

**Central Montcalm Public School  
Stanton, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2014**

Central Montcalm Public School  
Stanton, Michigan

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June 30, 2014

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Central Montcalm Public School

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Central Montcalm Public School  
Stanton, 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 Central Montcalm Public School (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Central Montcalm Public School, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2014, on our consideration of the Central Montcalm Public School'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 Central Montcalm Public School's internal control over financial reporting and compliance.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 16, 2014

Central Montcalm Public School  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

This section of the Central Montcalm Public School's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2014. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Central Montcalm Public School financially as a whole. The **district-wide** financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The **fund** financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant (major) fund, (the General Fund) with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary (Student Activities Agency) assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

**District-wide Financial Statements**

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

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

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

**Fund Financial Statements**

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

Central Montcalm Public School

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

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

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

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

**The School District as a Whole**

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2014, with comparative information as of June 30, 2013:

Table 1

	<u>Statement of Net Position</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Assets		
Current Assets	\$ 6,644,404	\$ 6,734,735
Capital Assets	<u>22,226,891</u>	<u>23,135,715</u>
Total Assets	28,871,295	29,870,450
Deferred Outflow of Resources	481,250	515,625
Liabilities		
Current Liabilities	6,792,885	7,586,553
Noncurrent Liabilities	<u>14,222,932</u>	<u>15,846,708</u>
Total Liabilities	<u>21,015,817</u>	<u>23,433,261</u>
Net Position		
Net investment in capital assets	7,036,977	6,387,593
Restricted	517,550	363,202
Unrestricted	<u>782,201</u>	<u>202,019</u>
	<u>\$ 8,336,728</u>	<u>\$ 6,952,814</u>

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

Central Montcalm Public School

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

The School District's net position was \$8,336,728 on at June 30, 2014, and \$6,952,814 at June 30, 2013, (Table 1). The \$1,383,914 increase in net position is mainly due to decrease in the expenses in the current year compared to the prior year.

Net investment in capital assets totaling \$7,036,977, compares the original cost, less accumulated depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Capital assets also reflect investments in capital assets from operating funds. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net position for day-to-day operations. Restricted net position reflects the Debt Service fund balances less accrued interest on long-term debt and funds restricted for food and nutrition as of June 30, 2014. Unrestricted net position reflects those assets available to the school district for use in its operation.

The \$782,201 in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities (Table 2), which shows the changes in net position for fiscal year 2013/2014. Depreciation costs are not allocated to areas of activities but reflected in the Statement of Activities as unallocated.

Governmental Activities

Table 2

	Year Ended,	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Revenues		
Program Revenues:		
Charges for services	\$ 357,055	\$ 364,041
Operating and capital grants and contributions	2,669,007	2,970,253
General Revenues:		
Property Taxes	3,527,610	3,516,159
State foundation allowance	10,959,236	10,715,657
Other	<u>89,835</u>	<u>60,660</u>
Total Revenue	17,602,743	17,626,770
Functions/Program Expenses		
Instruction	9,032,562	9,112,620
Support Services	4,735,622	4,772,840
Food Services	696,058	825,777
Community service	11,347	17,976
Interest and costs on long-term debt	706,336	791,328
Unallocated depreciation	<u>1,036,904</u>	<u>1,037,781</u>
Total Expenses	<u>16,218,829</u>	<u>16,558,322</u>
Increase in Net Position	<u>\$ 1,383,914</u>	<u>\$ 1,068,448</u>

Central Montcalm Public School

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

In the 2013/2014 fiscal year the district experienced an increase in revenue which resulted primarily from an increase in blended enrollment. Blended enrollment increased 16 students over budgeted enrollment. As a result, the district did not need to implement any mid-year adjustments to ensure a balanced budget. Other factors that affect the value of net position are year-to-year fund balances in the debt service funds, amounts of debt outstanding, as well as the fund balance in the School Service funds at year-end.

As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was \$16,218,829. Certain activities were partially funded from those who benefited from the programs (\$357,055 charges for services) or by other governments and organizations that subsidized certain programs with operating grants and contributions (\$2,669,007). We paid for the remaining "public benefit" portion of our governmental activities with \$3,527,610 in taxes (for General and Debt funds) and \$11,049,071 in State foundation allowance and other revenues, i.e., interest and general entitlements were able to fully fund current expenses with current revenues therefore we had an increase of net position of \$1,383,914.

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

**The School District's Funds**

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$1,671,323, which is an increase of approximately \$684,035 from last year. The primary reason for the increase was due to lower expenditures and higher revenues in the General Fund compared to last year.

**General Fund Highlights**

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

There were several revisions made to the 2013-2014 General Fund original budget. The total expenditure budget was amended and increased approximately \$341,579 to reflect higher than expected operational costs as the district recalled previously lay off staff. In addition, other cost increased slightly reflecting an inflationary increase in educating the students of Central Montcalm Public School. Local and State revenues were adjusted upward to reflect the increase in enrollment and an increase in GSRP allocation. All other revenue remained relatively constant.

**Debt Service Fund Highlights**

The Debt Service Funds consist of two (2) separate debt funds as follows: 2005 Debt and 2012 Bond Refunding. The Debt Service Funds are set up to collect taxes and pay annual debt payments. At June 30, 2014, the Debt Service Funds had \$487,400 in fund equity available for future bond payments.

Central Montcalm Public School  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

**Capital Assets and Debt Administration**

***Capital Assets***

As of June 30, 2014, the School District had approximately \$22.2 million invested in a broad range of net capital assets, including land, buildings, vehicles, furniture, and equipment (net of accumulated depreciation). This amount represents a net decrease (including additions and disposals) of approximately \$908,000 from last year's historical cost of capital assets. Below is the historical cost (net of accumulated depreciation) of all District capital assets:

	2014	2013
Land	\$ 12,802	\$ 12,802
Buildings and building improvements	21,230,082	21,878,799
Buses and other vehicles	322,101	391,788
Furniture and equipment	661,906	852,326
Total historical cost	\$ 22,226,891	\$ 23,135,715

See Note C in the financial statements for more details related to capital assets.

This year's additions to historical cost of approximately \$128,000 included the purchase of one school bus and the purchase of computers and various other pieces of equipment.

***Debt***

At the end of this year, the School District had approximately \$16.0 million in bonds and other obligations outstanding versus approximately \$17.6 million in the previous year. Those debts consisted of the following:

	2014	2013
Bonds	\$ 14,335,000	\$ 15,515,000
Installment purchase agreements and contracts	896,998	1,313,783
Compensated absences	171,936	172,810
Capitalized bond premium	522,164	559,461
Total	\$ 15,926,098	\$ 17,561,054

The State limits the amount of general obligation debt that schools can issue up to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding qualified general obligation debt of approximately \$16.0 million is below this statutorily imposed limit.

Other obligations including accrued vacation pay and sick leave are reported as required by GASB. We present more detailed information about our long-term liabilities in Note D of the financial statements.

Central Montcalm Public School  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

**Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration considered many factors when setting the School District's 2014/2015 fiscal year budgets. One of the most important factors affecting the budget is our student count. Another is the State foundation revenue which is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2015 fiscal year consisted of 90% student count in October 2014 and 10% student count in February 2015. The 2014/2015 budget was adopted in June 2014, based on an estimated student enrollment of 1,677. Approximately 84% of total budgeted General Fund revenue is derived from the foundation allowance, including property taxes. Under State law, the School District cannot generate additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget, if actual district resources are not sufficient to fund original appropriations.

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

**Contacting the District's Management**

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Business Office.

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## **BASIC FINANCIAL STATEMENTS**

Central Montcalm Public School  
STATEMENT OF NET POSITION  
June 30, 2014

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash	\$ 3,819,961
Accounts receivable	752
Due from other governmental units	2,809,197
Inventories	14,494
Total current assets	6,644,404
Noncurrent assets	
Capital assets not being depreciated	12,802
Capital assets, net of accumulated depreciation	22,214,089
Total noncurrent assets	22,226,891
<b>TOTAL ASSETS</b>	<b>28,871,295</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refunding	481,250
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	101,296
Accrued payroll	745,366
Other accrued liabilities	266,431
Unearned revenue	89,519
Accrued interest payable on long-term debt	116,638
Short-term note payable	3,700,000
Due to other governmental units	70,469
Current portion of compensated absences	75,370
Current portion of long-term debt	1,627,796
Total current liabilities	6,792,885
Noncurrent liabilities	
Noncurrent portion of compensated absences	96,566
Noncurrent portion of long-term debt	14,126,366
Total noncurrent liabilities	14,222,932
<b>TOTAL LIABILITIES</b>	<b>21,015,817</b>
<b>NET POSITION</b>	
Net investment in capital assets	7,036,977
Restricted for debt service	370,762
Restricted for food and nutrition	146,788
Unrestricted	782,201
<b>TOTAL NET POSITION</b>	<b>\$ 8,336,728</b>

See accompanying notes to financial statements.

Central Montcalm Public School

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 9,032,562	\$ -	\$ 1,790,094	\$ (7,242,468)
Supporting services	4,735,622	19,292	326,503	(4,389,827)
Community service	11,347	80,468	-	69,121
Food service	696,058	257,295	552,410	113,647
Interest and costs on long-term debt	706,336	-	-	(706,336)
Unallocated depreciation	1,036,904	-	-	(1,036,904)
<b>TOTAL</b>	<b>\$ 16,218,829</b>	<b>\$ 357,055</b>	<b>\$ 2,669,007</b>	<b>(13,192,767)</b>
General revenues				
Property taxes				3,527,610
State school aid - unrestricted				10,959,236
Investment earnings				3,354
Miscellaneous				86,481
<b>TOTAL GENERAL REVENUES</b>				<b>14,576,681</b>
<b>CHANGE IN NET POSITION</b>				<b>1,383,914</b>
Net position, beginning of year				6,952,814
Net position, end of year				<b>\$ 8,336,728</b>

See accompanying notes to financial statements.

Central Montcalm Public School

Governmental Funds

BALANCE SHEET

June 30, 2014

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 3,241,787	\$ 578,174	\$ 3,819,961
Accounts receivable	752	-	752
Due from other governmental units	2,765,682	43,515	2,809,197
Due from other funds	-	9,056	9,056
Inventories	1,390	13,104	14,494
<b>TOTAL ASSETS</b>	<b><u>\$ 6,009,611</u></b>	<b><u>\$ 643,849</u></b>	<b><u>\$ 6,653,460</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 94,122	\$ 7,174	\$ 101,296
Accrued payroll	744,653	713	745,366
Accrued liabilities	266,431	-	266,431
Unearned revenue	89,519	-	89,519
Due to other funds	9,056	-	9,056
Due to other governmental units	68,695	1,774	70,469
Short-term note payable	3,700,000	-	3,700,000
<b>TOTAL LIABILITIES</b>	<b>4,972,476</b>	<b>9,661</b>	<b>4,982,137</b>
<b>FUND BALANCES</b>			
<b>Nonspendable</b>			
Inventories	1,390	13,104	14,494
<b>Restricted</b>			
Debt service	-	487,400	487,400
Food and nutrition	-	133,684	133,684
Unassigned	1,035,745	-	1,035,745
<b>TOTAL FUND BALANCES</b>	<b><u>1,037,135</u></b>	<b><u>634,188</u></b>	<b><u>1,671,323</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 6,009,611</u></b>	<b><u>\$ 643,849</u></b>	<b><u>\$ 6,653,460</u></b>

See accompanying notes to financial statements.

Central Montcalm Public School

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

June 30, 2014

**Total fund balances - governmental funds** **\$ 1,671,323**

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

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

The cost of capital assets is	\$ 37,684,970	
Accumulated depreciation is	<u>(15,458,079)</u>	
		22,226,891

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

Deferred charges on refunding		481,250
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds and loans payable	(15,754,162)	
Accrued interest payable on long-term debt	(116,638)	
Compensated absences	<u>(171,936)</u>	
		<u>(16,042,736)</u>

**Net position of governmental activities** **\$ 8,336,728**

Central Montcalm Public School

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2014

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Local sources	\$ 1,781,333	\$ 2,143,874	\$ 3,925,207
State sources	12,013,140	32,662	12,045,802
Federal sources	905,245	590,589	1,495,834
	<u>14,699,718</u>	<u>2,767,125</u>	<u>17,466,843</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Instruction	9,033,436	-	9,033,436
Supporting services	4,863,702	-	4,863,702
Food service	-	696,058	696,058
Community service	11,347	-	11,347
Debt service	416,939	1,897,226	2,314,165
	<u>14,325,424</u>	<u>2,593,284</u>	<u>16,918,708</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER EXPENDITURES	374,294	173,841	548,135
OTHER FINANCING SOURCES (USES)			
Other transactions	135,900	-	135,900
Transfers in	37,615	10,000	47,615
Transfers out	(10,000)	(37,615)	(47,615)
	<u>163,515</u>	<u>(27,615)</u>	<u>135,900</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	537,809	146,226	684,035
Fund balances, beginning of year	499,326	487,962	987,288
Fund balances, end of year	<u>\$ 1,037,135</u>	<u>\$ 634,188</u>	<u>\$ 1,671,323</u>

See accompanying notes to financial statements.

Central Montcalm Public School

RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

**Net change in fund balances - total governmental funds** \$ 684,035

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

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

Capital outlay	\$ 128,080	
Depreciation expense	<u>(1,036,904)</u>	
Excess of depreciation expense over capital outlay		(908,824)

Repayments of long-term debt and borrowings of long-term debt are reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. Also, governmental funds report the effect of issuance premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the current year, these amounts consisted of:

Amortization of deferred charges	(34,375)	
Debt principal retirement	<u>1,634,082</u>	
Excess of principal retirements over other debt related items		1,599,707

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

Decrease in accrued interest payable on long-term debt	8,122	
Decrease in compensated absences	<u>874</u>	
		<u>8,996</u>

**Change in net position of governmental activities** \$ 1,383,914

Central Montcalm Public School

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2014

	<u>Agency Fund</u>
ASSETS	
Cash	<u>\$ 179,874</u>
LIABILITIES	
Due to student activities	\$ 164,089
Due to others	<u>15,785</u>
TOTAL LIABILITIES	<u>\$ 179,874</u>

See accompanying notes to financial statements.

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present all financial activities of Central Montcalm Public School. The District has no activities that would be classified as component units.

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

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal accounting entity with a self balancing set of accounts. The District utilizes governmental and fiduciary funds.

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

The major governmental fund of the District is:

- a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District.

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Measurement Focus

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

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

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

4. Basis of Accounting

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

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

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

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

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Budgets and Budgetary Accounting

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

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means for financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.
- d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.
- e. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
- f. The budget, as presented, has been amended in a legally permissible manner. Supplemental appropriations were made during the year with the final amendments being approved June 16, 2014.

6. Cash

Cash consists of checking accounts and cash on hand.

7. Short-term Interfund Receivables/Payables

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

8. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The State of Michigan's funding stream of State Aid payments results in the final two (2) payments, related to the fiscal year ended June 30, 2014, to be paid in July and August 2014. The total amount of \$2,809,197 due from other governmental units consists of \$2,212,655 and \$596,542 related to State Aid and grant and local programs, respectively.

9. Inventories

Inventories are stated at cost on a first in/first out basis. The Food Service Fund inventory consists of food and paper goods. The General Fund inventory consists of paper goods. Inventory amounts are equally offset by a fund balance "nonspendable" designation which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

10. Capital Assets

Capital assets include land, buildings and building improvements, furniture and equipment, and buses and other vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost greater than \$5,000 and an estimated useful life of more than five (5) years. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

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

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

11. Compensated Absences

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

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and the balance sheet when applicable will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position/fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is deferred charges on refunding reported in the government-wide financial statement of net position. Deferred charges on refunding results from difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position and the balance sheet when applicable 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/fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the District does not report any deferred inflows of resources.

13. Unearned Revenue

The unexpended balance of certain state aid amounts are carried forward as unearned revenue in governmental funds until the period in which eligible expenditures are incurred. Amounts shown as unearned revenue on the Statement of Net Position relate to the same state aid amounts and are shown here because they are not earned.

14. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the district-wide statements as a current liability under the appropriate heading.

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

15. Short-Term Note Obligations

Short-term debt is recognized as a liability of a governmental fund and is included on the balance sheet of the applicable fund. During the current year the District borrowed funds to meet short-term cash flow borrowing needs. The final payment is due and payable in August 2014 and anticipated State Aid along with cash on hand is expected to be sufficient to cover this commitment.

16. Long-term Obligations

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

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

17. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied.

The District levies taxes of \$18.00 per \$1,000 of taxable valuation on most nonprimary residency exempt property and \$6 per \$1,000 of taxable valuation on commercial personal property for general governmental services and \$7 per \$1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for debt service. The District is also permitted to levy additional amounts for enhancement and/or debt service if voter approval is obtained. Total 2013 taxable value of the District, which was used for the basis of the tax revenue for the General and applicable Debt Service Funds, was \$277,630,123.

18. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state wide formula. Prior to the fiscal year ended June 30, 1995, the State utilized a district power equalizing approach. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2014, the foundation allowance was based on the average of pupil membership counts taken in September 2013 and February 2014. The average calculation was weighted 90% for the September 2013 count and 10% for the February 2014 count.

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

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

19. State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as unearned revenue.

20. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Transfers of resources to other funds are recorded as operating transfers. Transfers are netted as part of the reconciliation to the district-wide financial statements.

21. Federal Programs

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

22. Comparative Data

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

**NOTE B: CASH**

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

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

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE B: CASH - CONTINUED**

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

Deposits

There is custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2014, the carrying amount of the District's deposits was \$3,999,735 and the bank balance was \$4,211,305, of which \$500,000 was insured by the Federal Depository Insurance Corporation. The balance of \$3,711,305 was uninsured and uncollateralized. The District had \$100 of cash on hand at year end.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issue by nationally recognized statistical rating organizations (NRSRO'S). As of June 30, 2014, they had no investments that were subject to ratings.

Interest Rate Risk

The District has adopted a policy that indicates how the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of Credit Risk

The District has adopted a policy that indicates how the District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk

The District has adopted a policy that indicates how the District will minimize custodial credit risk. Custodial credit risk is the risk of loss due to the failure of the security issuer or backer. The Board policy limits investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with the Board approved policy.

As of June 30, 2014, the cash referred to above have been reported in the cash caption in the basic financial statements as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash	<u>\$ 3,819,961</u>	<u>\$ 179,874</u>	<u>\$ 3,999,835</u>

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE C: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated				
Land	\$ 12,802	\$ -	\$ -	\$ 12,802
Capital assets being depreciated				
Buildings and building improvements	31,495,855	-	-	31,495,855
Buses and other vehicles	1,547,411	18,000	(101,150)	1,464,261
Furniture and equipment	4,601,972	110,080	-	4,712,052
Total capital assets being depreciated	37,645,238	128,080	(101,150)	37,672,168
Less accumulated depreciation for:				
Buildings and building improvements	(9,617,056)	(648,717)	-	(10,265,773)
Buses and other vehicles	(1,155,623)	(82,627)	96,090	(1,142,160)
Furniture and equipment	(3,749,646)	(300,500)	-	(4,050,146)
Total accumulated depreciation	(14,522,325)	(1,031,844)	96,090	(15,458,079)
Net capital assets being depreciated	23,122,913	(903,764)	(5,060)	22,214,089
Capital assets, net	<u>\$ 23,135,715</u>	<u>\$ (903,764)</u>	<u>\$ (5,060)</u>	<u>\$ 22,226,891</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated". The current depreciation expense in the Governmental Activities of \$1,031,844 has been adjusted by \$5,060 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

**NOTE D: LONG-TERM DEBT**

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Amounts Due within One Year
2005 Refunding Bonds	\$ 13,780,000	\$ -	\$ (910,000)	\$ 12,870,000	\$ 900,000
2009 Installment Purchase Agreement	93,286	-	(93,286)	-0-	-
2010 Installment Purchase Agreement-Energy	675,000	-	(75,000)	600,000	75,000
2010 Installment Purchase Agreement-Technology	421,000	-	(207,000)	214,000	214,000
2012 Refunding Bonds	1,735,000	-	(270,000)	1,465,000	360,000
Capitalized bond premium	559,461	-	(37,297)	522,164	37,297
Contract payable	124,497	-	(41,499)	82,998	41,499
Compensated absences	172,810	65,074	(65,948)	171,936	75,370
	<u>\$ 17,561,054</u>	<u>\$ 65,074</u>	<u>\$ (1,700,030)</u>	<u>\$ 15,926,098</u>	<u>\$ 1,703,166</u>

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE D: LONG-TERM DEBT - CONTINUED**

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

General Obligation Bond

\$17,810,000 2005 Refunding Bonds dated March 30, 2005, due in annual installments ranging from \$805,000 to \$900,000 through May 1, 2029, with interest of 5.00 percent, payable semi-annually.	\$ 12,870,000
\$1,930,000 2012 Refunding Bonds dated September 12, 2012, due in annual installments ranging from \$100,000 to \$555,000 through May 1, 2018, with interest ranging from 1.80 to 2.30 percent, payable semi-annually.	<u>1,465,000</u>
	<u>\$ 14,335,000</u>

Installment Purchase Agreements

\$900,000 Energy Installment Purchase Agreement dated July 1, 2010, due in annual installments of \$75,000 through May 1, 2022, with interest of 3.48 percent, payable semi-annually.	\$ 600,000
\$814,000 Technology Installment Purchase Agreement dated April 7, 2011, due in an annual installment of \$214,000 on April 1, 2015, with interest of 3.40 percent, payable semi-annually.	<u>214,000</u>
	814,000

Contract Payable

\$214,787 Contract Payable dated July 1, 2011, due in annual installments of \$41,499 through 2016, payable annually with no interest.	<u>82,998</u>
	<u>\$ 896,998</u>

Compensated Absences - In accordance with District personnel policies and/or contracts negotiated with various employee groups of the District, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts:

Teachers will be paid for a maximum of 145 days unused sick days based on years of service at a range of \$40 - \$50 per unused sick day accumulated.

All other non-union support staff will be paid \$30 per unused sick day accumulated with a maximum of 145 days.

The superintendent's, administrators', and other union exempt employees' maximum sick and vacation pay is based on individual agreements.

Central Montcalm Public School

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE D: LONG-TERM DEBT - CONTINUED**

Under GASB Statement No. 16 requirements, the District has elected to implement the “vesting” method of calculating the compensated absences liability. The amounts accumulated for all employees currently vested are calculated along with an amount for other employees who currently are not vested but are probable to vest in future years. The amounts for employees who currently are not vested are calculated taking total unused sick pay amounts at June 30, 2014, for all nonvested employees and multiplying it by a historical termination percentage. This percentage is based on an estimate of the percentage of employees who have terminated employment fully vested in the past five (5) years.

A summary of the calculated amounts of compensated absences and related payroll taxes as of June 30, 2014, which has been recorded in the district-wide financial statements, is as follows:

	<u>Vested Employees</u>	<u>Nonvested Employees</u>	<u>Total</u>
Compensated absences	\$ 90,163	\$ 69,555	\$ 159,718
Payroll taxes	6,897	5,321	12,218
	<u>\$ 97,060</u>	<u>\$ 74,876</u>	<u>\$ 171,936</u>

The annual requirements to pay the debt principal and interest outstanding for the Long-Term Debt are as follows:

Year Ending June 30,	General Obligation Bonds		Installment Purchase Agreements and Contracts Payable	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,260,000	\$ 673,490	\$ 330,499	\$ 28,156
2016	1,345,000	622,010	116,499	18,270
2017	1,445,000	568,260	75,000	15,660
2018	985,000	511,550	75,000	13,050
2019	880,000	465,000	75,000	10,440
2020-2024	4,300,000	1,672,500	225,000	15,660
2025-2029	4,120,000	613,500	-	-
	<u>\$ 14,335,000</u>	<u>\$ 5,126,310</u>	<u>\$ 896,998</u>	<u>\$ 101,236</u>

Advanced Refunding - Prior

The District defeased a portion of the 1999 General Obligation Bonds which are due and payable May 1, 2010 through May 1, 2029. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The District issued 2005 Refunding Bonds in the amount of \$17,810,000 to fund escrow amounts and pay the cost of issuance of the refunding bonds, to pay a portion of the remaining balances of the 1999 School Building and Site Bonds. Accordingly, the trust account assets and liabilities for the defeased bond are not included in the District’s financial statements. At June 30, 2014, bonds due and payable from May 1, 2015 through May 1, 2029 for the 1999 General Obligation Bonds in the amount of \$12,750,000 are considered defeased.

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE E: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at June 30, 2014, are as follows:

Due to nonmajor governmental fund from:	
General Fund	<u>\$ 9,056</u>

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

**NOTE F: INTERFUND TRANSFERS**

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

Transfer to nonmajor governmental funds from:	
General Fund	<u>\$ 10,000</u>
Transfer to General Fund from:	
Nonmajor governmental funds	<u>\$ 37,615</u>

The transfer from the General Fund to the nonmajor governmental fund was to fund current year operations. The transfer from the nonmajor governmental fund to the General Fund was to reimburse the General Fund for expenses incurred during the year.

**NOTE G: OPERATING LEASE**

The District entered into a noncancellable operating lease for office equipment in November 2013. Lease expense for the year ended June 30, 2014 was \$26,820.

Future minimum lease payments under the noncancellable operating lease are as follows:

Year Ending June 30,	
2015	\$ 44,075
2016	44,075
2017	44,075
2018	44,075
2019	<u>14,690</u>
	<u>\$ 190,990</u>

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE H: EMPLOYEE RETIREMENT SYSTEM AND OTHER POSTEMPLOYMENT BENEFITS**

Plan Description

All of the employees, except students, are eligible to participate in the State wide Michigan Public School Employees' Retirement System (MPSERS), a multiple-employer, cost-sharing, defined benefit, State wide public employee retirement system. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report for the fiscal year-end September 30, 2013, the last year available, may be obtained by contacting the State of Michigan Department of Technology, Management, and Budget.

Funding Policy

Employer contributions to the pension system result from implementing effects of the School Finance Reform Act. Member contribution rates vary based on date of hire and certain voluntary elections. Employees who selected MIP on or before December 31, 1989, contributed 4% from January 1, 1987 to December 31, 1989 and 3.9% thereafter. Employees first hired on or after January 1, 1990 through June 30, 2008 are required to contribute based on a graduated rate: 3% of the first \$5,000 (up to \$150); \$150 plus 3.6% of \$5,001 through \$15,000 (up to \$510 total); \$510 plus 4.3% of all wages over \$15,000. Employees first hired on or after July 1, 2008 are required to contribute based on a graduated rate: 3% of the first \$5,000 (up to \$150); \$150 plus 3.6% of \$5,001 through \$15,000 (up to \$510 total); \$510 plus 6.4% of all wages over \$15,000. In addition, employees first hired on or after July 1, 2010 are required to enroll in the Pension Plus Plan, which includes a defined contribution component of 1%-3% of all wages to a retiree health care fund and 0%-2% to a hybrid defined contribution pension plan.

Pension Benefits

Each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits.

Other Postemployment Benefits

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

Contribution rates for the year ended June 30, 2014, are as follows:

	<u>Pension Contribution Rate</u>		<u>Health Contribution Rate</u>	
	<u>Basic/MIP</u>	<u>Pension Plus</u>	<u>Basic/MIP</u>	<u>Pension Plus</u>
July 1, 2013 - September 30, 2013	12.78-15.21%	12.78-15.02%	9.11%	8.18-9.11%
October 1, 2013 - June 30, 2014	15.44-18.34%	15.44-18.11%	5.52-6.45%	5.52-6.45%

Central Montcalm Public School

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE H: EMPLOYEE RETIREMENT SYSTEM AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

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

<u>Fiscal year ended June 30,</u>	<u>Defined Benefit Plan</u>		<u>Defined Contribution Plan</u>	
	<u>Employer Retirement Contributions</u>	<u>Employer Health Contributions</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
2014	\$ 1,382,964	\$ 750,220	\$ 2,161	\$ 4,039
2013	1,235,044	677,282	1,316	2,220
2012	1,510,172	140,289	Not available	Not available

**NOTE I: RISK MANAGEMENT**

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

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

**NOTE J: SHORT-TERM NOTES**

On August 20, 2012, the District issued a short-term State School Aid Anticipation Note in the amount of \$4,300,000 for the purpose of funding operating expenditures until the 2012-2013 State Aid payments resumed. This short-term note, which had a net outstanding balance of \$4,329,063 (principal and accrued interest payable) at June 30, 2013, was reported in the General Fund under the caption short-term notes payable and the applicable accrued interest was included within accrued liabilities. The outstanding balance was paid August 20, 2013.

On August 20, 2013, the District issued a short-term State School Aid Anticipation Note in the amount of \$3,700,000 for the purpose of funding operating expenditures until the 2013-2014 State Aid payments resumed. This short-term note, which had a net outstanding balance of \$3,723,577 (principal and accrued interest payable) at June 30, 2014, is reported in the General Fund under the caption short-term notes payable and the applicable accrued interest is included within accrued liabilities. The outstanding balance was paid August 20, 2014.

**NOTE K: SUBSEQUENT EVENT**

After the year ended June 30, 2014, the following subsequent event occurred:

On August 20, 2014, the District issued a State School Aid Anticipation Note in the amount of \$3,300,000 for the purpose of funding operating expenditures until the fiscal year 2015 State Aid payments begin. This short-term note will be paid off when the District accumulates sufficient State Aid revenues in the next fiscal year. Future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE L: DETAILS OF FUND BALANCE CLASSIFICATIONS**

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

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

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

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

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

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

**Fund Balance Classification Policies and Procedures**

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

For assigned fund balance, Central Montcalm Public School has not approved a policy indicating who is authorized to assign amounts to a specific purpose. As a result, this authority is retained by the Board of Education.

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

**NOTE M: UPCOMING ACCOUNTING PRONOUNCEMENT**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the District's 2014-2015 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

Central Montcalm Public School

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 1,648,750	\$ 1,766,050	\$ 1,781,333	\$ 15,283
State sources	11,968,787	12,022,474	12,013,140	(9,334)
Federal sources	786,810	925,691	905,245	(20,446)
TOTAL REVENUES	14,404,347	14,714,215	14,699,718	(14,497)
EXPENDITURES				
CURRENT				
INSTRUCTION				
Basic programs	6,680,989	6,777,299	6,819,765	(42,466)
Added needs	2,403,140	2,504,251	2,213,671	290,580
TOTAL INSTRUCTION	9,084,129	9,281,550	9,033,436	248,114
SUPPORTING SERVICES				
Pupil	585,939	642,090	623,610	18,480
Instructional staff	288,581	320,983	310,110	10,873
General administration	444,053	498,559	482,980	15,579
School administration	838,075	833,839	806,634	27,205
Business and central services	178,637	179,960	175,730	4,230
Operations and maintenance	1,209,773	1,208,297	1,164,128	44,169
Transportation	876,530	913,062	875,548	37,514
Non-instructional training	13,200	24,037	8,355	15,682
Technology/data services	281,735	258,250	228,929	29,321
Athletics	198,891	202,950	187,678	15,272
TOTAL SUPPORTING SERVICES	4,915,414	5,082,027	4,863,702	218,325
COMMUNITY SERVICES	18,252	9,797	11,347	(1,550)
DEBT SERVICE	417,500	417,500	416,939	561
TOTAL EXPENDITURES	14,435,295	14,790,874	14,325,424	465,450
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(30,948)	(76,659)	374,294	450,953

Central Montcalm Public School

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
OTHER FINANCING SOURCES (USES)				
Other transactions	\$ 70,000	\$ 156,900	\$ 135,900	\$ (21,000)
Transfers from other funds	-	-	37,615	37,615
Transfers to other funds	(24,000)	(10,000)	(10,000)	-0-
TOTAL OTHER FINANCING SOURCES (USES)	<u>46,000</u>	<u>146,900</u>	<u>163,515</u>	<u>16,615</u>
NET CHANGE IN FUND BALANCE	15,052	70,241	537,809	467,568
Fund balance, beginning of year	<u>499,326</u>	<u>499,326</u>	<u>499,326</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 514,378</u>	<u>\$ 569,567</u>	<u>\$ 1,037,135</u>	<u>\$ 467,568</u>

Central Montcalm Public School

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2014

**NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

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

The approved budgets of the District have been adopted at the functional level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2014, the District incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Expenditures			
Instruction			
Basic programs	\$ 6,777,299	\$ 6,819,765	\$ 42,466
Community services	9,797	11,347	1,550

## **OTHER SUPPLEMENTARY INFORMATION**

Central Montcalm Public School

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 20, 2014

	Special	Debt Service Funds		Total
	Revenue Fund	2005	2012 Bond	
	Food	Debt	Refunding	
	Service			
<b>ASSETS</b>				
Cash	\$ 90,774	\$ 446,516	\$ 40,884	\$ 578,174
Due from other funds	9,056	-	-	9,056
Due from other governmental units	43,515	-	-	43,515
Inventories	13,104	-	-	13,104
<b>TOTAL ASSETS</b>	<b>\$ 156,449</b>	<b>\$ 446,516</b>	<b>\$ 40,884</b>	<b>\$ 643,849</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 7,174	\$ -	\$ -	\$ 7,174
Accrued payroll	713	-	-	713
Due to other governmental units	1,774	-	-	1,774
<b>TOTAL LIABILITIES</b>	<b>9,661</b>	<b>-0-</b>	<b>-0-</b>	<b>9,661</b>
<b>FUND BALANCES</b>				
<b>Nonspendable</b>				
Inventories	13,104	-	-	13,104
<b>Restricted</b>				
Debt service	-	446,516	40,884	487,400
Food and nutrition	133,684	-	-	133,684
<b>TOTAL FUND BALANCES</b>	<b>146,788</b>	<b>446,516</b>	<b>40,884</b>	<b>634,188</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 156,449</b>	<b>\$ 446,516</b>	<b>\$ 40,884</b>	<b>\$ 643,849</b>

Central Montcalm Public School

Nonmajor Governmental Funds

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

Year Ended June 30, 2014

	Special	Debt Service Funds		Total
	Revenue Fund	2005	2012 Bond	
	Food	Debt	Refunding	
	Service			
REVENUES				
Local sources	\$ 186,511	\$ 1,643,593	\$ 313,770	\$ 2,143,874
State sources	32,662	-	-	32,662
Federal sources	590,589	-	-	590,589
TOTAL REVENUES	809,762	1,643,593	313,770	2,767,125
EXPENDITURES				
Current				
Food service	696,058	-	-	696,058
Debt service	-	1,592,936	304,290	1,897,226
TOTAL EXPENDITURES	696,058	1,592,936	304,290	2,593,284
EXCESS OF REVENUES OVER EXPENDITURES	113,704	50,657	9,480	173,841
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	-	-	10,000
Transfers out	(37,615)	-	-	(37,615)
TOTAL OTHER FINANCING SOURCES (USES)	(27,615)	-0-	-0-	(27,615)
NET CHANGE IN FUND BALANCES	86,089	50,657	9,480	146,226
Fund balances, beginning of year	60,699	395,859	31,404	487,962
Fund balances, end of year	\$ 146,788	\$ 446,516	\$ 40,884	\$ 634,188