

BARK RIVER HARRIS PUBLIC SCHOOLS

Audited Financial Statements and
Additional Supplemental Information
For the Year Ended
June 30, 2014

Bark River Harris Public Schools

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Bark River Harris Public Schools

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Independent Auditor's Report

To the Board of Education
Bark River - Harris Schools
Harris, Michigan

REPORT ON FINANCIAL STATEMENTS

I have audited the accompanying basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Bark River Harris Public School's, Harris Michigan as of and for the year ended June 30, 2014, which collectively comprise the School's basic financial statements as listed in the table of contents and the related notes to the financial statements.

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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements which, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, I express no such opinion. An audit also includes 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.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

OPINIONS

In my opinion the financial statements referred to above present fairly, in all material respects, the financial position of Bark River Harris Public School's as of June 30, 2014, and the changes in financial position and cash flows where applicable for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report (continued)

OTHER - MATTERS

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and budgetary comparison information on pages 3 through 9 and page 30 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. I 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 response to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bark River Harris Public School's, Harris, Michigan, basic financial statements. The non-major fund financial statements and other supplemental schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The non-major fund financial statements, supplemental schedules and the schedule of expenditures of federal awards 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 my opinion the non-major fund financial statements, other supplemental schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENTAL AUDITING STANDARDS

In accordance with *Government Auditing Standards*, I have also issued my report letter dated September 5, 2014, on my consideration of the School's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bark River Harris Public School's internal control over financial reporting and compliance.



Carl R. Sorensen
Certified Public Accountant
September 5, 2014

Bark River Harris Public Schools

Managements Discussion and Analysis
Year Ended June 30, 2014

Management's Discussion and Analysis

This section of the Bark River Harris Public School District's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2014. It is to be read in conjunction with the School District's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Managements Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending June 30, 2014.

District-wide Financial Statements

The District-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the School District as a whole. The statements prepared using the accrual basis of accounting which is the accounting method used by most private sector businesses. The statement of net position includes all of the School District's assets and liabilities. All current year revenues and expenses are reported for in the statement of activities. The two statements report the Governmental activities of the School District that include all services performed by the School District including but not limited to instruction, support services, food services, athletics and debt service. These activities are funded mostly by State aid as determined by pupil counts, Federal and State grants and local property taxes.

The statement of net position as stated previously, shows the School District's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficits of the School District. A deficit occurs when there are more liabilities than there are assets to pay those liabilities. This statement measures the financial strength of the School District; the greater the net asset figure, the healthier the School District generally is. This shows if the School District will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net position on a revenue less expenditure basis. It generally shows the operating results for a given year of the School District. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net position (or reduces a deficit) available to fund future needs of the School District.

Management's Discussion and Analysis (continued)

Fund Financial Statements

The School District's fund financial statements show detail of funds that are determined to be significant, called major funds. The funds that is separately stated as a major fund is the General Fund which is the operating fund of the School District. All other funds of the School District are considered non-major and are reported as one column. Separate funds are often required to be set up and separately recorded due to State or Federal statues or by bond covenants or other contractual agreements. The School District may also choose to set up separate funds to better control and track certain monies. All of the School District's services are reported in Governmental types. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The School District has the following non-major Governmental Funds. The School District operates the Food Service Fund which accounts for the breakfast and hot lunch programs and Debt Service Fund accounting for Bond Activities.

Fiduciary Funds are funds that account for certain activities in which the School District acts as a trustee or in an agent capacity. The agency fund accounts for various student and other activity groups who raise funds for specific purposes to be spent on whatever purpose the group wants. The school also maintains a student loan fund used to account for scholarship loans to eligible students and their subsequent repayments. These activities are not included in the District-wide financial statements as they represent resources that are not available for the School District's operations.

Governmental Funds are accounted for by using an accounting method called modified accrual accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The Governmental Fund financial statements show detail of operations for a given year according to this method of accounting. This is similar to how the School District reported their finances in the past. The individual fund statement helps determine what financial resources are available on a short-term basis to fund operations.

Since the District-wide financial statements and the fund financial statements use different methods of accounting to report the School District's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

Management's Discussion and Analysis (continued)

District-wide Financial Statements - Condensed Financial Information

Statement of Net Position

The following table shows the Governmental Activities condensed statement of net position with a detailed analysis of the statement below.

	<u>June 30</u> <u>2014</u>	<u>June 30</u> <u>2013</u>
Assets		
Current Assets:		
Cash and investments	\$ 2,098,172	\$ 2,532,354
Accounts receivable	985,217	1,055,459
Other current assets	<u>74,578</u>	<u>79,714</u>
Total Current Assets	3,157,967	3,667,527
Noncurrent Assets:		
Capital assets, net of accumulated		
Depreciation and amortization of \$4,222,737	<u>3,591,982</u>	<u>3,181,159</u>
Total Noncurrent Assets	<u>3,591,982</u>	<u>3,181,159</u>
Total Assets	<u>\$ 6,749,949</u>	<u>\$ 6,848,686</u>
Liabilities		
Accrued salaries and benefits	\$ 640,266	\$ 594,164
Other current liabilities	<u>340,360</u>	<u>426,700</u>
Total Current Liabilities	980,626	1,020,864
Long-term liabilities, net of current portion of \$225,236	<u>1,564,865</u>	<u>1,671,259</u>
Total Liabilities	<u>2,545,491</u>	<u>2,692,123</u>
Deferred Inflow of Resources		
Unearned revenue	<u>42,739</u>	<u>—</u>
Total Deferred Inflow of Resources	<u>42,739</u>	<u>—</u>
Net Position		
Investment (deficit) in capital assets, net of related debt	2,261,185	1,830,362
Restricted	67,817	37,016
Unrestricted	<u>1,832,717</u>	<u>2,289,365</u>
Total Net Position	<u>4,161,719</u>	<u>4,156,743</u>
Total Liabilities, Deferred Inflow & Net Position	<u>\$ 6,749,949</u>	<u>\$ 6,848,866</u>

Management's Discussion and Analysis (continued)

District-wide Financial Statements - Condensed Financial Information (continued)
Statement of Net Assets (continued)

The previous table shows the School District's net position to be \$4,161,719 at June 30, 2014. Capital assets net of related debt is reported as an investment of \$2,261,185. This figure is derived by taking the original costs of the School District's assets accumulated depreciation to date and comparing this figure to the amount of long-term debt used to finance the acquisition of those assets. Most of the debt related to the capital assets will be repaid from voter-approved property taxes collected as the debt service comes due.

Restricted net position of \$67,817 is restricted for Debt Retirement and Food Service. As previously mentioned, the Debt Retirement monies come from voter approved property taxes. The net position is restricted as they are not allowed to be used for daily School District operations.

The unrestricted net position is reported as a surplus of \$1,832,717 as of June 30, 2014. This is the net accumulated results of past years' operations. The surplus in the unrestricted net position shows that the School District has an ample amount of assets to fund liabilities at June 30, 2014. The general fund operating results impact the unrestricted net assets on a yearly basis.

Statement of Activities

The results of operations for the School District as a whole are reported in the statement of activities (see condensed table on the following page). This statement shows the changes in net position for the fiscal year ended June 30, 2014 and 2013 for the Governmental Activities.

Management's Discussion and Analysis (continued)

Statement of Activities (continued)

	<u>June 30</u> <u>2014</u>	<u>June 30</u> <u>2013</u>
Revenue		
Program Revenue:		
Charges for services	\$ 188,904	\$ 180,169
Operating grants and entitlements	602,383	608,472
State categoricals	523,984	415,427
General Revenue:		
Property taxes	540,824	534,331
State aid	4,746,319	4,749,331
Other	<u>32,659</u>	<u>75,089</u>
Total Revenue	<u>6,635,073</u>	<u>6,562,819</u>
Functions/Program Expenses		
Instruction	4,253,081	3,653,788
Supporting services	1,645,438	1,615,271
Food services	339,049	330,252
Athletics	93,668	105,685
Interest	27,929	95,909
Depreciation (unallocated)	<u>229,202</u>	<u>241,198</u>
Total Expenses	<u>6,588,367</u>	<u>6,042,103</u>
Increase in Net Position	<u>\$ 46,706</u>	<u>\$ 520,716</u>

As reported in the Statement of Activities, the School District had an overall increase in net position of \$46,706. The School District reports a total net position of \$4,161,719. The unrestricted net position shows a surplus of \$1,832,717.

The School District's total revenues totaled \$6,635,073. Of this amount, the State aid accounts for 72% of total revenues or \$4,746,319. Property taxes assessed to the residents of the School District not restricted for other purposes totaled \$353,290. This accounts for 5% of total revenue to be spent on general education and operating needs.

Management's Discussion and Analysis (continued)

Statement of Activities (continued)

The School District's total cost to fund all Governmental activities was \$6,588,367. Approximately 20% or \$1,315,271 of these costs were financed by those who benefitted from the service or funded by grants from other Governmental agencies. This shows the importance of budgeting and determining what programs the School District will fund with unrestricted revenues on a yearly basis.

Fund Financial Statements

The Governmental Fund financial statements report the School District's finances under the modified account basis of accounting. Under this method revenues are recognized when available and expenditures when incurred. The fund balance reported a surplus of \$2,363,323 at June 30, 2014. It decreased for all Governmental Funds by \$439,317 for the year. The General Fund reported a decrease in the fund balance of \$448,740. The General Fund decrease resulted from Capital Outlay expenditures of \$682,736.

The debt retirement fund balance increased by \$8,330. This increase was a result of refinancing the bonds at a lower rate of 1.750% from the past rates ranging from 4.000% to 4.650%.

The food service fund had a \$1,093 increase. This increase resulted from controlling costs in the Food Service Fund.

Major Governmental Funds Budgeting and Operating Highlights

The School Districts budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, usually before the State of Michigan enacts its budget or most grants are awarded. Therefore, it is expected that there will be significant changes between the initial budget and subsequent budgets, as actual grant awards are known. The most significant fund budgeting is the General Fund. The budget is amended at least two times during the year. The budget includes estimated State revenues until the actual amount is determined. Since a major portion of the District is funded by these revenues, budget amendments are necessary to include these funds.

General Fund

General Fund Revenue Budget vs. Actual History

<u>Fiscal Year</u>	<u>Revenues Original Budget</u>	<u>Revenues Final Budget</u>	<u>Revenues Final Actual</u>	<u>Rev. Var. Actual vs. Final Budget</u>
2010-2011	4,992,261	5,670,049	5,657,984	12,065
2011-2012	5,037,293	5,519,680	5,498,457	21,223
2012-2013	5,303,789	6,020,220	6,022,033	20,187
2013-2014	5,792,984	6,146,925	6,107,341	(39,584)

General Fund Expenditures Budget vs. Actual History

<u>Fiscal Year</u>	<u>Expenditures Original Budget</u>	<u>Expenditures Final Budget</u>	<u>Expenditures Final Actual</u>	<u>Exp. Var. Actual vs. Final Budget</u>
2010-2011	4,992,261	5,662,843	5,446,045	(216,798)
2011-2012	5,627,312	5,552,832	5,485,290	(67,542)
2012-2013	5,610,177	5,934,801	5,831,128	(103,673)
2013-2014	5,765,511	6,665,825	6,688,393	22,568

Management's Discussion and Analysis (continued)

Capital Assets

At June 30, 2014, the School District had \$3,591,982 invested in Capital Assets. This included a net increase during the past fiscal year of \$453,534, consisting of additions of \$682,736 and depreciation charges of \$229,202.

Debt

The School District has \$1,790,101 of long-term debt, including \$225,236 due in the next fiscal year. This includes bonds issued for construction, capital leases on equipment purchases and employee related benefits such as early retirement incentives, health insurance and sick pay future expenses for accruals. The long-term debt decreased by \$31,158 during the year. The district entered into a master lease agreement with *Apple, Inc.* for a total of \$201,280 during the year for the purchase of Ipad computer equipment. The payback schedule is included in the footnotes. The State allows districts to issue general obligation debt up to 15% of the assessed value of all taxable property within the School District's boundaries. The School District is under this limit by a considerable amount. The notes to the financial statements provide detail of each long-term debt issue.

Future Considerations

With the outlook calling for no increase in State school aid funding, cuts in other categorical aid and the inability for the School District to obtain additional property tax revenues for operations due to State Statute, the School District is under increased pressure to adopt a budget that will include cost reducing measures. A modest increase in student enrollment and the stagnant local economy will also weigh heavily on the amount of expenditure cuts that need to be made. A thorough analysis of all areas of the School District will need to be made.

Contacting the School District

If you have any questions about this report or need additional information, contact the Superintendent's office at Bark River Harris Public Schools; Harris, Michigan.

Bark River Harris Public Schools
Statement of Net Position
June 30, 2014

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 2,098,172
Due from other Governmental units	978,042
Accounts receivable	7,175
Inventories	1,550
Prepaid expense	73,028
Total Current Assets	3,157,967
Noncurrent Assets:	
Capital assets	7,806,874
Less: accumulated depreciation	(4,220,775)
Bond discounts	7,845
Less: accumulated amortization	(1,962)
Total Noncurrent Assets	3,591,982
Total Assets	\$ 6,749,949
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 111,639
Accrued salaries and withholding	571,310
Accrued interest	3,485
Bonds payable, due within 1 year	160,000
Capital lease	65,236
Compensated absences and severance pay	68,956
Total Current Liabilities	980,626
Noncurrent Liabilities	
Bonds payable	1,035,000
Capital lease	67,076
Compensated absences and severance pay	462,789
Total Noncurrent Liabilities	1,564,865
Total Liabilities	2,545,491
Deferred Inflow of Resources	
Unearned revenue	42,739
Total Deferred Inflow of Resources	42,739
Net Position	
Invested in capital assets, net of related debt	2,261,185
Restricted for debt service	45,346
Hot lunch	22,471
Unrestricted	1,832,717
Total Net Position	4,161,719
Total Liabilities, Deferred Inflow of Resources & Net Position	\$ 6,749,949

Bark River Harris Public Schools

Statement of Activities

June 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Governmental Activities</u>
		Charges for	Net (Expense)
		Services	Revenue and
		Operating	Changes in
		Grants and	Net Assets
		Contributions	
GOVERNMENTAL FUNCTIONS			
Current:			
Instruction	\$ (4,253,081)	\$ 13,716	\$ 844,662
Supporting services	(1,645,438)	11,075	62,310
Food services	(339,049)	120,710	219,395
Athletics	(93,668)	43,403	-
Interest on long-term debt	(27,929)	-	-
Depreciation (unallocated)	(229,202)	-	-
Total Governmental Functions	<u>\$ (6,588,367)</u>	<u>\$ 188,904</u>	<u>\$ 1,126,367</u>
GENERAL REVENUES			
Property Taxes:			
General purposes			\$ 353,290
Debt services			187,534
State aid not restricted for specific purpose			4,746,319
Interest and investment earnings			11,980
Other			20,679
Total General Revenues			<u>\$ 5,319,802</u>
Change in Net Position for the Year			\$ 46,706
Net Position July 1, 2013, as previously stated			4,156,743
Write-off of unamortized bond issuance costs as of July 1, 2013			<u>(41,730)</u>
Net position at July 1, 2013 as restated			<u>4,115,013</u>
Net Position June 30, 2014			<u>\$ 4,161,719</u>

Bark River Harris Public Schools

Balance Sheet Governmental Fund Types June 30, 2014

	General	Other Non-Major Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 2,029,185	\$ 68,987	\$ 2,098,172
Due from other Governmental units	975,627	2,415	978,042
Accounts receivable	6,500	675	7,175
Inventory	-	1,550	1,550
Prepaid expenses	67,949	5,079	73,028
Total Assets	<u>\$ 3,079,261</u>	<u>\$ 78,706</u>	<u>\$ 3,157,967</u>
 Liabilities, Deferred Inflow of Resources and Fund Equity			
Liabilities			
Accounts payable	\$ 110,654	\$ 985	\$ 111,639
Accrued payroll and benefits	640,266	-	640,266
Total Liabilities	750,920	985	751,905
 Deferred Inflow of Resources			
Unearned Revenue	39,464	3,275	42,739
 Fund Balances			
Non-spendable			
Inventory	-	1,550	1,550
Prepays	67,949	5,079	73,028
Restricted for:			
Debt retirement	-	45,346	45,346
Hot lunch	-	22,471	22,471
Committed to:			
Capital projects	150,000	-	150,000
Early retirement incentive	550,000	-	550,000
Unassigned	1,520,928	-	1,520,928
Total Fund Equity	<u>2,288,877</u>	<u>74,446</u>	<u>2,363,323</u>
 Total Liabilities, Deferred Inflow of Resources and Fund Equity	 <u>\$ 3,079,261</u>	 <u>\$ 78,706</u>	 <u>\$ 3,157,967</u>

Bark River Harris Public Schools
 Reconciliation of Governmental Funds
 Balance Sheet With the Statement of Net Position
 June 30, 2014

Total Government Fund Balances		\$ 2,363,323
<i>Amounts Reported for Governmental Activities in the Statement of Net Position Because:</i>		
Capital Assets used in Governmental Activities are not financial resources and are not reported in the funds.		
The Cost of Capital Asset is	\$ 7,806,874	
Accumulated Depreciation is	<u>(4,220,775)</u>	3,586,099
Long-term debt refinancing is not included as an asset in the debt retirement fund		
Bond discount	\$ 7,845	
Amortization	<u>(1,962)</u>	5,883
Long-term liabilities are not due and payable in the current period are not reported in the funds		
Bonds Payable		(1,195,000)
Capital Lease		(132,312)
Compensated Absences		(462,789)
Accrued interest is not included as a liability in Governmental Fund Types		<u>(3,485)</u>
Net Position of Governmental Activities		<u>\$ 4,161,719</u>

Bark River Harris Public Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended
June 30, 2014

	<u>General</u>	<u>Other Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUE			
Local sources	\$ 497,365	\$ 308,337	\$ 805,702
State sources	5,251,158	19,145	5,270,303
Federal sources	339,823	200,250	540,073
Inter-district & other sources	<u>18,995</u>	<u>—</u>	<u>18,995</u>
Total Revenue	6,107,341	527,732	6,635,073
EXPENDITURES			
Current:			
Instruction	4,266,551	—	4,266,551
Supporting service	1,739,106	339,049	2,078,155
Debt Service:			
Principal retirement	—	150,000	150,000
Interest and fees	—	29,260	29,260
Capital outlay	<u>682,736</u>	<u>—</u>	<u>682,736</u>
Total Expenditures	6,688,393	518,309	7,206,702
Excess of Revenues - (Expenditures)	(581,052)	9,423	(571,629)
OTHER FINANCING SOURCES (USES)			
Proceeds from Capital lease	201,280	—	201,280
Payment on Capital lease	<u>(68,968)</u>	<u>—</u>	<u>(68,968)</u>
Total Other Financing Sources	132,312	—	132,312
 Net Change in Fund Balance	 (448,740)	 9,423	 (439,317)
Fund Balance July 1	<u>2,737,617</u>	<u>65,023</u>	<u>2,802,640</u>
Fund Balance June 30	<u>\$ 2,288,877</u>	<u>\$ 74,446</u>	<u>\$ 2,363,323</u>

Bark River Harris Public Schools

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2014

Net Changes in Fund Balances - Total Governmental Funds \$(439,317)

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Governmental funds report Capital Outlays as expenditures, in the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	\$(229,202)	
Capital Outlay	<u>682,736</u>	453,534

Governmental funds report a bond discount as an expenditure, in the statement of activities these costs are amortized over the life on the bonded debt.

Amortization		(981)
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Accrued interest is recorded in the statement of activities when incurred. It is not reported in Governmental Funds until paid.	2,312
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Repayment of Bond Principal is an expenditure in the Governmental Funds, but not in the statement of activities (where it reduces long-term debt).	150,000
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Repayment of a Capital Lease is an expenditure in the Governmental Funds, but not in the statement of activities (where it reduces long-term debt).	68,968
---	--------

Proceeds of a Capital lease is a revenue in the Governmental Funds but not in the Statement of Activities. (where it increases long-term debt)	(201,280)
--	------------

Decreases in compensated absences are reported as expenditures when financial resources are used in the Governmental Funds.	<u>13,470</u>
---	---------------

Change in Net Position as Governmental Activities \$ 46,706

Bark River Harris Public Schools

Statement of Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2014

	Private Purpose Trust	Agency Fund Student Activities	Total
ASSETS			
Cash	\$ 8,738	\$ 66,576	\$ 75,314
Accounts receivable	—	—	—
Total Assets	<u>\$ 8,738</u>	<u>\$ 66,576</u>	<u>\$ 75,314</u>
LIABILITIES			
Due to student groups	\$ —	\$ 66,576	\$ 66,576
NET POSITION			
Reserve for student loans	8,738	—	8,738
Total Liabilities and Net Position	<u>\$ 8,738</u>	<u>\$ 66,576</u>	<u>\$ 75,314</u>

Statement in Changes in Fiduciary Net Position - Private

	Purpose Trust Fund
REVENUES	
Interest	\$ 8
Total Revenues	8
EXPENDITURES	
Student loans	—
Total Expenditures	—
Excess Revenue Over (Under) Expenditures	8
Net Position	
Beginning Balance July 1	8,730
Ending Balance June 30	<u>\$ 8,738</u>

Bark River - Harris Public Schools

Notes to Financial Statements
June 30, 2014

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Bark River - Harris Public Schools have been prepared as prescribed by the Michigan Department of Education. These policies are in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the School District's entity financial reporting purposes nor is the School District a component unit of another entity. The criteria established for determining the various governmental organizations to be included in the School District's financial statements include oversight responsibility, scope of public service and special financing relationships. Based upon the application of these criteria the financial statements of the School District contain all the funds controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the District.

Basis of Presentation

District-Wide Financial Statements

The School District-wide financial statements (Statement of Net Position and statement of Activities) report information on all of the activities of the School District except for the fiduciary activities. All of the School District's activities are considered to be governmental activities. Interfund activity including operating transfers between activities and amounts due to and from governmental activities has been eliminated in the School District-wide statements.

Fund-Based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental as well as fiduciary funds are provided. The various fund types are grouped in the financial statements as major funds or non-major funds. The School District reports the following major governmental fund:

General Fund - is the general operating fund of the School District. The fund is used to account for all financial resources except those required to be accounted for in another fund.

Bark River - Harris Public Schools

Notes to Financial Statements
June 30, 2014

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

All other governmental funds are considered to be non-major. They include:

Debt Service Fund - is used to account for the payment of principal and interest on the school building and site bonds payable.

Special Revenue Fund - is used by the School District to account for food services.

Fiduciary Funds

Private-Purpose Trust Fund - is used to account for assets held by the School District in a trustee capacity as administrator of scholarship and other funds under direct control of the School District.

Agency Fund - is used to account for assets held by the Schools District in its capacity as a receiving and paying agent for the several student body activity groups.

Basis of Accounting

District-Wide Financial Statements

The District-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The statement of Activities reports net cost information based on the School District's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the School District provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state aid and other revenues that are not program revenues are reported as general revenues.

Fund-Based Financial Statements

The governmental funds and fiduciary funds are accounted for by using the modified accrual basis of accounting as required by the Michigan Department of Education. Under the modified accrual basis of accounting, revenue is recognized when the revenue is subject to accrual, eligibility requirements are met and the revenues are available to finance expenditures of the fiscal period. Revenue is considered available when the revenue has been collected in the current period or soon enough after the end of the period to use to pay current period liabilities.

Bark River - Harris Public Schools

Notes to Financial Statements
June 30, 2014

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

Fund-Based Financial Statements (continued)

The School District considers revenues to be available if collected within 60 days of the end of the period. Expenditures are recorded when the related liability is incurred. Exceptions to this general rule include certain compensated absences and principal and interest on long-term debt, both of which are recognized when due. Property taxes are recognized in the fiscal year for which the taxes have been levied.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Current property taxes are collected for the School District by the Townships of Bark River and Harris. School taxes are levied on July 1.

Delinquent real property taxes of the School District are purchased annually by the County of Delta.

State Foundation Revenue

The State of Michigan follows a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state wide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information regarding average pupil membership supplied by the districts. The funds received in July and August of 2014 are state appropriations for the year ended June 30, 2014, and, as such, are recorded as accounts receivable.

State Categorical Revenue

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

Federal Revenue

Expenditure-driven grants are recognized as revenue when revenue is available, the qualifying expenditures have been incurred and all other grant requirements have been met.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposit accounts at local financial institutions.

Bark River - Harris Public Schools

Notes to Financial Statements
June 30, 2014

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

State statutes authorize the School District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank, savings and loan association or credit union which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The School District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks and mutual funds composed of investments outlined above.

Short-Term Interfund Receivables and Payables

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

Restricted Assets

Restricted assets consist of cash and cash equivalents of the Debt Services Funds required to be set aside for future bond principal and interest payments.

Inventories and Prepaid Items

Inventories are stated at cost and consist principally of supplies, heating fuel and bus fuel. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets and Depreciation

Capital assets include land and improvements, buildings, furniture and fixtures, equipment, school buses and vehicles and are reported in the School District-wide financial statements. Capital assets are defined by the School District as assets with an acquisition cost of more than \$1,000 with an estimated useful life in excess of one year. Assets meeting these criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the District-Wide Statement of Activities and included as a direct expense of an identifiable function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

Bark River - Harris Public Schools

Notes to Financial Statements
June 30, 2014

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets and Depreciation (continued)

The capital assets are depreciated using the straight-line method with a half month depreciation taken for assets purchased during the year over the following useful lives (land excluded as not depreciable):

Buildings and additions	20 - 40 years
Furniture, fixtures & other equipment	05 - 15 years
School buses and vehicles	05 - 10 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position and balance sheet 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 that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The School District reports unearned revenue from grants as an inflow of resources in the period that the amounts become available.

Compensated Absences

The liability for accumulated vacation and sick pay amounts is recorded in the District-wide statement of net assets.

Unemployment Insurance

The School District reimburses the Michigan Employment Security Commission for the actual amount disbursed on behalf of the School District.

Long-Term Obligations

The School District reports long-term debt and other long-term obligations in the District-wide statement of net assets. Amounts are recorded at face value along with any accrued interest to June 30, 2014.

Investment in Capital Assets Net of Related Debt

This is a portion of the net assets of the School District that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for notes, bonds and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position

Net position is restricted when there are constraints placed on their use by external parties or by statute.

Unrestricted Net Position

Net position not meeting either criteria above or considered unrestricted.

Fund Balance

In the fund-based financial statements the restricted fund balances represent the amount set aside for constraints placed on them by external creditors or laws of other Governments. The committed fund balances represent the internal reservations by the School District's Board.

The non-spendable balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact.

Bark River - Harris Public Schools

Notes to Financial Statements
June 30, 2014

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date of the audit report.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The School District follows these procedures in establishing the budgetary data reflected in the financial statements for the General and Special Revenue Funds. The School District is not legally required to adopt budgets for the Debt Service Funds.

1. Prior to July 1, the School District Superintendent submits to the Board of Education, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted at a regular meeting by Board of Education approval.
4. Any revisions to the budgeted amounts must be approved by the Board of Education.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. These budgets lapse at the end of each year.
6. Budgeted amounts presented in the financial statements are as originally adopted or as amended by the Board of Education prior to June 30, 2014.

Public Act 621 of 1978 Disclosures

Public Act 621 of 1978 requires local units of government (including School Districts) to prepare and to monitor their fiscal year budgets in accordance therewith. The Act provides that a school district must amend its budget if it becomes apparent that the school district's actual revenues will deviate from those budgeted or if the school district's expenditures will exceed the amount appropriated. During the year ended June 30, 2014, the School District monitored and amended its budget and was in substantial compliance with the Act.

Bark River - Harris Public Schools

**Notes to Financial Statements
June 30, 2014**

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

Public Act 275 of 1980 Disclosure

There were no deficits in any of the School District's fund-based financial statements as of June 30, 2014.

NOTE C CASH AND INVESTMENTS

The carrying amount of various deposits presented on the statement of net assets as "Cash and Investments" were made in financial institutions whose deposits are covered by federal depository insurance or in a municipal investment fund. All deposits were made in accordance with State of Michigan statutes and under authorization of the Board of Education.

At June 30, 2014, cash and investments on deposit in financial institutions totaled \$2,201,846, of which \$545,346 was covered by depository insurance and \$1,656,500 exceeded insurance limits. The School District places its deposits and investments with, what it believes to be, high quality financial institutions. Although such deposits and investments were in uninsured funds, they are, in the opinion of the School District, subject to minimal risk.

NOTE D CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2014 were as follows:

	<u>Balance</u> <u>7-1-13</u>	<u>Additions</u>	<u>Disposals</u> <u>and</u> <u>Adjustments</u>	<u>Balance</u> <u>6-30-14</u>
Assets not being Depr:				
Land	\$ 11,361	\$ -	\$ -	\$ 11,361
Capital Assets being Depr:				
Bldg. & bldg. imprv	5,539,996	465,798	-	6,005,794
Buses & other vehicles	818,689	-	-	818,689
Furniture & equipment	<u>754,092</u>	<u>216,938</u>	-	<u>971,030</u>
Total	7,124,138	682,736	-	7,806,874
Accumulated Depreciation:				
Bldg. & bldg. imprv	2,934,992	92,048	-	3,027,040
Buses & other vehicles	614,206	23,261	-	637,467
Furniture & equipment	<u>442,375</u>	<u>113,893</u>	-	<u>556,268</u>
Total	<u>3,991,573</u>	<u>229,202</u>	-	<u>4,220,775</u>
Net Capital Assets	<u>\$ 3,132,565</u>	<u>\$ 453,534</u>	<u>\$ -</u>	<u>\$ 3,586,099</u>

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

Bark River - Harris Public Schools

Notes to Financial Statements June 30, 2014

NOTE E LONG-TERM DEBT

Changes in Long-Term Debt are summarized as follows:

	<u>Balance</u> <u>7-1-13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6-30-14</u>
Notes Payable for:				
Compensated absences	\$ 476,259	\$ -	\$ 13,470	\$ 462,789
School bldg & site bonds	1,345,000	-	150,000	1,195,000
Apple, Inc Capital lease	-	201,280	68,968	132,312
	<u>\$ 1,821,259</u>	<u>\$ 201,280</u>	<u>\$ 232,438</u>	<u>\$ 1,790,101</u>

1992 School Building and Site Bonds

On June 1, 1992, the School District issued \$1,800,000 of 1992 School Building and Site Bonds for renovation of the School. On September 25, 2003 and January 19, 2014, the School District refinanced these funds. The bonds are unlimited tax general obligations of the School District and bear interest rates of 1.75%. A summary of annual principal and interest requirements to maturity with interest paid November 1 and interest and principal paid May 1 follows:

2013 U.T.G.O.

<u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u> <u>Nov 1</u>	<u>May 1</u>	<u>Total</u>
2015	1.750	160,000	10,456	10,456	180,912
2016	1.750	160,000	9,056	9,056	178,112
2017	1.750	170,000	7,656	7,656	185,312
2018	1.750	170,000	6,169	6,169	182,338
2019	1.750	175,000	4,681	4,681	184,362
2020	1.750	180,000	3,150	3,150	186,300
2021	1.750	180,000	1,575	1,575	183,150
		<u>\$ 1,195,000</u>	<u>\$ 42,743</u>	<u>\$ 42,743</u>	<u>\$ 1,280,486</u>

Apple, Inc. Capital Lease

On July 11, 2013, the School District entered into a Master Purchase Lease Agreement of \$201,280 for the acquisition of computer hardware. This lease bears an interest rate of 2.82%. A summary of annual principal and interest requirements paid each August 11 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 65,236	\$ 3,732	\$ 68,968
2015	67,076	1,892	68,968
	<u>\$ 132,312</u>	<u>\$ 5,624</u>	<u>\$ 137,936</u>

Bark River - Harris Public Schools

Notes to Financial Statements
June 30, 2014

NOTE E LONG-TERM DEBT (continued)

Compensated Absences

Compensated absences consist of amounts due employees for unused accumulated sick leave upon termination of their employment. Support Service Employees can accumulate up to 120 days of sick leave and will be paid at their daily wage per day for unused sick leave upon termination. Teachers can accumulate up to 300 days and will be paid upon termination. The School administrators will be paid accumulated sick days up to a maximum of 160 days upon termination of employment.

Following is a summary of compensated absences due at June 30, 2014:

Teachers	\$ 351,852
Administrators	95,395
Support staff	<u>15,542</u>
	<u>\$ 462,789</u>

The aggregate amounts due on long-term debt excluding employee benefits for the next five years are as follows:

Year Ending June 30

2015	249,880
2016	247,080
2017	185,312
2018	182,338
2019	184,362
2020-2021	369,450

Bark River - Harris Public Schools

Notes to Financial Statements
June 30, 2014

NOTE F

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost sharing, multiple employer defined benefit employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The system also provides post-employment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and post-employment healthcare plans. The report is available on the web at <http://www.michigan.gov/orschools> or by writing to the Office of Retirement System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Pension Benefits

Employer contributions to the pension plan result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The District's required contributions to the plan for the years ended June 30, 2014, 2013 and 2012 were approximately \$944,056, \$759,062 and \$597,854 respectively.

	<u>Basic/MIP with Premium Subsidy</u>	<u>Pension Plus w/ Premium Subsidy</u>	<u>Pension Plus w/ PHF</u>	<u>Pension Plus to DC w/ PHF</u>	<u>Basic/MIP to DC w/ Premium Subsidy</u>	<u>Basic/MIP to DC w/ PHF</u>	<u>Basic/MIP w/ PHF</u>
Pension Contributions							
Pension normal cost	2.90%	2.67%	2.67%	0.00%	0.00%	0.00%	2.90%
Pension UAL	14.08%	14.08%	14.08%	14.08%	14.08%	14.08%	14.08%
Pension early retirement incentive	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
<i>Pension Rate Total</i>	<u>18.34%</u>	<u>18.11%</u>	<u>18.11%</u>	<u>15.44%</u>	<u>15.44%</u>	<u>15.44%</u>	<u>18.34%</u>
Health Contributions							
Health normal cost	0.93%	0.93%	0.00%	0.00%	0.93%	0.00%	0.00%
Health UAL	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%
<i>Health Total Rate</i>	<u>6.45%</u>	<u>6.45%</u>	<u>5.52%</u>	<u>5.52%</u>	<u>6.45%</u>	<u>5.52%</u>	<u>5.52%</u>
TOTAL	<u>24.79%</u>	<u>24.56%</u>	<u>23.63%</u>	<u>20.96%</u>	<u>21.89%</u>	<u>20.96%</u>	<u>23.86%</u>

Post Employment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage through MPSERS. Retirees electing coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverage at the time of receiving the benefits. For member who first work after June 30, 2008, a graded premium health insurance subsidy has been put in place. The MPSERS Board of Trustees annually sets the employer contribution rate to the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. Required contributions for post-employment healthcare benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

Bark River - Harris Public Schools

Notes to Financial Statements
June 30, 2014

NOTE G DEFERRED INFLOW OF RESOURCES

The School District's deferred inflow of resources at June 30, 2014, consisted of unspent monies as follows:

School Lunch Monies	\$ 3,275
Hanniville Grant	21,487
At Risk - State Aid	<u>17,977</u>
	<u>\$ 42,739</u>

NOTE H INTERFUND RECEIVABLES AND PAYABLES - FUND BASED FINANCIAL STATEMENTS

There were no interfund receivables or payables during the year ending June 30, 2014.

NOTE I INTERFUND TRANSFERS - FUND BASED FINANCIAL STATEMENTS

There were no interfund transfers during the year ending June 30, 2014.

NOTE J RISK MANAGEMENT

The School District is exposed to various risks of losses to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District has obtained coverage from commercial insurance companies. The School District has comprehensive general liability coverage of \$25,000 per occurrence and a \$1,000,000 aggregate limit with no deductible amount.

All risk management activities are accounted for in the General Fund and Special Revenue Funds of the School District. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create but for which none have been reported are considered.

Management estimates that the amount or potential claims against the School District as of June 30, 2014 will not materially affect the financial condition of the School District. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE K OPERATING LEASES

Operating leases consist of rental copy machines and a postal machine. The current year expenditure amounted to \$13,668. The following are the requirements for charges due with the remaining term of the contract:

2015	\$ 11,140
2016	\$ 11,140
2017	\$ 8,765
2018	\$ 4,824
2019	\$ 3,770

Bark River - Harris Public Schools

**Notes to Financial Statements
June 30, 2014**

NOTE L FUND BALANCES

Portions of the fund balances have been classified to include the District's current plans for accumulating funds for use in subsequent periods as follows:

<u>Non-Spendable</u>	
Inventory	\$ 1,550
Prepays	<u>73,028</u>
	<u>\$ 74,578</u>
 <u>Committed</u>	
<i>General:</i>	
Early retirement incentive	\$ 550,000
Capital outlay reserve	<u>150,000</u>
	<u>\$ 700,000</u>
 <u>Restricted</u>	
Debt service	\$ 45,346
Hot lunch	<u>22,471</u>
	<u>\$ 67,817</u>

NOTE M SHORT-TERM STATE AID ANTICIPATION NOTE PAYABLE

No short -term State Aid Anticipation note payable was taken out during the year.

NOTE N RESTRICTED NET POSITION

At June 30, 2014, the School District's restricted net position consisted of \$67,817 of which \$45,346 is to be used to pay off bond obligations and \$22,471 for Food Service.

NOTE O UPCOMING ACCOUNTING PRONOUNCEMENT

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 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. This net pension liability that will be recorded on the district-wide statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and requires 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 year ending June 30, 2015.

NOTE P NEW ACCOUNTING STANDARDS

For the year ended June 30, 2014, the School District implemented the following new pronouncement:

Statement No. 65 - Items previously reported as Assets and Liabilities

Summary: This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources defined as a consumption of net assets by the government that is applicable to a future reporting period and an acquisition of net assets by the government that is applicable to a future reporting period, respectively.

GASB Statement 65 also states that bond issuance costs should be expensed in the year in which they are incurred. As a result, the remaining unamortized bond issuance costs were written off as of July 1, 2013. The restatement of the beginning net position is shown on the Statement of Activities.

Required Supplemental Information

Bark River Harris Public Schools
 Required Supplemental Information
 Budgetary Comparison Schedule - General Fund
 For the Year Ended
 June 30, 2014

	<u>Original Budget</u>	<u>Final Amended</u>	<u>Actual</u>	<u>Over(Under) Budget</u>
REVENUE				
Local sources	\$ 459,710	\$ 508,156	\$ 497,365	\$(10,791)
State sources	5,010,455	5,269,487	5,251,158	(18,329)
Federal sources	304,819	349,726	339,823	(9,903)
Inter-district & other sources	<u>18,000</u>	<u>19,556</u>	<u>18,995</u>	<u>(561)</u>
Total Revenue	5,792,984	6,146,925	6,107,341	(39,584)
EXPENDITURES				
Current:				
Instruction	3,757,421	4,100,063	4,266,551	166,488
Supporting service	2,008,090	2,003,338	1,739,106	(264,232)
Capital outlay	<u>—</u>	<u>562,424</u>	<u>682,736</u>	<u>120,312</u>
Total Expenditures	<u>5,765,511</u>	<u>6,665,825</u>	<u>6,688,393</u>	<u>22,568</u>
Excess of Revenues - (Expenditures)	27,473	(518,900)	(581,052)	(62,152)
OTHER FINANCING SOURCES (USES)				
Proceeds from Capital Lease	—	—	201,280	201,280
Payment of Capital Lease	<u>—</u>	<u>—</u>	<u>(68,968)</u>	<u>(68,968)</u>
Total Other Financing Sources	<u>—</u>	<u>—</u>	<u>132,312</u>	<u>132,312</u>
Excess of Revenues and Other Resources Over (Under) Expenditures & Other Uses	27,473	(518,900)	(448,740)	70,610
Fund Balance Beginning of Year	<u>2,737,617</u>	<u>2,737,617</u>	<u>2,737,617</u>	<u>—</u>
Fund Balance End of Year	<u>\$ 2,765,090</u>	<u>\$ 2,218,717</u>	<u>\$ 2,288,877</u>	<u>\$ 70,160</u>

Other Supplemental Information

Bark River Harris Public Schools
Balance Sheet
Non-Major Governmental Funds
For the Year Ended
June 30, 2014

	<u>Debt Retirement</u>	<u>Hot Lunch</u>	<u>Total</u>
ASSETS			
Cash	\$ 45,346	\$ 23,641	\$ 68,987
Due from other Governmental units	-	2,415	2,415
Accounts receivable	-	675	675
Inventory	-	1,550	1,550
Prepaid expenditures	-	5,079	5,079
Total Assets	<u>\$ 45,346</u>	<u>\$ 33,360</u>	<u>\$ 78,706</u>
 LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND EQUITY			
Liabilities			
Accounts payable	\$ -	\$ 985	\$ 985
Total Liabilities	<u>-</u>	<u>985</u>	<u>985</u>
 Deferred Inflow of Resources			
Unearned revenue	<u>-</u>	<u>3,275</u>	<u>3,275</u>
 Fund Balances			
Non-Spendable:			
Inventory	-	1,550	1,550
Prepaid	-	5,079	5,079
Restricted	45,346	22,471	67,817
Total Fund Balances	<u>45,346</u>	<u>29,100</u>	<u>74,446</u>
 Total Liabilities, Deferred Inflow of Resources and Fund Equity	 <u>\$ 45,346</u>	 <u>\$ 33,360</u>	 <u>\$ 78,706</u>

Bark River Harris Public Schools
Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended
June 30, 2014

	<u>Debt Retirement</u>	<u>Hot Lunch</u>	<u>Total</u>
REVENUE			
Local sources	\$ 187,590	\$ 120,747	\$ 308,337
State sources	—	19,145	19,145
Federal sources	—	<u>200,250</u>	<u>200,250</u>
Total revenue	187,590	340,142	527,732
EXPENDITURES			
Supporting service	—	339,049	339,049
Principal retirement	150,000	—	150,000
Interest and fees	<u>29,260</u>	—	<u>29,260</u>
Total expenditures	<u>179,260</u>	<u>339,049</u>	<u>518,309</u>
Excess of revenues (expenditures)	8,330	1,093	9,423
OTHER FINANCING SOURCES (USES)			
Operating transfers in	—	—	—
Operating transfers out	—	—	—
Total other financing sources (uses)	—	—	—
Excess revenues and other resources over (under) expenditures and other uses	8,330	1,093	9,423
Fund balance, July 1	<u>37,016</u>	<u>28,007</u>	<u>65,023</u>
Fund balance, June 30	<u>\$ 45,346</u>	<u>\$ 29,100</u>	<u>\$ 74,446</u>

Bark River Harris Public Schools
Schedule of General Fund Revenue
For the Year Ended
June 30, 2014

LOCAL SOURCES

General property tax levy	\$ 353,290
Interest on investments	11,887
Athletics	43,403
Tuition	13,716
Local grants	62,310
Driver's ed fees	11,075
Miscellaneous	<u>1,684</u>
Total Local Sources	497,365

STATE SOURCES

State school aid	4,746,319
Headlee	18,013
Student data MPSRS cost	195,535
At Risk	147,068
Special education	100,241
Other	<u>43,982</u>
Total State Sources	5,251,158

FEDERAL SOURCES

Title I	119,606
Indian education	27,807
Impact aid	165,871
Title II teacher quality	21,120
Title VI rural and low	4,281
Medicaid	<u>1,138</u>
Total Federal Sources	<u>339,823</u>

INTER-DISTRICT AND OTHER SOURCES

School District - Various programs	<u>18,995</u>
Total General Fund Revenue	<u>\$ 6,107,341</u>

Bark River Harris Public Schools
Schedule of General Fund Expenditures
For the Year Ended
June 30, 2014

INSTRUCTION - BASIC

Elementary		
Salaries		
Teachers	\$	937,630
Teachers aides		130,273
Teachers substitutes		960
Severance pay		47,157
Temporary wages		643
Insurance		323,536
Retirement		334,175
FICA		83,898
Workers compensation		1,516
Supplies and materials		28,374
Rental copier		14,044
Textbooks		9,952
Employee benefits		26,626
Instructional services		22,886
Dues and fees		205
Miscellaneous		658
Total Elementary		<u>1,962,533</u>

Jr. High School		
Salaries		
Teachers		305,873
Teachers substitutes		372
Severance pay		16,500
Workers compensation		516
Insurance		83,872
Retirement		107,444
FICA		23,308
Supplies and materials		1,862
Instructional services		1,884
Rental copier		2,592
Miscellaneous		220
Total Jr. High		<u>544,443</u>

High School		
Salaries		
Teachers		577,505
Teachers substitutes/tutors		312
Severance pay		2,119
Insurance		133,967
Retirement		208,694
FICA		43,840
Virtual high school		13,110
Employee benefits		4,752
Tuition - dual enrollment		44,416
Supplies and materials		15,786
Miscellaneous		787
Instructional services		6,018
Rental copier		2,592
Dues and fees		6,600
Workers compensation		744
Total High School		<u>1,061,242</u>
Total Basic Programs		<u>3,568,218</u>

Bark River Harris Public Schools
Schedule of General Fund Expenditures (Continued)
For the Year Ended
June 30, 2014

INSTRUCTION - ADDED NEEDS

Career and Technology	
Salaries	
Teachers	15,907
Employee retirement	4,231
Employee insurance	6,800
FICA	1,078
Workers compensation	36
Instructional services	291
Total Career and Technology	<u>28,343</u>

Guidance Services	
Salaries	
Counseling wages	64,742
Employee retirement	16,463
Employee insurance	18,810
FICA	4,728
Supplies	54
Workers compensation	152
Total Guidance Services	<u>104,949</u>

Special Education	
Salaries	
Teachers	143,281
Teachers aides	22,081
Teachers substitutes/tutor	1,923
Insurance	26,036
Retirement	41,156
FICA	12,700
Workers compensation	398
Instructional services	7,718
Severance pay	3,179
Supplies and materials	1,096
Employee benefits	4,500
Total Special Education	<u>264,068</u>

Speech Services	
Salaries	61,251
Retirement	15,162
Workers compensation	140
Insurance	17,001
Workshop	67
Teaching supplies	480
FICA	4,317
Dues and fees	225
Total Speech Services	<u>98,643</u>

Ed Media Services	
Other supplies	223
Dues and fees	1,528
Total Ed Media Services	<u>1,751</u>

Bark River Harris Public Schools
Schedule of General Fund Expenditures (Continued)
For the Year Ended
June 30, 2014

INSTRUCTION - ADDED NEEDS (continued)

Improvement of Instruction	
Salaries	
Teaching subs	420
Teaching supplies	2,973
Retirement	479
FICA	162
Workers compensation	5
Insurance	1,800
Workshop and conferences	8,221
Instructional services	2,347
Total Improvement of Instruction	<u>16,407</u>

Drivers Education	
Salaries	
Teachers	5,508
Employee retirement	1,365
FICA	402
Fuel oil	328
Other transport supply	32
Workers compensation	13
Total Drivers Education	<u>7,648</u>

Preschool	
Salaries	
Teachers	16,627
Other temporary salaries	66
Insurance	2,557
Retirement	644
FICA	190
Workers compensation	4
Workshop and conferences	401
Teaching supplies	4,332
Dues and fees	187
	<u>25,008</u>

Compensatory Education	
Salaries	
Teachers	53,789
Teachers aides	33,216
Temporary wages	263
Employee retirement	21,560
Employee insurance	18,833
Employee benefit	2,700
Teaching supplies	2,561
Instructional services	1,926
FICA	6,557
Workers compensation	910
Workshop	139
Miscellaneous	84
Supplies and materials	8,978
Total Title I	<u>151,516</u>

Total Added Needs	<u>698,333</u>
Total Instruction	<u>\$ 4,266,551</u>

Bark River Harris Public Schools
Schedule of General Fund Expenditures (Continued)
For the Year Ended
June 30, 2014

SUPPORTING SERVICES - GENERAL ADMINISTRATION

Board of Education	
Audit	\$ 4,430
Other professional contracts	32,689
Dues and fees	2,065
Advertising	27,103
Travel and conferences	654
Legal expenses	10,771
Miscellaneous	<u>1,005</u>
Total Board of Education	78,717
Executive Administrative	
Salaries	
Superintendent	90,176
Insurance	4,342
Retirement	22,241
FICA	7,332
Workers compensation	221
Employee benefit	7,000
Travel and conferences	567
Office supplies	320
Dues and fees	1,560
Miscellaneous	<u>1,203</u>
Total Executive Administrative	<u>134,962</u>
Other School Administrative	
Graduation expenses	<u>1,364</u>
Total Other School Administrative	<u>1,364</u>
Fiscal Services	
Salaries	
Administrative assistant	77,175
Secretarial	98
Employee insurance	13,129
Retirement	19,057
FICA	5,599
Workers compensation	177
Workshop and conferences	1,679
Office supplies	955
Rental copier	4,215
Supplies	13
Dues and fees	<u>624</u>
Total General Administration	<u>122,721</u>

Bark River Harris Public Schools
Schedule of General Fund Expenditures (Continued)
For the Year Ended
June 30, 2014

SUPPORTING SERVICES - OFFICE OF PRINCIPAL

Salaries	
Principal	162,756
Secretarial	54,772
Temporary wages	1,042
FICA	16,081
Employee insurance	57,231
Employee retirement	53,950
Workers compensation	543
Conference and travel	3,603
Other professional contracts	1,133
Rental copier	3,404
Office supplies	3,302
Dues and fees	1,045
Total School Administration Services	<u>358,862</u>

SUPPORTING SERVICES - OPERATION AND MAINTENANCE

Salaries	
Custodial	120,237
Temporary wages	9,184
Heating/gas	45,910
Electrical	72,444
Waste disposal	3,508
Property liability insurance	12,342
Repairs and maintenance bldg	43,096
Telephone	3,779
Postage	4,480
Custodial supplies and materials	21,290
Miscellaneous	1,402
Employee benefit	11,790
Employee insurance	25,148
FICA	10,301
Employee retirement	31,868
Workers compensation	1,568
Local travel	740
Unemployment	3,454
Other repairs	331
Total Operation and Maintenance	<u>422,872</u>

ATHLETIC ACTIVITIES

Salaries	
Coach	32,616
Retirement	8,242
FICA	2,439
Workers compensation	160
Pupil services	14,795
Advertising	2,112
Other repairs	670
Other supplies	18,143
Dues and fees	7,666
Workshop	201
Athletic tournament	3,029
Athletic awards	1,368
Athletic driver meals	177
Miscellaneous	2,050
Total Athletic Activities	<u>93,668</u>

Bark River Harris Public Schools
Schedule of General Fund Expenditures (Continued)
For the Year Ended
June 30, 2014

SUPPORTING SERVICES - PUPIL TRANSPORTATION

Salaries	
Bus drivers	117,441
Bus drivers mechanic	27,300
Temporary wages	1,933
Overtime salaries	6,324
Bus contracted services	20,000
Workshops and conferences	57
Vehicle repairs and parts	6,659
Dues and fees	945
Other transport supplies	40
Gasoline, oil and tires	66,554
Fleet insurance	7,427
Trans radio	3,268
Employee benefit	13,854
Employee insurance	35,690
FICA	11,175
Employee retirement	34,965
Workers compensation	2,435
Miscellaneous	104
Total Pupil Transportation	<u>356,171</u>

SUPPORTING SERVICES - NON-INSTRUCTIONAL PROF DEVELOPMENT

Workshops	<u>2,967</u>
Total Non-Instructional Professional Development	<u>2,967</u>

SUPPORTING SERVICES - INTERMEDIATE SCHOOLS SERVICES

Alternative and vocational	20,700
Bay Middle College	10,539
General services	<u>23,123</u>
Total Intermediate Schools Services	<u>54,362</u>

SUPPORTING SERVICES - INFORMATION

Salaries	
Tech wages	10,629
Technology	78,449
Copyright fee & software license	17,962
Data processing	2,000
Health insurance	<u>3,400</u>
Total Information	112,440
Total Supporting Services Information	<u>\$ 1,739,106</u>

CAPITAL OUTLAY

Supporting service	
Equipment	\$ 204,515
Improvement athletics	42,410
Site improvements	<u>435,811</u>
Total Capital Outlay	<u>\$ 682,736</u>

TOTAL GENERAL FUND EXPENDITURES **\$ 6,688,393**

Bark River Harris Public Schools
 Agency Fund
 Statement of Changes in Fiduciary Net Assets
 For the Year Ended
 June 30, 2014

	<u>Balance 07-01-13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06-30-14</u>
ASSETS				
Cash	\$ <u>63,980</u>	\$ <u>62,137</u>	\$ <u>59,541</u>	\$ <u>66,576</u>
LIABILITIES				
Due student & other school groups	\$ <u>63,980</u>	\$ <u>62,137</u>	\$ <u>59,541</u>	\$ <u>66,576</u>

Bark River Harris - Public Schools
Harris, Michigan

Federal Award Supplemental Information

Carl R. Sorensen

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To the Board of Education
Bark River Harris - Public Schools
Harris, Michigan

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Governmental activities, and the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Bark River Harris Public School's as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise Bark River Harris Public School's basic financial statements and have issued my report thereon dated September 5, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the School's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the School'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 School District'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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify a certain deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 that I consider to be a significant deficiency.

Compliance and other Matters

As part of obtaining reasonable assurance about whether Bark River Harris Public School's financial statements are free of material misstatement I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

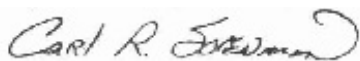
School's Response to Findings

Bark River Harris Public School's response to the findings identified in my audit is described in the accompanying Schedule of Findings and Questioned Costs. I did not audit Bark River Harris Public School's response and, accordingly, I express no opinion on it.

Purpose of this Report

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

This report is intended for the information and use of the Board of Education, management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Carl R. Sorensen
Certified Public Accountant
September 5, 2014

Carl R. Sorensen

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Education
Bark River Harris - Public Schools
Harris, Michigan

Report on Compliance for Each Major Federal Program

I have audited the compliance of Bark River Harris - Public Schools with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct effect and material effect on each of Bark River Harris Public School's major federal programs for the year ended June 30, 2014. Bark River Harris School's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management Responsibility

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

Auditor's Responsibility

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

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination on Bark River Harris - Public School's compliance.

Opinion on Each Major Federal Program

In my opinion, Bark River Harris - Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of Bark River Harris - Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Bark River Harris - Public School's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of Bark River Harris - Public School's internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Bark River Harris Public School's internal control over compliance.

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

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

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



Carl R. Sorensen
Certified Public Accountant
July 31, 2014

Bark River Harris Public Schools
Schedule of Federal Financial Assistance
For the Year Ended June 30, 2014

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue 7-1-13	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Yr Receipts (Cash Basis)	Accrued (Deferred) Revenue 6-30-14
<u>U.S. Department of Education</u>							
Direct Program							
Indian Education							
S060A120882	84.060	\$ 24,326	\$ 3,906	\$ 24,326	\$ -	\$ 3,906	\$ -
S600A130882	84.060	27,807	-	-	27,807	27,807	-
Total			<u>3,906</u>	<u>24,326</u>	<u>27,807</u>	<u>31,713</u>	<u>-</u>
Impact Aid							
S041B - 2014-2406	84.041	165,871	-	-	165,871	165,871	-
Total			<u>-</u>	<u>-</u>	<u>165,871</u>	<u>165,871</u>	<u>-</u>
Total Direct Program			<u>3,906</u>	<u>24,326</u>	<u>193,678</u>	<u>197,584</u>	<u>-</u>
Passed Through MDE:							
Title I Part A							
1315301213	84.010	\$ 133,275	30,879	117,701	-	30,879	-
1415301314	84.010	122,930	-	-	119,606	101,776	17,830
Total			<u>30,879</u>	<u>117,701</u>	<u>119,606</u>	<u>132,655</u>	<u>17,830</u>
Title VI Part B							
1306601213	84.358	\$ 12,340	2,197	8,059	-	2,197	-
1406601314	84.358	4,281	-	-	4,281	4,281	-
Total			<u>2,197</u>	<u>8,059</u>	<u>4,281</u>	<u>6,478</u>	<u>-</u>

Bark River Harris Public Schools
Schedule of Federal Financial Assistance (continued)
For the Year Ended June 30, 2014

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	<u>Federal CFDA Number</u>	<u>Approved Grant Award Amount</u>	<u>Accrued (Deferred) Revenue 7-1-13</u>	<u>(Memo Only) Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Current Yr Receipts (Cash Basis)</u>	<u>Accrued (Deferred) Revenue 6-30-14</u>
<u>U.S. Department of Education</u>							
Improving Teacher Quality							
1305201413	84.367	33,986	9,438	27,764	-	9,438	-
1405201314	84.367	28,837	-	-	21,120	20,807	313
Total			<u>9,438</u>	<u>27,764</u>	<u>21,120</u>	<u>30,245</u>	<u>313</u>
Total Passed Through MDE			<u>42,514</u>	<u>153,524</u>	<u>145,007</u>	<u>169,378</u>	<u>18,143</u>
Total U.S. Department of Education			<u>46,420</u>	<u>177,850</u>	<u>338,685</u>	<u>366,962</u>	<u>18,143</u>

Bark River Harris Public Schools
Schedule of Federal Financial Assistance (continued)
For the Year Ended June 30, 2014

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue 7-1-13	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Yr Receipts (Cash Basis)	Accrued (Deferred) Revenue 6-30-14
<u>U.S. Department of Agriculture</u>							
Passed Through MDE:							
131960 Section II Free and Reduced	10.555	16,977	\$ -	\$ -	\$ 16,977	\$ 16,977	\$ -
141960 Section II Free and Reduced	10.555	117,785	-	-	117,785	117,785	-
Non-Cash Assistance (Commodities)	10.555	6,487	-	-	6,487	6,487	-
Total			<u>-</u>	<u>-</u>	<u>141,214</u>	<u>141,214</u>	<u>-</u>
131970 Breakfast	10.553	7,044	-	-	7,044	7,044	-
141970 Breakfast	10.553	51,992	-	-	51,992	51,992	-
Total			<u>-</u>	<u>-</u>	<u>59,036</u>	<u>59,036</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>-</u>	<u>-</u>	<u>200,250</u>	<u>200,250</u>	<u>-</u>
<u>U.S. Department of Health and Human Services</u>							
Passed Through ISD:							
Medicaid Outreach	93.778	1,138	-	-	1,138	1,138	-
Total			<u>-</u>	<u>-</u>	<u>1,138</u>	<u>1,138</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 46,420</u>	<u>\$ 177,850</u>	<u>\$ 540,073</u>	<u>\$ 568,350</u>	<u>\$ 18,143</u>

Notes:

1. Significant accounting policies, see financial statement footnotes.
2. The amounts reported on the R7120 Grant Section Auditors Report, reconcile with this schedule.

Bark River Harris - Public Schools

Notes to Schedule of Expenditures of Federal Awards

for the Year Ended June 30, 2014

- NOTE 1** The Accompanying schedule of expenditures of federal awards includes the federal grant activity of Bark River Harris - Public Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.
- NOTE 2** The dollar threshold used to distinguish between Type A and Type B programs is \$300,000. The School District qualifies as a low risk auditee.
- NOTE 3** Federal revenues and expenditures reported in the School District's basic financial statements agree with recognized revenues and expenditures per the Schedule of Expenditures of Federal Awards.
- NOTE 4** The amounts reported on the R7120 Grants Section Auditors Report, and the Cash Management System (CMS), Grant Auditors Report, reconcile with this Schedule.

Bark River Harris - Public Schools

Schedule of Findings and Questioned Costs for the Year Ended June 30, 2014

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion of the financial statements of Bark River Harris - Public Schools .
2. There was one significant deficiency disclosed during 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 *Government Auditing Standards*. The deficiency is not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Bark River Harris - Public Schools were disclosed during the audit.
4. There were no significant deficiencies during the audit of the major federal award program reported in the Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Bark River Harris - Public Schools expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award program for Bark River Harris - Public Schools.
7. The programs tested as major programs were Title I 84.010 and Indian Education 84.060.
8. The threshold for distinguishing Type A programs was \$300,000.
9. Bark River Harris - Public Schools was determined to be a low-risk auditee.

Bark River Harris - Public Schools

Schedule of Findings and Questioned Costs (continued)
for the Year Ended June 30, 2014

B. Findings - Financial Statement Audit Significant Deficiencies

#2014-001 - Ability to Prepare Financial Statements and Related Note Disclosures

Criteria: Local units of Government are required to possess the ability to prepare its financial statements and related disclosures in accordance with generally accepted accounting principles.

Condition: Like other local units of Government of similar size, limited financial summaries and abbreviated financial statements are made available for the Members of the Board. The School District relies on its auditor to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Members of the Board review and accept the financial statements on behalf of the School District.

Cause: The School District does not have staff familiar enough with accounting standards to be able to draft the School District's financial statements and related footnotes.

Recommendation: The hiring of additional personnel to prepare the financial statements would not be cost effective. Members of the Board should remain involved in the financial reporting process to provide oversight and independent review functions.

Response: The School District agrees and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.

C. Findings and Questioned Costs - Major Federal Award Program Audit

Noncompliance

None

Bark River Harris - Public Schools

CORRECTIVE ACTION PLAN

for the Year Ended June 30, 2014

No corrective action plan is required for the year ended June 30, 2014 since there were no findings or questioned costs.

Bark River Harris - Public Schools
SCHEDULE OF PRIOR AUDIT FINDINGS
for the Year Ended June 30, 2014

Findings and Questioned Costs for Federal Awards

None