nutrition Cluster:				
Cash assistance:				
National school lunch - breakfast	10.553	MDE	141970	\$ 84,886
National school lunch - breakfast	10.553	MDE	151970	64,937
National school lunch section 11 all lunches	10.555	MDE	141960	339,969
National school lunch section 11 all lunches	10.555	MDE	151960	288,080
Non-cash assistance:				
Entitlement commodities	10.555	MDE	n/a	43,281
Bonus Commodities	10.555	MDE	n/a	6,620
Total U.S. Department of Agriculture				
U.S. Department of Education				
Title I, Part A - Improving Basic Programs	84.010	MDE	141530-1314	369,606
Title I, Part A - Improving Basic Programs	84.010	MDE	151530-1415	393,568
Transition Services	84.048A	ISD	153520-15125	4,834
Indian Education	84.060A	Direct	13/14	48,838
Indian Education	84.060A	Direct	14/15	46,099
Title II, Part A - Improving Teacher Quality	84.367	MDE	140520-1314	167,424
Title II, Part A - Improving Teacher Quality	84.367	MDE	150520-1415	168,761
Total U.S. Department of Education				
U.S. Department of Health and Human Services				
Medicaid Outreach	93.778	ISD	13/14	3,608
Medicaid Outreach	93.778	ISD	14/15	4,917
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.

Accrued (Deferred) Revenue July 1, 2014	Current Year Cash Received	Expenditures (Memo Only) Prior Year(s)	Expenditures Year Ended June 30, 2015	Accrued (Deferred) Revenue June 30, 2015
\$ -	\$ 8,473	\$ 76,413	\$ 8,473	\$ -
-	64,937	-	64,937	-
-	37,520	302,449	37,520	-
-	288,080	-	288,080	-
-	399,010	378,862	399,010	-
-	43,281	-	43,281	-
-	6,620	-	6,620	-
-	49,901	-	49,901	-
-	448,911	378,862	448,911	-
(18,126)	22,294	253,191	40,420	-
-	292,580	-	306,068	13,488
(18,126)	314,874	253,191	346,488	13,488
-	4,834	-	4,834	-
-	-	42,452	-	-
-	46,099	-	46,099	-
-	46,099	42,452	46,099	-
(1,284)	14,864	30,383	16,148	-
-	48,444	-	54,811	6,367
(1,284)	63,308	30,383	70,959	6,367
(19,410)	429,115	326,026	468,380	19,855
-	-	3,608	-	-
-	4,917	-	4,917	-
-	4,917	3,608	4,917	-
\$ (19,410)	\$ 882,943	\$ 708,496	\$ 922,208	\$ 19,855

PUBLIC SCHOOLS OF PETOSKEY

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Reconciliation to grant section auditors' report

Current payments per the grant auditor report	\$	777,192
Plus		
Amounts passed through Charlevoix-Emmet Intermediate School District		9,751
Entitlement and bonus commodities		49,901
Direct award from Department of Education		<u>46,099</u>
Total current year receipts per schedule of expenditures of federal awards	\$	<u><u>882,943</u></u>

PUBLIC SCHOOLS OF PETOSKEY

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Public Schools of Petoskey (the "District") under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

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

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts reported on the Grant Auditor Report reconcile with this Schedule. The amounts reported on the Recipient Entitlement Balance (PAL) Report agree with this schedule for USDA donated food commodities. Spoilage and pilferage are included in expenditure amounts reported.

3. PASS-THROUGH AGENCIES

The District receives certain federal grant as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
ISD	Charlevoix-Emmet Intermediate School District
MDE	Michigan Department of Education



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**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***

October 27, 2015

Board of Education
Public Schools of Petoskey
Petoskey, 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 *Public Schools of Petoskey* (the "District"), as of and for the year ended June 30, 2015, 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 27, 2015.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Rehmann Lobson LLC

Independent Auditors' Report on Compliance for Each Major Federal Program
and on Internal Control over Compliance Required by OMB Circular A-133

October 27, 2015

Board of Education
Public Schools of Petoskey
Petoskey, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of the *Public Schools of Petoskey* (the "District") with the types of compliance requirements described in the 2 CFR 200 Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended June 30, 2015. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Rehmann Robson LLC

PUBLIC SCHOOLS OF PETOSKEY

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?

_____ yes X no

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

10.553 & 10.555

Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

X yes _____ no

PUBLIC SCHOOLS OF PETOSKEY

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

No financial statement findings.

PUBLIC SCHOOLS OF PETOSKEY

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

PUBLIC SCHOOLS OF PETOSKEY

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2015

No findings in the prior year.

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