

**NAH TAH WAHSH PUBLIC SCHOOL ACADEMY**  
**Audited Financial Statements**  
**For the year ended June 30, 2016**

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**INDEPENDENT AUDITORS' REPORT**

**INDEPENDENT AUDITOR'S REPORT**

To the School Board  
Nah Tah Wahsh Public School Academy  
N14911 Hannahville B-1 Road  
Wilson, MI 49896

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Nah Tah Wahsh Public School Academy (the "Academy"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Nah Tah Wahsh Public School Academy's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Academy'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 Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Nah Tah Wahsh Public School Academy, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 14, the budgetary comparison information on pages 44 to 45, and the Academy's Michigan Public School Retirement plan information on pages 46 to 47 is 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016 on our consideration of the Nah Tah Wahsh Public School Academy'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 Academy's internal control over financial reporting and compliance.

The image shows a handwritten signature in blue ink that reads "Midwest Professionals P.L.L.C." The signature is written in a cursive, professional style.

Midwest Professionals, P.L.L.C.

Gaylord, Michigan  
October 31, 2016

## **MANAGEMENT DISCUSSION AND ANALYSIS**

## **Management's Discussion and Analysis**

This section of the financial report presents our discussion and analysis of the Nah Tah Wahsh Public School Academy's (the "Academy") financial performance during the fiscal year that ended June 30, 2016. Please read it in conjunction with the Academy's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

#### **Statement of Net Position on page 17:**

Assets and deferred outflows of resources at June 30, 2016 totaled \$1,206,546, comprised of \$216,078 in cash deposits, \$498,708 in receivables from the State of Michigan, Hannahville Indian Community & others, \$31,301 in prepaid expenses, food service inventory of \$3,517, net capital assets of \$83,056 and deferred outflows of resources for pension obligation of \$373,886.

Liabilities and deferred inflows of resources totaled \$4,346,220, comprised of \$77,771 in accounts payable, \$217,821 in payroll related liabilities, and \$32,409 in MPERS retirement liabilities, \$28,053 in school group liability, \$54,678 in compensated absences liabilities, net pension liability of \$3,922,496 and deferred inflows of resources for pension obligation of \$12,992.

#### **Statement of Activities on page 18:**

Revenues were approximately \$3.89 million. Expenditures were approximately \$3.81 million. This resulted in an excess of revenues over expenses of \$80,699.

Net position decreased from \$341,229 to \$(3,139,674) by the end of June 30, 2016 as a result of adopting GASB 68, as explained in note 16 on page 42, to record net pension liability.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Nah Tah Wahsh Public School Academy's basic financial statements. The Academy's basic financial statements consist of three components: 1) school-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**School-wide financial statements.** The school-wide financial statements are designed to provide readers with a broad overview of the Academy's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Academy's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The statement of activities presents information showing how the Academy's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event, giving rise to the changes, occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected state aid and earned but unused compensated absences).

The school-wide financial statements outline functions of the Academy that are principally supported by intergovernmental revenues. The school activities of the Academy include instruction and support services. The school-wide financial statements can be found on pages 17 and 18 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Academy are included in governmental funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as school activities in the school-wide financial statements. However, unlike the school-wide financial statements, governmental

fund financial statements focus on near-term inflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Academy's near-term financing requirements. See note 1 on page 29 for details in regard to changes in classifications of fund balances due to GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. It also discusses the change in the name of the equity title "Net Asset" to "Net Position" in the equity section of the new "Statement of Net Position", formerly called the "Statement of Net Assets."

Because the focus of governmental funds is narrower than that of the school-wide financial statements, it is useful to compare the information presented for governmental activities in the school-wide financial statements. By doing so, readers may better understand the long-term impact of the Academy's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and school activities. These reconciliations are on pages 21 and 23 respectively.

In accordance with Michigan Statutes the Academy maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Food Service Funds, both of which are considered major funds. Data from the two governmental funds are combined into a single, aggregated presentation. The governmental fund financial statements can be found on pages 20 through 23 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the school-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 42 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Academy's budget process as well as information discussing the Academy's participation in the Michigan Public School Employees Retirement plan. The Academy adopts an annual expenditure budget for its General Fund and Food Service Fund. Budgetary comparison schedules have been provided for the General Fund and Food Service Fund as required supplementary information on pages 44 and 45. In addition, the schedule of the Academy's Proportionate Share of the Net Pension Liability and the Schedule of the Academy's Contributions can be found on pages 46 and 47 of this report.

## **SCHOOL-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the Academy's financial position. As of June 30, 2016, liabilities exceeded assets by \$(3,139,674). This deficit is comprised of restated net position as of June 30, 2015 in the amount of \$(3,220,373), due to an accounting change as a result of adopting GASB 68 as explained in note 16 on page 42, and the current year's excess of revenues over expenses of \$80,699.

The Academy's assets included capital assets which consist of a building, a parking lot and some food service equipment having costs in excess of the Academy's capitalization threshold of \$5,000. The Hannahville Indian Community owns all other land, buildings, vehicles, and much of the school equipment and provides these assets for an annual rental fee.

The Hannahville Indian Community provides support to the Academy through a number of services. These services include building costs, personnel salaries, student transportation services, library services, and other educational related costs paid for directly by the Hannahville Indian Community but benefiting the operations of the Academy. These costs are identified as "in-kind" revenues and expenses on the Academy's basic financial statements. As noted in the financial footnote section of this financial report, the significance of these provided services is substantial in nature and warrants disclosure through financial presentation.

**Figure 1 presents a summary of the Academy’s net position for the fiscal years ended June 30, 2015 and 2016.**

	<b>As of June 30, 2015</b>	<b>As of June 30, 2016</b>
Current Assets	\$ 680,798	\$ 749,604
Fixed Assets	90,599	83,056
Deferred Outflows of Resources	-	373,886
Total Assets	<u>771,397</u>	<u>1,206,546</u>
Current Liabilities	405,486	390,914
Long-term Liabilities	24,682	19,818
Net Pension Liability	-	3,922,496
Deferred Inflows of Resources	-	12,992
Total Liabilities	<u>430,168</u>	<u>4,346,220</u>
Net Investment in Capital Assets	90,599	83,056
Unrestricted Assets	250,630	(3,222,730)
Total Net Position	<u>\$ 341,229</u>	<u>\$ (3,139,674)</u>

Figure 2 presents changes in net position. The Academy's total revenues for the fiscal year ended June 30, 2016, were \$3.89 million. The total cost of all programs and services was \$3.81 million. Figure 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and 2016.

**Figure 2 - Summary of Changes in Net Position for the Years Ended June 30, 2015 and 2016**

	<b>Fiscal Year Ended June 30, 2015</b>	<b>Fiscal Year Ended June 30, 2016</b>
<b>Revenues:</b>		
<b>Program Grants &amp; Charges:</b>		
Federal & State Sources	\$ 276,191	\$ 505,572
Charges for Meals	81,858	69,429
<b>General</b>		
State Aid - Michigan	1,388,127	1,304,733
Tribal & Local Support	725,379	1,009,201
Tribal Support – In-Kind	982,439	999,108
Other	14	15
<b>Total Revenues</b>	<u>3,454,007</u>	<u>3,888,059</u>
<b>Expenses</b>		
<b>School Activities</b>		
Instruction	2,213,071	2,311,299
Added Needs	79,434	112,072
General Administration	154,406	148,190
Executive Administration	41,698	47,593
Food Service	180,658	181,555
Tribal Support – In-Kind	982,439	999,108
Depreciation	7,543	7,543
<b>Total Expenses</b>	<u>3,659,249</u>	<u>3,807,360</u>
<b>Increase (Decrease) in Net Position</b>	(205,242)	80,699
<b>Beginning Net Position</b>	546,471	-
<b>Beginning Net Position -Restated</b>	-	(3,220,373)
<b>Ending Net Position</b>	<u>\$ 341,229</u>	<u>\$(3,139,674)</u>

**Governmental activities.** Figure 3 presents the cost of the eight major Academy functional activities: instruction, added needs, general administration, executive administration, food service, and tribal support services in-kind and depreciation of fixed assets.

The table below also shows each function’s net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs.) The net cost shows the financial burden that was placed on the general revenue sources of the Academy which was comprised mainly of state aid and tribal support, direct and in-kind dollars.

**Figure 3 - Cost of the Seven Major Functional Activities**

	Major Functional Costs	Charges and Specific Program Government Aid	Net Major Functional Costs	Percentage Of Net Major Costs
Instruction	\$2,311,299	\$111,566	\$(2,199,733)	62.57%
Added Needs	112,072	1,706	(110,366)	3.14%
General Administration	148,190	-	(148,149)	4.22%
Executive Administration	47,593	-	(47,593)	1.35%
Food Service	173,054	170,003	(3,051)	0.09%
USDA - In-Kind	8,501	8,501	-	0.00%
Tribal Support – In Kind	999,108	-	(999,108)	28.42%
Depreciation	7,543	-	(7,543)	0.21%
<b>Totals</b>	<b>\$3,807,360</b>	<b>\$291,776</b>	<b>\$(3,515,584)</b>	<b>100.00%</b>

- The cost of all school activities this year was \$3.81 million.
- The Federal and State governments subsidized certain programs with grants and contributions of \$222,347. Charges for meals totaling \$69,429 helped to subsidize the Food Service activities. Total charges and government grant aid came to \$291,776.
- The net cost of governmental activities \$3.52 million was financed by general revenues, which are made up primarily from State aid and tribal support (direct and in-kind) of \$3.60 million. Overall there was an excess of revenues over expenses in the amount of \$80,699.

## FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

As noted earlier, the Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Academy's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Academy's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Academy's net resources available for spending at the end of the fiscal year.

The financial performance of the Academy as a whole is reflected in its governmental funds. At June 30, 2016, the Academy's governmental funds reported a combined fund balance of \$393,550, an increase of \$89,733 from the prior year balance of \$303,817. This increase was due primarily to an increase in revenues and a decrease in normal operating expenditures.

### BUDGETS

#### *General Fund Budgetary Highlights*

The resources available for appropriation in the general fund were \$2.71 million. General fund charges to appropriations were \$2.62 million. The actual result, an increase of \$71,291 comprised of an excess of revenues over expenditures totaling \$91,291 and a transfer to the food service fund of \$(20,000). This increased general fund balance from \$217,312 to \$288,603. Actual to budget variances were favorable for appropriations, charges to appropriations and other financing (uses). See page 44 for more details.

#### *Food Service Fund Budgetary Highlights*

The resources available for appropriation in the food service fund were \$171,496. Food service fund charges to appropriations were \$173,054. The actual result, an increase of \$18,442 comprised of an excess of expenditures over revenues totaling \$(1,558) and a transfer to the food service fund of \$20,000. This increased food service fund balance from \$86,505 to \$104,947. Actual to budget variances were favorable for charges to appropriations and other financing sources, but were unfavorable for appropriations. See page 45 for more details.

## **CAPITAL ASSETS**

The Academy has capital assets consisting of a building, a parking lot and during kitchen equipment. The capitalization threshold used by the School Academy is set at \$5,000. The total net capital assets balance of \$83,056 as of June 30, 2016 consists of \$144,719 historical cost less accumulated depreciation of \$61,663. Current year depreciation was \$7,543. See note 6 on page 32 for more details.

## **DEBT ADMINISTRATION**

At year-end, the Academy had outstanding long-term debt of \$3,942,314 comprised of compensated absences totaling \$54,678, see note 7 and net pension liability of \$3,922,496, see note 15 on page 41 for more details.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Many Budgeting factors are being considered by the Academy's administration during the process of developing the fiscal year 2016-2017 budget. Among them:

- Academy student population.
- Increasing Employee salaries and related benefits
- Alternative sources of revenues.
- Cost cutting measures to improve efficiency and effectiveness of Academy instructional and non-instructional programs.
- The unstable funding status of the State of Michigan may continue.

These same indicators were considered when adopting the budget for fiscal year 2015-2016.

## **CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide School Board, Federal and State funding agencies, and interested citizenry with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the resources it receives. If you have questions about this report or need additional information, contact:

Renee Watchorn - Financial Director (906)-466-2952  
Nah Tah Wahsh Public School Academy  
N14911 Hannahville B-1 Road  
Wilson, MI 49896

## **BASIC FINANCIAL STATEMENTS**

**SCHOOL-WIDE FINANCIAL STATEMENTS**

## Nah Tah Wahsh Public School Academy

### STATEMENT OF NET POSITION JUNE 30, 2016

	Governmental Activities
<b>Current Assets</b>	
Cash and cash equivalents	\$ 216,078
Accounts receivable	498,708
Prepaid expenses	31,301
Inventory	3,517
Total current assets	749,604
<b>Capital Assets - Buildings &amp; Land Improvements</b>	
Capital assets, net (Note 6)	83,056
<b>Deferred Outflows of Resources</b>	
Deferred outflow for pension obligation	373,886
<b>Total assets and deferred outflows of resources</b>	1,206,546
<b>Liabilities</b>	
Accounts payable	77,771
Accrued salaries and payroll liabilities	217,821
MPERS retirement Liabilities	32,409
School group liability	28,053
Current Portion - Compensated absences	34,860
Total current liabilities	390,914
<b>Long-term liabilities</b>	
Compensated absences net of current portion	19,818
Net pension liability	3,922,496
Total long-term liabilities	3,942,314
<b>Total liabilities</b>	4,333,228
<b>Deferred Inflows of Resources</b>	
Deferred inflow of resources for pension obligation	12,992
Total liabilities and deferred inflows of resources	4,346,220
<b>Net Position</b>	
Net Investment in capital assets	83,056
Unrestricted	(3,222,730)
<b>Total net position</b>	\$ (3,139,674)

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

**Nah Tah Wahsh Public School Academy**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

	Program Revenues			Net (Expense) Revenues and Changes in Net Position Government Type Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Functional Expenses</b>				
Instruction	2,311,299		\$ 111,566	\$ (2,199,733)
Added Needs	112,072	-	1,706	(110,366)
General Administration	148,190	-	-	(148,190)
Executive Administration	47,593	-	-	(47,593)
Food Service	173,054	69,429	100,574	(3,051)
USDA - Commodities In-Kind	8,501	-	8,501	-
Tribal Support Services - In-Kind (See Note 11)	999,108	-	-	(999,108)
Depreciation of Capital Assets (Unallocated)	7,543	-	-	(7,543)
<b>Total academy</b>	<b>\$ 3,807,360</b>	<b>\$ 69,429</b>	<b>\$ 222,347</b>	<b>\$ (3,515,584)</b>

**General purpose revenues:**

State school aid - unrestricted	1,304,733
State Sources - 31A At Risk	92,184
State School Aid - MPSERS Cost Offset	19,294
State Sources - MPSERS UAAL Rate Stabilization	155,836
State Sources - Headlee Data	4,445
State Sources - Robotics	8,308
State Sources - Other	1,668
State Sources - Food Service	1,490
Tribal Support - In-Kind	999,108
Local Support (See Note 14)	1,009,201
Interest	15
<b>Total general purpose revenues</b>	<b>3,596,283</b>
Excess of revenues over expenses	80,699
Net position, July 1, 2015 - As restated	(3,220,373)
Net position, June 30, 2016	\$ (3,139,674)

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

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

**Nah Tah Wahsh Public School Academy**

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016

<b>Assets</b>	<b>General</b>	<b>Food Service</b>	<b>Total Governmental Funds</b>
Cash and Cash Equivalents	\$ 187,328	\$ 28,750	\$ 216,078
Accounts Receivable	489,298	9,410	498,708
Due From General Fund	-	71,333	71,333
Prepaid Expenses	31,301	-	31,301
Inventory	-	3,517	3,517
	<b>\$ 707,927</b>	<b>\$ 113,010</b>	<b>\$ 820,937</b>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 69,708	\$ 8,063	\$ 77,771
Accrued Salaries and Payroll Liabilities	217,821	-	217,821
MPSERS Retirement Liabilities	32,409	-	32,409
Due to Food Service Fund	71,333	-	71,333
School Group Liability	28,053	-	28,053
	<b>419,324</b>	<b>8,063</b>	<b>427,387</b>
 <b>Fund Balances</b>			
Nonspendable	31,301	3,517	34,818
Unassigned	257,301	101,430	358,731
	<b>288,603</b>	<b>104,947</b>	<b>393,550</b>
<b>Total Fund Balance</b>	<b>288,603</b>	<b>104,947</b>	<b>393,550</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 707,927</b>	<b>\$ 113,010</b>	<b>\$ 820,937</b>

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

**Nah Tah Wahsh Public School Academy**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2016

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

<b>Total Governmental Fund Balances</b>	\$	393,550
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$ 144,719 and the accumulated depreciation is \$61,663.		83,056
Deferred outflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds		373,886
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities the Academy has are for:		
Compensated absences	\$	(54,678)
Net pension liability		(3,922,496)
Total Long-term liabilities		<u>(3,977,174)</u>
Deferred outflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds		<u>(12,992)</u>
<b>Net Position of Governmental Activities</b>		<u><u>\$ (3,139,674)</u></u>

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

**Nah Tah Wahsh Public School Academy**

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Food Service</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Local Sources (See Note 14)	\$ 1,009,201		\$ 1,009,201
Local Sources - In-Kind	802,904	196,204	999,108
State Sources - Unrestricted	1,304,733	-	1,304,733
State Sources - 31A At Risk	92,184	-	92,184
State Sources - MPSERS Cost Offset	19,294	-	19,294
State Sources - MPSERS UAAL Rate Stabilization	155,836	-	155,836
State Sources - Headlee Data	4,445	-	4,445
State Sources - Robotics	8,308	-	8,308
State Sources - Food Service	-	1,490	1,490
State Sources - School Technology	1,411	-	1,411
State Sources - Performance Based	257	-	257
Federal Sources	113,272	100,574	213,846
USDA-Commodities In-Kind	-	8,501	8,501
Food Sales	-	69,429	69,429
Interest earned	12	3	15
Total Revenues	<u>3,511,857</u>	<u>376,201</u>	<u>3,888,058</u>
<b>Expenditures</b>			
Instruction	2,309,807	-	2,309,807
Added Needs	112,072	-	112,072
General Administration	148,190	-	148,190
Executive Administration	47,593	-	47,593
Tribal Support Services - In-Kind	802,904	196,204	999,108
USDA-Commodities In-Kind	-	8,501	8,501
Food Service	-	173,054	173,054
Total Expenditures	<u>3,420,566</u>	<u>377,759</u>	<u>3,798,325</u>
Excess (Deficiency) of revenues over expenditures	<u>91,291</u>	<u>(1,558)</u>	<u>89,733</u>
<b>Other financing sources (uses)</b>			
Operating transfers in	-	20,000	20,000
Operating transfers out	(20,000)	-	(20,000)
Total other financing sources	<u>(20,000)</u>	<u>20,000</u>	<u>-</u>
Net Change in Fund Balances	71,291	18,442	89,733
Fund balance, July 1, 2015	<u>217,312</u>	<u>86,505</u>	<u>303,817</u>
Fund balance, June 30, 2016	<u>\$ 288,603</u>	<u>\$ 104,947</u>	<u>\$ 393,550</u>

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

**Nah Tah Wahsh Public School Academy**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE- GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

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

<b>Net change in Fund Balances- Total Governmental Funds</b>	<b>\$ 89,733</b>
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
Capital outlays	\$ -
Depreciation expense	(7,543)
	(7,543)
Change in deferred outflow of pension obligation	373,886
<p>The governmental funds do not report compensated absences as a long-term liability. Increases and decreases in compensated absences are not reflected in the governmental funds. This is the current decrease in compensated absences for the fiscal year.</p>	
	(1,492)
Change in net pension obligation	(360,894)
Change in deferred inflow of pension obligation	(12,992)
	(12,992)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 80,699</b>

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**Nah Tah Wahsh Public School Academy**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nah Tah Wahsh Public School Academy received Charter school recognition from the Board of Control of Northern Michigan University on April 28, 1995. The Nah Tah Wahsh Public School Academy is located on reservation land of the Hannahville Indian Community, just off Hannahville Road, in Wilson, Michigan.

There is a School Board that oversees the operations of the Nah Tah Wahsh Public School Academy.

The financial statements of the Nah Tah Wahsh Public School Academy (the “Academy”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB statements and interpretations constitute GAAP for governments, including public schools.

The accompanying financial statements have been prepared in accordance with a new reporting model defined by GASB Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. GASB 34 significantly changes financial reporting for governmental entities, including public schools. The more significant of the Academy’s accounting policies are described below.

**Reporting Entity**

The Nah Tah Wahsh Public School Academy is an independent, separate, legal entity, chartered under Michigan law to serve as a public school, grades K-12. The Academy’s enrolled student population is comprised primarily of Native Americans which are members of the Hannahville Indian Community.

The school has no component units and therefore none are presented as part of the school's Basic Financial Statements.

**Basis of Presentation**

**Basic Financial Statements**

The basic financial statements of the Nah Tah Wahsh Public School Academy include the school-wide and the fund financial statements. Prior to implementation of GASB 34, the financial statements emphasized fund types and account groups. In the new reporting model, the focus is on the Academy as a whole in the school-wide financial statements, while reporting additional and detailed information about the Academy’s major governmental and business-type activities in fund financial statements.

**Nah Tah Wahsh Public School Academy**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued**

School-Wide Financial Statements

The school-wide statement of net position and statements of activities display information about the Academy. These statements include the financial activities of the overall Academy, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between governmental (school) and business-type activities of the Academy.

School activities are financed primarily through state-aid revenues, federal grants, and tribal support dollars from the Hannahville Indian Community. Business-type activities are financed primarily by revenues earned in transactions with external parties. There were no business-type activities for the fiscal year.

The school-wide statement of activities reflects the cost of programs and functions (instructional, administration, etc.) reduced by directly associated revenues (program income, and operating and capital grants) to arrive at the net revenue or expense for each program and function. Net program revenue or expense for school activities is then adjusted for general revenues to determine the change in net assets for the year. Indirect expenses such as support services and administration incurred in school operations are not allocated to programs/functions that they may benefit. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

The fund financial statements provide information about the Academy's funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented as applicable. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. The Academy made use of only governmental funds for the fiscal year ending June 30, 2016.

The Academy reports the following major governmental funds:

*General Fund-* The General Fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

*Food Service Fund-* the Food Service Fund is used to record the food service activity of the Academy. Federal grants are received under this fund in support of the Academy's free or reduced lunch and breakfast programs. Included are all transactions related to the approved current operating budget.

**Nah Tah Wahsh Public School Academy**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued**

**Basis of Accounting**

The Academy follows generally accepted accounting principles as well as a chart of accounts outlined in the *Michigan School Accounting Manual*.

School-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

Governmental funds are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

**Budgets**

Budgets are adopted using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the General Fund and the Food Service Fund.

Budgetary accounting is used to control expenditures and monitor revenues. Budgetary accounts are established in fund general ledgers as a useful procedural adaptation of the accounting system. Estimated revenues and expenditures adopted in the budget are recorded in those accounts. Information is thus available that allows management to continuously monitor compliance with the approved budget.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Academy considers all investments with maturity of three months or less to be cash equivalents. The Academy maintains two checking accounts (General Fund and Food Service accounts) and has no short-term or long-term investments.

**Interfund Receivables/Payables**

On the governmental financial statements, short-term amounts owed between the Academy’s General Fund and its Food Service Fund are classified as “due to” or “due from” in each fund. These balances are eliminated in the presentation of the school-wide financial statements.

**Nah Tah Wahsh Public School Academy**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued**

**Inventories**

Inventories for food supplies are recorded at a cost of \$3,517 and are reported as Food Service Fund assets. On both the governmental fund, when applicable, and the school-wide financial statements, food supplies and commodities are capitalized and expensed when consumed.

**Capital Assets**

The Academy has adopted a policy of capitalizing fixed assets, having a useful life of more than one year, with a historical cost of equal to, or greater than \$5,000. As of June 30, 2016, the Academy had capital assets. Capital assets are depreciated over their remaining useful lives computed using the straight-line method over the following useful lives in the event these items are acquired:

Buildings and improvements	10 – 40 years
Furniture and equipment	7 – 15 years
Computers and software	3 – 10 years

**Compensated Absences**

Personal leave time is accrued for full time employees at a rate of 120 hours per school year. Unused personal leave time may be sold back at a rate of 70% or it may be carried over to the next year. Termination of employment results in the payment of 100% of all accumulated leave time.

**Deferred Revenue- Grants**

Federal and state award monies received, in advance of qualifying expenditures being incurred, are recorded on the Academy's balance sheet as deferred revenue.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes**

The Nah Tah Wahsh Public School Academy is a non-profit entity recognized as tax exempt by the Internal Revenue Service and State of Michigan Department of Treasury. Because of this recognition, no provisions for income taxes have been made in the school's financial statements.

**Nah Tah Wahsh Public School Academy**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Prepaid Expenses**

On the governmental fund financial statements, prepaid expenses are recorded using the consumption method. Under the consumption method prepaid expenses will appear as an asset and as non-spendable fund balance on the balance sheet, and will be expensed proportionately over the periods that service is provided.

**Equity Presentation**

Under GASB 54 the following fund balance classifications must be used on the governmental fund financial statements when applicable:

**Nonspendable Fund Balance**

Amounts that cannot be spent due to form; for example, inventories and prepaid amounts. Also, long-term loan and notes receivables, and property held for resale would be reported here unless the proceeds are restricted, committed or assigned. Amounts that must be maintained intact legally or contractually (corpus or principle of a permanent fund).

**Restricted Fund Balance**

Amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation. This is the same definition used by GASB Statement No. 34, Basic Financial Statements – Management’s Discussion and Analysis-for State and Local Governments, for restricted net positions.

**Committed Fund Balance**

Amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require action by the same group to remove or change the constraints placed on the resources. Action to constrain resources must occur prior to year-end; however, the amount can be determined in the subsequent period.

**Nah Tah Wahsh Public School Academy**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Equity Presentation – Continued**

**Assigned Fund Balance**

For all governmental funds other than the general fund, any remaining positive amounts not classified as non-spendable, restricted or committed. For the general fund, amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts. Amount reported as assigned should not result in a deficit in unassigned fund balance.

**Unassigned Fund Balance**

For the general fund, amounts not classified as non-spendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in the unassigned fund balance. For all governmental funds other than the general fund, amounts expended in excess of resources that are non-spendable, restricted, committed or assigned (a residual deficit). In determining a residual deficit, no amount should be reported as assigned.

Net Equity on full accrual financial statements are presented in the following categories:

**Net Investment in Capital Assets**– Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted Net Position** – Consists of net position with constraints placed on their use by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (b) law through constitutional provisions or enabling legislation.

**Unrestricted Net Position** – All other net positions that do not meet the definition of “restricted net position” or “net investment in capital assets.”

**Subsequent Events**

Subsequent events have been evaluated through the date of the audit report, the date the financial statements were available to be issued.

**Nah Tah Wahsh Public School Academy**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Pension**

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

**NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

The Academy maintains both noninterest-bearing and interest-bearing cash balances at Wells Fargo Bank. The Academy’s cash balances at June 30, 2016, were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
General Fund	\$187,328	\$221,186
Food Service Fund	<u>28,750</u>	<u>28,750</u>
Total Deposits	<u>\$216,078</u>	<u>\$249,936</u>
Insured (FDIC)	\$216,078	\$249,936
Collateralized	-	-
Uninsured	<u>-</u>	<u>-</u>
Total Deposits	<u>\$216,078</u>	<u>\$249,936</u>

Custodial Credit Risk - Custodial credit risk on deposits is the risk that in the event of a bank failure, the Academy's deposits might not be returned to it. The Academy does not have a written bank deposit policy to address custodial credit risk. The Academy has not formally adopted deposit and investment policies that limit the Academy's allowable deposits or investments and address the specific types of risk to which the Academy is exposed. The Academy did not have any investments at June 30, 2016.

**Nah Tah Wahsh Public School Academy**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 3- ACCOUNTS RECEIVABLE**

All year end receivables were deemed to be collectible. Receivables as of June 30, 2016 consisted of the following:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Totals</u>
State Aid – July & August	\$ 289,619	\$ -	\$ 289,619
Hannahville Indian Community	155,209	9,410	164,619
Federal Direct – Title I	<u>44,470</u>	<u>-</u>	<u>44,470</u>
Total Receivables	<u>\$ 489,298</u>	<u>\$ 9,410</u>	<u>\$ 498,708</u>

**NOTE 4- PREPAID COSTS**

As of June 30, 2016 there was a total of \$31,301 consisting of \$27,353 for a prepaid lease for meeting space in Escanaba, Michigan and prepaid insurance costs of \$3,948.

**NOTE 5- INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Inter-fund balances as of June 30, 2016 were as follows; General Fund – Due to Food Service Fund payable \$(71,333) and a Food Service Fund – Due from General Fund receivable \$71,333. These amounts are not expected to be paid in full during the next fiscal year. Elimination entries were made in the preparation of the school-wide financial statements to exclude inter-fund balances.

Also, there was a \$20,000 transfer out to the Food Service fund from the General Fund and a \$(20,000) transfer in from the General Fund in the Food Service fund during the fiscal year ending June 20, 2016.

**NOTE 6 – CAPITAL ASSETS**

The Academy owns a building, has invested in some land improvements and equipment. Depreciation expense was not allocated to any specific functions.

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Building	\$ 95,523	\$ -	\$ -	\$ 95,523
Land Improvements	20,170	-	-	20,170
Equipment	<u>29,026</u>	<u>-</u>	<u>-</u>	<u>20,026</u>
Totals	144,719	-	-	144,719
Less Accumulated depreciation	<u>(54,120)</u>	<u>(7,543)</u>	<u>-</u>	<u>(61,663)</u>
Cost net of depreciation	<u>\$ 90,599</u>	<u>\$ (7,543)</u>	<u>\$ -</u>	<u>\$ 83,056</u>

**Nah Tah Wahsh Public School Academy**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 7 – CURRENT AND LONG-TERM LIABILITIES**

**Current liabilities** for governmental funds consisted of:

	General Fund	Food Service	Totals
	<u>Fund</u>	<u>Fund</u>	<u></u>
Accounts Payable - Vendors	\$ 69,708	\$ 8,063	\$ 77,771
Accrued Salaries & Payroll Liabilities	217,821	-	217,821
MPSERS Retirement Liability	32,409	-	32,409
School Group Liability	<u>28,053</u>	<u>-</u>	<u>28,053</u>
Total Short Term Liabilities	<u>\$ 347,991</u>	<u>\$ 8,063</u>	<u>\$ 356,054</u>

Total current liabilities are considered due and payable within 30 to 90 days and at a maximum within the next fiscal year.

**Long-term liabilities** at June 30, 2016, were comprised solely of accumulated compensated absences. These compensated absences represent the estimated liability to be paid to employees under the Academy’s personal leave policy.

Beginning Balance June 30, 2015	\$53,186
Current Increases	97,670
Current (Decreases)	<u>(96,178)</u>
Ending Balance June 30, 2016	<u>\$54,678</u>

The estimated current portion of compensated absences for the coming year is approximately \$34,860.

**NOTE 8 – RISK MANAGEMENT**

The Academy is exposed to various risks of loss to torts; theft, damage, and destruction of assets, errors and omissions, injuries to employees, and natural disasters for which the Academy carries commercial insurance. There has been no significant reduction in insurance coverage from the previous year. In addition, there have been no settlements in excess of coverage in any of the prior fiscal years.

**NOTE 9 – CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State of Michigan. Any disallowed claims, including amounts already collected, may constitute a liability of the Academy’s general fund. The amount of expenditures which may be disallowed by grantors, if any, cannot be determined at this time, although the Academy expects that such amounts would be immaterial.

**Nah Tah Wahsh Public School Academy**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 10- ECONOMIC DEPENDENCY**

The Academy receives the majority of its operating revenue from the State of Michigan through the School Aid Act. The State of Michigan utilizes a foundation allowance funding approach for the state aid funding, which provides for a specific annual amount of revenue per student based on a state-wide formula. The levels of funding will vary from year to year based on the Academy's student counts. Management does not anticipate any material fluctuations in its student counts in the future years which would result in a loss of state aid revenues. The loss of these revenues would prevent the Academy from performing regular daily administrative and operating activities.

The Academy also received support from the Hannahville Indian Community (see Note 11) in the form of actual revenues as well as in-kind contributions. Loss of these forms of tribal support would also cause the Academy to become unable to perform regular daily administrative and operating activities.

**NOTE 11 - HANNAHVILLE INDIAN COMMUNITY - RELATED PARTY TRANSACTIONS**

**Reimbursed Expenditures & Rents for Use of Facilities**

The Academy has an agreement with the Hannahville Indian Community whereby the Tribe pays certain program expenditures on behalf of the Academy. This agreement also requires that the School reimburse the Tribe for certain program expenditures on behalf of the Community. As of June 30, 2016, the School Academy did not currently owe the Hannahville Indian Community for reimbursements of program expenditures, but did have a receivable due from Hannahville Indian Community for \$155,209.

The Academy also has a rental agreement with the Hannahville Indian Community for the use of the school facilities. (See Note 13)

**In-Kind Tribal Support**

The Hannahville Indian Community provides support to the Nah Tah Wahsh Public School Academy through a number of services. These services include building costs, personnel salaries, student transportation services, a library service, and other educational related costs paid for by the Hannahville Indian Community but benefit the Nah Tah Wahsh Public School Academy. Estimated in-kind support of \$802,904 for the General Fund and \$196,204 for the Food Service fund totaled \$999,108 during the fiscal year. These in-kind tribal support revenues/expenses are presented separately on the Academy's basic financial statements and not presented in budgetary comparison schedules.

**Tribal Support**

Besides contributing in-kind support services to the Academy, the Hannahville Indian Community and the Island Casino also contributed actual support dollars totaling \$855,064 during the fiscal year (See note 14). These support dollars went towards supporting teachers' salaries, transportation and other operating expenses.

**Nah Tah Wahsh Public School Academy**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 12 – BUDGETS AND ACCOUNTABILITY**

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the functional level. State law requires the Academy to have its budget adopted by June 30. Adoption of a deficit budget is a violation of Michigan Uniform Budgeting and Accounting Act. During the year ended June 30, 2016 the budgets were amended in a legally permissible manner and were finalized at the end of the fiscal year with a final budget amendment.

Fund balance for the general fund increased and the food service fund increased. Aggregate Revenues, Expenditures and Transfer line items did not exceed the 1% reasonableness threshold for unfavorable variances as used by the Michigan Department of Education for the general fund. Although, specifically, Expenditures and Transfer line items did not exceed the 1% reasonableness threshold for unfavorable variances as used by the Michigan Department of Education for the food service fund, the food service fund realized a small unfavorable variance in revenues slightly in excess of the 1% threshold. The budgetary comparison statements are presented in the required supplemental section of this report.

**NOTE 13 – RENTS & LEASES**

The Academy has a flexible annual lease arrangement with Hannahville Indian Community to pay rent on the use of the school facilities based on the availability of funds. The rent amount is determined each year starting with a minimum payment of \$1. This year's rent expense came to \$120,077.

The Academy also leases meeting space in Escanaba, Michigan on a pre-paid annual basis from K Enterprises Rental, LLC. This year's lease expense was \$35,935.

**NOTE 14 – LOCAL SUPPORT REVENUE**

The Academy received local support revenue totaling \$1,009,201. This was comprised of the following:

Hannahville Indian Community actual support dollars (See Note 11)	\$ 712,164
Island Casino actual support dollars (See Note 11)	142,900
Various other local sources of miscellaneous revenues	<u>154,137</u>
	<u>\$ 1,009,201</u>

**Nah Tah Wahsh Public School Academy**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 15- RETIREMENT PLAN**

**General Information About the Michigan Public School Employees' Retirement System (MPERS) Pension Plan**

Eligible employees of the Nah Tah Wahsh Public School Academy participate in the Michigan Public School Employees Retirement System.

**Plan Description**

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

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

The System's financial statements are available at [www.michigan.gov/mpers-cafr](http://www.michigan.gov/mpers-cafr).

**Benefits Provided**

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

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

**Nah Tah Wahsh Public School Academy  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2016**

**NOTE 15- RETIREMENT PLAN – Continued**

**Contributions and Funded Status**

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21 year period for the 2015 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2015.

**Pension Contribution Rates:**

<b><u>Benefit Structure</u></b>	<b><u>Member Rate</u></b>	<b><u>Employer Rate</u></b>
Basic	0.0 – 4.0%	22.52 – 23.07%
Member Investment Plan	3.0 – 7.0 %	22.52 – 23.07%
Pension Plus	3.0 – 6.4%	21.99%
Defined Contribution	0.0%	17.72 – 18.76%

Required contributions to the pension plan from Nah Tah Wahsh Public School Academy were \$309,805 for the year ended September 30, 2015.

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

At June 30, 2016, Nah Tah Wahsh Public School Academy reported a liability of \$3,922,496 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2014. Nah Tah Wahsh Public School Academy proportion of the net pension liability was determined by dividing each employer’s statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At

**Nah Tah Wahsh Public School Academy**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 15- RETIREMENT PLAN – Continued**

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

September 30, 2015, Nah Tah Wahsh Public School Academy’s proportion was 0.01605933 percent, which was an increase of 00.0011623 percent from its proportion measured as of September 30, 2014.

For the year ended June 30, 2016, Nah Tah Wahsh Public School Academy recognized pension expense of \$391,329. At June 30, 2016, Nah Tah Wahsh Public School Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ 12,992
Changes of assumptions	96,580	-
Net difference between projected and actual earnings on pension plan investments	20,021	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	222,182	-
Employer contributions subsequent to the measurement date	35,103 *	-
Total	<u>\$ 373,886</u>	<u>\$ 12,992</u>

\*\$35,103 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Nah Tah Wahsh Public School Academy**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 15- RETIREMENT PLAN – Continued**

**Deferred (Inflow) and Deferred Outflow of Resources by  
Year (To Be Recognized in Future Pension Expenses)**

<u>Year Ending September 30</u>	<u>Amount</u>
2016	\$70,801
2017	\$70,801
2018	\$65,564
2019	\$118,625

**Actuarial Assumptions**

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

**Summary of Actuarial Assumptions**

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

**Nah Tah Wahsh Public School Academy**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 15- RETIREMENT PLAN – Continued**

**Summary of Actuarial Assumptions - Continued**

*Notes:*

- *Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2014, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.7158 for non-university employers 1.3923 for university employers]*
- *Recognition period for assets in years is 5.0000*
- *Full actuarial assumptions are available in the 2015 MPSEERS Comprehensive Annual Financial Report ([www.michigan.gov/mpsers-cafr](http://www.michigan.gov/mpsers-cafr)).*

**Long-Term Expected Return on Plan Assets**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Real Rate of Return*</b>
Domestic Equity Pools	28.0%	5.9%
% Alternative Investment Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	0.9%
Real Estate and Infrastructure Pools	10.0%	4.3%
Absolute Return Pools	15.5%	6.0%
Short Term Investments Pools	2.0%	0.0%
Total	<u>100.0%</u>	

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

**Nah Tah Wahsh Public School Academy  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2016**

**NOTE 15- RETIREMENT PLAN – Continued**

**Discount Rate**

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

**Sensitivity of Nah Tah Wahsh Public School Academy’s proportionate share of the net pension liability to changes in the discount rate**

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

<b>1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%</b>	<b>Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%</b>	<b>1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%</b>
<b>\$5,057,102</b>	<b>\$3,922,496</b>	<b>\$2,965,976</b>

*\* University employers provide non-hybrid plans only. For non-university employers, the Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.*

**Michigan Public School Employees’ Retirement System (MPERS) Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued MPERS CAFR. See the 2015 MPERS CAFR ([www.michigan.gov/documents/orsschools/MPERS\\_CAFR\\_2015\\_Final\\_510211\\_7.pdf](http://www.michigan.gov/documents/orsschools/MPERS_CAFR_2015_Final_510211_7.pdf))

**Payables to the Michigan Public School Employees’ Retirement System (MPERS)**

Nah Tah Wahsh Public School Academy owed MPERS \$32,409 at June 30, 2016 based on required contribution for the year end payroll paid subsequent to year end.

**Nah Tah Wahsh Public School Academy**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 16 - ACCOUNTING CHANGES**

The Academy has adopted the Governmental Accounting Standards Board Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No.27. GASB 68 is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that are provided by other entities. GASB 68 is the result of a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity and creating additional transparency.

GASB 68 requires employers to report net pension benefits as a liability in the statement of net position. GASB 68 requires immediate recognition of the pension expense, including annual service cost and interest, and the effect of changes in benefit terms on the net pension liability. Cost-sharing employers are required to record a liability and expenses equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. GASB 68 also requires expanded note disclosures and required supplementary information covering the past 10 years for the net pension liability.

The Academy implemented GASB 68 during the year by retroactive restatement of June 30, 2015 net position, as follows:

Net position at June 30, 2015, <i>as originally stated</i>	\$ 341,229
Record net pension liability at June 30, 2015	<u>(3,561,602)</u>
Net position at June 30, 2015, <i>as restated</i>	<u>\$(3,220,373)</u>

**REQUIRED SUPPLEMENTAL INFORMATION**

**NAH TAH WAHSH PUBLIC SCHOOL ACADEMY**

REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>	
<b>Resources (Inflows)</b>					
Local Sources	\$ 873,086	\$ 801,835	\$ 1,009,200	\$ 207,365	
State Sources	1,402,900	1,584,680	1,586,468	1,788	
Federal Sources	120,000	120,000	113,272	(6,728)	
Interest earned	-	-	12	12	
<b>Amounts Available for Appropriation</b>	<u>2,395,986</u>	<u>2,506,515</u>	<u>2,708,952</u>	<u>202,437</u>	<b>8.08%</b>
<b>Charges to Appropriations (Outflows)</b>					
Instruction	2,324,856	2,342,954	2,309,807	33,147	
Added Needs	32,243	148,383	112,072	36,311	
General Administration	120,000	125,744	148,190	(22,446)	
Executive administration	42,087	47,540	47,593	(53)	
<b>Total Charges to Appropriations</b>	<u>2,519,186</u>	<u>2,664,621</u>	<u>2,617,662</u>	<u>46,959</u>	<b>1.76%</b>
Resources Over Charges to Appropriations	(123,200)	(158,106)	91,291	249,397	
<b>Other Financing Sources (Uses)</b>	<u>(30,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>	<b>0.00%</b>
Excess Over Charges to Appropriations and Other Financing Uses	(153,200)	(178,106)	71,291	<u>\$ 249,397</u>	
Fund Balance, July 1, 2015	<u>217,312</u>	<u>217,312</u>	<u>217,312</u>		
Fund Balance, June 30, 2016	<u>\$ 64,112</u>	<u>\$ 39,206</u>	<u>\$ 288,603</u>		

See independent auditors' report on supplemental information.

**NAH TAH WAHSH PUBLIC SCHOOL ACADEMY**

REQUIRED SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - FOOD SERVICE FUND  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>	
<b>Resources (Inflows)</b>					
Local Sources	\$ 60,000	\$ 78,932	\$ 69,429	\$ (9,503)	
State Sources	-	-	1,490	1,490	
Federal Sources	70,000	94,840	100,574	5,734	
Interest earned	-	-	3	3	
<b>Amounts Available for Appropriation</b>	<u>130,000</u>	<u>173,772</u>	<u>171,496</u>	<u>(2,276)</u>	<b>-1.31%</b>
<b>Charges to Appropriations (Outflows)</b>					
Food Service	<u>160,000</u>	<u>193,772</u>	<u>173,054</u>	<u>20,718</u>	
<b>Total Charges to Appropriations</b>	<u>160,000</u>	<u>193,772</u>	<u>173,054</u>	<u>20,718</u>	<b>10.69%</b>
Resources Over Charges to Appropriations	(30,000)	(20,000)	(1,558)	18,442	
<b>Other Financing Sources (Uses)</b>	<u>30,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<b>0.00%</b>
Excess Over Charges to Appropriations and Other Financing Sources	-	-	18,442	<u>\$ 18,442</u>	
Fund Balance, July 1, 2015	<u>86,505</u>	<u>86,505</u>	<u>86,505</u>		
Fund Balance, June 30, 2016	<u>\$ 86,505</u>	<u>\$ 86,505</u>	<u>\$ 104,947</u>		

See independent auditors' report on supplemental information.

**Nah Tah Wahsh Public School Academy**

**Schedule of Nah Tah Wahsh Public School Academy's Proportionate Share of the Net Pension Liability**  
**Michigan Public School Employees Retirement plan**  
**Last 10 Fiscal Years ( Amounts were determined as of 9/30 of each year )**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A Statorily required contributions pension liability (%)	-	-	-	-	-	-	-	-	0.01605933%	Prior Year
B Employer's proportionate share of net pension liability	-	-	-	-	-	-	-	-	3,922,496	Prior Year
C Employer's covered- employee payroll	-	-	-	-	-	-	-	-	1,328,001	Prior Year
D Employer's proportionate share of net pensions liability as a percentage of its covered-employee payroll	-	-	-	-	-	-	-	-	33.86%	Prior Year
E Plan fiduciary net position as a percentage of total pension liability	-	-	-	-	-	-	-	-	63.17%* or 47.45%**	Prior Year

\*For K12 districts, ISD's, charter schools?PSAs, libraries, and community colleges

\*\*For universities

Nah Tah Wahsh Public School Academy

Schedule of Nah Tah Wahsh Public School Academy's Contributions  
Michigan Public School Employees Retirement Plan  
Last 10 Fiscal Years ( Amounts were determined as of 6/30 of each year )

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Statutorily required contributions	-	-	-	-	-	-	-	-	\$ 309,805	Prior Year
B. Contributions in relation to statutorily required contributions*	-	-	-	-	-	-	-	-	\$ 331,505	Prior Year
C. Contribution deficiency (excess) payroll	-	-	-	-	-	-	-	-	\$ (21,700)	Prior Year
D. Employer's covered-employee payroll	-	-	-	-	-	-	-	-	\$ 1,285,899	Prior Year
E. Contributions as a percentage of covered-employee payroll	-	-	-	-	-	-	-	-	25.78%	Prior Year

\*Contributions in relation to statutorily required contributions are the contributions an employer made to the System, as distinct from the statutorily required contributions.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Michigan Public School Employees Retirement Plan

**Changes of benefit terms:** There were no changes of benefit terms in 2015.

**Changes of assumptions:** There were no changes of benefit assumptions in 2015.

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

**To the School Board  
Nah Tah Wahsh Public School Academy  
N14911 Hannahville B-1 Road  
Wilson, MI 49896**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and 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 and each major fund of the Nah Tah Wahsh Public School Academy, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Nah Tah Wahsh Public School Academy’s basic financial statements and have issued our report thereon dated October 31, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Nah Tah Wahsh Public School Academy’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 Nah Tah Wahsh Public School Academy’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Nah Tah Wahsh Public School Academy’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 Academy’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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: **2015-001 & 2015-002.**

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Nah Tah Wahsh Public School Academy’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*.

We noted certain matters that we have reported to management of the Nah Tah Wahsh Public School Academy in a separate letter dated October 31, 2016.

**Academy’s Response to Findings**

The Nah Tah Wahsh Public School Academy’s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Nah Tah Wahsh Public School Academy’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 Nah Tah Wahsh Public School Academy’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 Nah Tah Wahsh Public School Academy’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Midwest Professionals, P.L.L.C.

Gaylord, Michigan  
October 31, 2016

**NAH TAH WAHSH PUBLIC SCHOOL ACADEMY  
SCHEDULE OF AUDITORS' FINDINGS & RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the Nah Tah Wahsh Public School Academy.
2. There were deficiencies relating to the audit of the financial statements reported in the *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Governmental Auditing Standards*. These deficiencies were not considered to be material weaknesses.
3. An audit conducted in accordance with the Single Audit Act was not required in the current year. The audit was not performed under the Single Audit Act guidelines.

**NAH TAH WAHSH PUBLIC SCHOOL ACADEMY  
SCHEDULE OF AUDITORS' FINDINGS & RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016**

**B. FINDINGS - FINANCIAL AUDIT**

***PRIOR YEAR FINDINGS:***

***Internal Control Over Financial Reporting***

**Significant Deficiency**

**15-001 – Budgetary Control**

**CONDITION:** During the fiscal year audit ending June 30, 2015 it was discovered that, even though fund balances increased, a budget line item in the food service fund had actual expenditures that exceeded expected amounts by more than 1%.

**CRITERIA:** The Academy is required to legally adopt budgets that are to be adhered to and adjusted to avoid exceeding budgeted line items and to maintain a balanced or surplus budget.

**CAUSE:** Final budget modifications allowed for some expenditures to exceed budgeted amounts by not adequately budgeting for year end vendor payments.

**EFFECT:** It is possible that actual expenditures could exceed budgeted line items enough to cause a deficit budget for the year. Infrequent budget modifications, as well as failure to adequately budget for year end expenditures, could lead to unwise use of resources, operational inefficiencies, poor decision making and missed savings opportunities.

**CURRENT STATUS:** *Unresolved.* It was found that the revenue line item in the budgetary comparison for the food service program had an unfavorable variance of over 1%.

**RECOMMENDATION:** It is recommended that the Academy initiate tighter controls over the budget process and allow for more frequent budget modifications throughout the fiscal year as well as looking more closely at year end revenues and expenditures in order to avoid exceeding any budgeted expenditure line item.

**MANAGEMENT'S RESPONSE:** Management will immediately review, update and enforce the already adopted policies and procedures for the budgeting process to improve the effectiveness of our budgets to avoid any unfavorable variances in the future

**NAH TAH WAHSH PUBLIC SCHOOL ACADEMY  
SCHEDULE OF AUDITORS' FINDINGS & RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016**

***PRIOR YEAR FINDINGS - Continued:***

**Internal Control Over Financial Reporting - continued**

**Significant Deficiency**

**15-002 – Timesheets**

**CONDITION:** During the fiscal year audit ending June 30, 2015 it was discovered that, even though gross wages for elementary, middle and high school payroll was allocated appropriately, and grant expenditures were properly accounted for, there was a lack of specific grant identification on teacher timesheets.

**CRITERIA:** The Academy is required to complete timesheets that show sufficient detail to report payroll expenditures by grant.

**CAUSE:** Teachers did not specifically identify which grants they were working under on there respective timesheets.

**EFFECT:** It is possible that payroll expenditures could be misclassified causing a specific grant or grants to have over or under reported payroll expenditures.

**RECOMMENDATION:** It is recommended that the Academy initiate tighter controls over time sheets to better ensure that specific grants are charged appropriately.

**CURRENT STATUS: Unresolved.** It was found that the cause described above was not yet resolved during the fiscal year ending June 30, 2016.

**MANAGEMENT'S RESPONSE:** Management will immediately review, update and enforce the already adopted policies and procedures for timesheets to better ensure the accuracy of grant reporting.

**Compliance and Other Matters:** None noted.

***CURRENT YEAR FINDINGS:***

**Internal Control Over Financial Reporting** None noted.

**Compliance and Other Matters:** None noted.

**MANAGEMENT LETTER**

To the School Board & Administration  
Nah Tah Wahsh Public School Academy  
N14911 Hannahville B-1 Road  
Wilson, MI 49896

In planning and performing our audit of the basic financial statements of the Nah Tah Wahsh Public School Academy for the year ended June 30, 2016, we considered the Academy's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. These matters are only a result of audit procedures based on risk assessment procedures and that not all deficiencies or weaknesses in controls may have been identified. This letter does not affect our report dated October 31, 2016, on the basic financial statements of the Nah Tah Wahsh Public School Academy. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operational efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our only comment is summarized as follows:

**PRIOR YEAR MANAGEMENT LETTER FINDINGS:**

**UNCOLLATERALIZED CASH DEPOSITS**

*Condition:* In performing procedures over cash deposits the following condition was noted. The Academy had cash account balances in excess of the \$250,000 F.D.I.C. insurance coverage in one banking institution. These uninsured balances were not collateralized as of June 30, 2008.

*Effect:* In the event of a banking institution failure, cash deposit balances carried in excess of the \$250,000 limit is not covered by F.D.I.C. insurance and could be lost. Subsequent to June 30, 2008, new legislation has raised the F.D.I.C. insurance limit to \$250,000. Even with this new limit the Academy would not be covered for excess deposits over \$250,000.

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Recommendation: When cash balances exceed \$250,000 in one banking institution, it is a sound business practice to spread the risk between two or more institutions to better insure the protection of the cash deposits. Another alternative would be to establish a collateralization agreement with the bank to cover balances exceeding the F.D.I.C. insurance limit with government securities such as U.S. Treasury notes or bonds.

Status: *Unresolved.* This condition is unchanged as of June 30, 2016. During the year the balances in the bank exceeded the F.D.I.C. insurance limit on numerous occasions exposing the Academy to risk of loss had the bank failed during those occasions.

**CURRENT YEAR MANAGEMENT LETTER FINDINGS:**

None Noted

We wish to thank the School Superintendent – Tom Miller, the School’s Accountant – Renee Mosier, and all the rest of the staff for their support and assistance. This letter is intended for the information of the Nah Tah Wahsh Public School Academy’s management, school board, government agencies as required and others within the School as required and is not intended to be and should not be used by anyone other than these specified parties.

*Midwest Professionals  
P.L.L.C.*

Midwest Professionals, P.L.L.C.

Gaylord, Michigan  
October 31, 2016