

BOYNE FALLS PUBLIC SCHOOL
BOYNE FALLS, MICHIGAN
FINANCIAL STATEMENTS
JUNE 30, 2014

BOYNE FALLS PUBLIC SCHOOL

JUNE 30, 2014

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BOYNE FALLS PUBLIC SCHOOL

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Boyne Falls Public School
Boyne Falls, Michigan 49713

We have audited the accompanying financial statements of the government activities, each major fund, and the aggregate remaining fund information of Boyne Falls Public School as of and for the year ended June 30, 2014, 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 of material misstatement.

An audit includes 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 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 opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 reasonable 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 Boyne Falls Public School as of June 30, 2014, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Education
Boyne Falls Public School
Boyne Falls, Michigan 49713

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 on pages 3 through 8 and page 25 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 Boyne Falls Public School's basic financial statements. The comparative schedules of revenues, expenditures and other financing uses, and the statement of changes in deposits held for others are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The comparative schedules of revenues, expenditures and other financing uses, and the statement of changes in deposits held for others are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements of revenues and expenditures are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2014, on our consideration of Boyne Falls 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 Boyne Falls Public School's internal control over financial reporting and compliance.

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants
September 13, 2014

Management's Discussion and Analysis

As management of the Boyne Falls Public School (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$2,558,076 (*net position*). Of this amount, \$1,268,261 (*unrestricted net position*) may be used to meet the District's ongoing obligations, \$215,762 is restricted for debt service.
- The District's total net position increased by \$109,685.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,457,040, a decrease of \$165,143 in comparison with the prior year. Approximately 70%, or \$1,024,198 is *available for spending* at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,024,198 or 42% percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the District-wide financial statements present functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, food service, community services, and care and custody of children.. The District has no business-type activities as of and for the year ended June 30, 2014.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service funds, and the other non-major governmental fund (the special revenue fund – food service).

The District adopts an annual appropriated budget for its general and special revenue fund. Budgetary comparison statements or schedules have been provided for the general fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the District-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-24 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of Boyne Falls Public School, assets exceeded its' liabilities by 2,558,076 at the close of the most recent fiscal year.

A portion of the District's net position, \$1,074,053, reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

District's Net Position

Governmental Activities

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Assets		
Current and Other Assets	\$ 1,820,074	\$ 1,979,892
Capital Assets, Net	6,484,199	6,728,976
Total Assets	<u>8,304,273</u>	<u>8,708,868</u>
Deferred Outflows		
Deferred Charges on Refunding	<u>66,541</u>	<u>73,195</u>
Liabilities		
Long Term Liabilities Outstanding	5,000,146	5,508,571
Other Liabilities	812,592	825,101
Total Liabilities	<u>5,812,738</u>	<u>6,333,672</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	1,074,053	868,600
Restricted	215,762	424,026
Unrestricted	<u>1,268,261</u>	<u>1,155,765</u>
Total Net Position	<u>\$ 2,558,076</u>	<u>\$ 2,448,391</u>

An additional portion of the District's net position \$215,762 (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is *unrestricted net position*, \$1,268,261.

The District's net position increased by \$109,685 during the current fiscal year. Most of this increase is attributable to an excess of revenue, which decreased from the prior year, over expenses that remained primarily flat. The District's blended enrollment was approximately 179 students.

District's Changes in Net Position

Governmental Activities

	<u>2013-14</u>	<u>2012-2013</u>
Revenue		
Program Revenue		
Charges for Services	\$ 46,772	\$ 31,928
Operating Grants and Contributions	400,177	392,152
General Revenue:		
Property Taxes	2,493,178	2,494,000
State School Aid	26,958	25,451
Interest and investment earnings	5,466	3,861
Other	<u>239,951</u>	<u>249,265</u>
Total Revenue	<u>3,212,502</u>	<u>3,196,657</u>
Expenses		
Instruction	1,530,715	1,502,472
Support Services	895,111	842,152
Community Activities	4,274	688
Food Service	131,471	119,509
Deferred refunding costs	6,654	6,654
Depreciation - unallocated	244,777	245,022
Interest on Long Term Debt	<u>289,815</u>	<u>267,686</u>
Total Expenses	<u>3,102,817</u>	<u>2,984,183</u>
Increase (Decrease) in Net Position	109,685	212,474
Net Position, Beginning of Year	<u>2,448,391</u>	<u>2,235,917</u>
Net Position, End of Year	<u>\$ 2,558,076</u>	<u>\$ 2,448,391</u>

Governmental activities. Governmental activities increased the District's net position by \$109,685.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$1,457,040, a decrease of \$165,143 in comparison with the prior year. Approximately 70% of this total amount (\$1,024,198) constitutes *unassigned fund balance*, which is available for spending at the District’s discretion. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because the underlying assets are included in debt retirement and food service and are not available for current expenditure. *Committed fund* balance is \$25,000 for a future bus purchase. *Assigned fund balance* of \$170,725 is for 2014-15 budget purposes.

The general fund is the principal operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,024,198. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent approximately 42% and 50% respectively of total general fund expenditures.

The fund balance of the District’s general fund increased by \$60,679 during the current fiscal year. Revenues increased \$29,575 and expenditures increased by \$89,778 compared to the prior year.

The food service fund has a total fund balance of \$21,355, which decreased by \$17,558 this year.

General Fund Budgetary Highlights

Differences between the original and final amended budgets were relatively minor, with expenses only adjusting up by \$2,475 in total from beginning to final. The excess of revenues over expenditures budgetary figure was more than the actual results by \$44,300 for the General Fund. As additional information became known during the fiscal year, budget amendments were made to recognize the increase in revenue and/or planned expenditures related to various District programs.

Capital assets. The District’s investment in capital assets for its governmental activities as of June 30, 2014, amounted to \$6,484,199 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, vehicles and equipment.

There were no capital asset acquisitions or disposals during the current fiscal year.

District's Capital Assets (net of depreciation)

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Land	\$ 5,000	\$ 5,000
Land Improvement	217,565	245,887
Buildings	5,891,868	6,044,099
Vehicles	19,326	31,256
Equipment	<u>350,440</u>	<u>402,734</u>
Total	\$ <u>6,484,199</u>	\$ <u>6,728,976</u>

Additional information on the District’s capital assets can be found in note 5 on page 21 of this report.

Long-term debt. The district currently has a 2014 Bond issue (refunding of the 2004 issue) with an outstanding balance of \$1,590,000 in bonds and a 2007 Bond issue (refunding of a portion of the 1999 Bond issue) with an outstanding balance of \$3,810,000. Additional information on the District's long term debt can be found in Note 7 on page 22 of this report.

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2014-2015 fiscal year:

- Due to significant increases in the Boyne Falls Public School District's non-principal residence taxable values in prior years, the District became an out of formula district with the State of Michigan. The district is no longer dependant on the State of Michigan to provide per pupil funding, as this will all be collected from the local non-principal residence millage. The future revenue growth for the district will be dependant solely on the increasing non-principal residence property values within the district which have begun to decrease and are forecasted to continue to decline.
- With the increased costs of utilities, health insurance and other contractual obligations the district has adopted a budget projecting a deficit of \$170,725.
- Operating as an out of formula district allows the Boyne Falls School the opportunity to utilize it's facilities and schools of choice program to the maximum benefit of the district's students without facing funding implications from the State of Michigan School Aid Fund.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Boyne Falls Public School
Superintendent's Office
P.O. Box 356
Boyne Falls, MI 49713

BOYNE FALLS PUBLIC SCHOOL
BASIC FINANCIAL STATEMENTS

BOYNE FALLS PUBLIC SCHOOL
DISTRICT WIDE - STATEMENT OF NET POSITION
JUNE 30, 2014

		<u>Governmental Activities</u>
<u>ASSETS</u>		
Current Assets		
Cash and investments (Note 3)	\$	1,761,557
Accounts receivable (Note 4)		24,503
Due from governmental units (Note 4)		30,477
Inventory		3,537
Total current assets		<u>1,820,074</u>
Noncurrent Assets		
Capital assets (Note 5)		9,713,901
Less: accumulated depreciation		<u>(3,229,702)</u>
Total non current assets		<u>6,484,199</u>
Total assets		8,304,273
Deferred Outflow of Resources		
Deferred charges on refunding		<u>66,541</u>
Total Assets and Deferred Charges	\$	<u><u>8,370,814</u></u>
<u>LIABILITIES AND NET POSITION</u>		
Current Liabilities		
Accounts payable	\$	61,011
Salaries payable		167,043
Accrued interest		39,558
Unearned revenue (Note 4)		134,980
Bonds payable, Due within one year (Note 7)		410,000
Total current liabilities		<u>812,592</u>
Noncurrent Liabilities		
Bonds payable (Note 7)		4,990,000
Compensated absences (Note 7)		10,146
Total noncurrent liabilities		<u>5,000,146</u>
Total Liabilities		<u>5,812,738</u>
Net Position		
Invested in capital assets, net of related debt		1,074,053
Restricted for debt service		215,762
Unrestricted		1,268,261
Total Net Position		<u>2,558,076</u>
Total Liabilities and Net Position	\$	<u><u>8,370,814</u></u>

See accompanying notes which are an integral part of the financial statements

BOYNE FALLS PUBLIC SCHOOL
DISTRICT WIDE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

		Program Revenues		Governmental Activities
Functions/programs	Expenses	Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
Instruction	\$ 1,530,715	\$ 2,934	\$ 316,867	\$ (1,210,914)
Support services	895,111	12,867	381	(881,863)
Community activities	4,274	-	-	(4,274)
Food services	131,471	30,971	82,929	(17,571)
Interest on long term debt	289,815	-	-	(289,815)
Deferred charges on refunding	6,654	-	-	(6,654)
Depreciation - unallocated	244,777	-	-	(244,777)
 Total Governmental Activities	 \$ 3,102,817	\$ 46,772	\$ 400,177	(2,655,868)
 General Revenues				
Taxes				
Property taxes, levied for general operations				1,890,071
Property taxes, levied for debt service				603,107
State of Michigan aid, unrestricted				26,958
Interest and investment earnings				5,466
Other				239,951
 Total General Revenues				 2,765,553
 Change in Net Position				 109,685
 Net position - beginning of year				 2,448,391
 Net position - end of year				 \$ 2,558,076

See accompanying notes which are an integral part of the financial statements

Investments	\$ 1,575,683	\$ 6,833	\$ 168,633	\$ 10,408	\$ 1,761,557
Receivable	16,309	-	-	2,000	18,309
Other governmental units	30,477	-	-	-	30,477
Other funds	14,001	14,046	30,920	15,766	74,733
	-	-	-	3,537	3,537
Total Assets	<u>\$ 1,636,470</u>	<u>\$ 20,879</u>	<u>\$ 199,553</u>	<u>\$ 31,711</u>	<u>\$ 1,888,613</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 58,462	\$ -	\$ -	\$ 2,549	\$ 61,011
Salaries and withholdings	167,043	-	-	-	167,043
Accrued revenue	134,980	-	-	-	134,980
Other funds	<u>56,062</u>	<u>4,670</u>	<u>-</u>	<u>7,807</u>	<u>68,539</u>
Total Liabilities	<u>416,547</u>	<u>4,670</u>	<u>-</u>	<u>10,356</u>	<u>431,573</u>
FUND BALANCES:					
Capitalizable - inventory	-	-	-	3,537	3,537
Set aside for debt retirement	-	16,209	199,553	-	215,762
Set aside for food service	-	-	-	17,818	17,818
Set aside for bus purchase	25,000	-	-	-	25,000
Set aside for 2014-15 budget	170,725	-	-	-	170,725
Set aside - General Fund	<u>1,024,198</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,024,198</u>
Total Fund Balances	<u>1,219,923</u>	<u>16,209</u>	<u>199,553</u>	<u>21,355</u>	<u>1,457,040</u>
Total Liabilities and Fund Balances	<u>\$ 1,636,470</u>	<u>\$ 20,879</u>	<u>\$ 199,553</u>	<u>\$ 31,711</u>	<u>\$ 1,888,613</u>

Governmental Fund Balances	\$ 1,457,040
Reconciliation of due to and due from governmental funds	
Due to	68,539
Due from	(68,539)
Amounts reported for governmental activities in the statement of net position	
are different because:	
Capital assets used in governmental activities are not financial resources, and are not reported in the funds.	
The cost of capital assets is	\$ 9,713,901
Accumulated depreciation is	<u>(3,229,702)</u>
	6,484,199
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in funds	
Deferred charges on refunding	66,541
Long term liabilities are not due and payable in the current period and are not reported in the fund	
Bonds payable	(5,400,000)
Compensated absences	(10,146)
Accrued interest is not included as a liability in governmental funds	(39,558)
Net Position of Governmental Activities	<u>\$ 2,558,076</u>

See accompanying notes which are an integral part of the financial statements

BOYNE FALLS PUBLIC SCHOOL
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	2014	2007	NONMAJOR GOVERNMENTAL SPECIAL REVENUE FOOD SERVICE FUND	TOTALS
REVENUES:	DEBT SERVICE	DEBT SERVICE	FUND	TOTALS
Local sources	\$ 1,933,424	\$ 381,195	\$ 30,984	\$ 2,568,913
State sources	174,469	-	8,273	182,742
Federal sources	169,737	-	74,656	244,393
Interdistrict sources	216,454	-	-	216,454
Total Revenues	2,494,084	381,195	113,913	3,212,502
EXPENDITURES:				
Current:				
Instruction	1,534,140	-	-	1,534,140
Support services	894,991	-	131,471	1,026,462
Community activities	4,274	-	-	4,274
Debt service	-	458,440	-	812,769
Capital outlay	-	-	-	-
Intergovernmental payments	-	-	-	-
Total Expenditures	2,433,405	458,440	131,471	3,377,645
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	60,679	(77,245)	(17,558)	(165,143)
OTHER FINANCING SOURCES (USES):				
Loan payments	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
NET CHANGES IN FUND BALANCES	60,679	(77,245)	(17,558)	(165,143)
FUND BALANCES - Beginning of year	1,159,244	276,798	38,913	1,622,183
FUND BALANCES - End of year	\$ 1,219,923	\$ 199,553	\$ 21,355	\$ 1,457,040

See accompanying notes which are an integral part of the financial statements

BOYNE FALLS PUBLIC SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (165,143)

Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;
in the statement of activities these costs are allocated
over their estimated useful lives as depreciation.

Depreciation expense	\$	(244,777)	
Capital Outlay		<u>-</u>	
			(244,777)

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	2,833
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(Increase) decrease in compensated absences are reported as expenditures when financial resources are used in the governmental funds	3,425
--	-------

Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>513,346</u>
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Change in Net Position of Governmental Activities \$ 109,684

See accompanying notes which are an integral part of the financial statements

BOYNE FALLS PUBLIC SCHOOL
 FIDUCIARY FUND
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2014

		<u>2014</u>
<u>ASSETS</u>		
Cash	\$	74,600
Due from other funds		<u>-</u>
Total Assets	\$	<u><u>74,600</u></u>
 <u>LIABILITIES</u>		
Due to other funds	\$	6,194
Deposits held for others		<u>68,406</u>
Total Liabilities		<u>74,600</u>
Net Position	\$	<u><u>-</u></u>

See accompanying notes which are an integral part of the financial statements

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Boyne Falls Public School ("the District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the District:

REPORTING ENTITY

The District is governed by an elected seven member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the District's reporting entity, and which organizations are legally separate, component units of the school district. Based on the application criteria, the District does not have any component units.

DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

The district-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the District's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

District-Wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund Based Statements - Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter 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 fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay are recorded only when the payment is due.

(Continued)

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(continued)

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the District.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The District reports the following major governmental funds:

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

The 2004 Debt Service Fund is used to record tax, interest and other revenue for the payment of principal, interest, and the payment of principal, interest, and other expenditures of the 2004 bond issue.

The 2007 Debt Service Fund is used to record tax, interest and other revenue for the payment of principal, interest, and the payment of principal, interest, and other expenditures of the 2007 bond issue.

Additionally, the District reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Fund is a Special Revenue Fund that segregates, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of this fund. The School Service Fund maintained by the District is the Food Service Fund.

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary Fund net position and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The District maintains a Student Activities Fund to record the transactions of student and parent groups school-related purposes. The funds are segregated and held in trust for the students and parents.

ASSETS, LIABILITIES AND NET POSITION OR EQUITY

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Property tax and other trade receivable are shown net of an allowance for uncollectible amounts. The taxpayers of the District have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2013 taxable value of the District was \$36,437,734 principal residence and \$99,939,894 non-principal residence. The District levied 18.0000 mills for operating purposes on non-homestead and 4.0500 mills debt service purposes on all property for 2013.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

The District is an out of formula district and does not receive and revenue from the state foundation allowance.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

Inventories and Prepaid items - Inventories are valued at cost, on a first-in, first-out basis. Inventory is maintained in the General Fund and the Special Revenue Fund (Food Service Fund). Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend the asset life are not capitalized. The District does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	10 years
Furniture and other equipment	10-20 years

Compensated Absences - The liability for compensated absences reported in the government-wide statements consist of unpaid, accumulated sick pay balances computed according to the terms of the negotiated contracts. Vacation days are required to be used annually.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

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

Fund Equity - Governmental fund equity is classified as fund balance. Government fund report *nonspendable* fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually require to be maintained intact. *Restricted* fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. As applicable, *committed* fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, the School Board. The District reports *assigned* fund balance for amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted or committed. *Unassigned* fund balance is the residual classification for the General Fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, and finally unassigned fund balance.

BOYNE FALLS PUBLIC SCHOOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

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

Deferred Outflow/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense or expenditure) until then. The District has one item of deferred outflow of resources- deferred charges on refunding of bonded debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (receipts) until that time. The District does not have any deferred inflows of resources.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. During the year the budgets were amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The District did not incur expenditures in excess of the amended budget.

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
NONE			

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end the District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>District Total</u>
Cash and investments	\$ 1,761,307	\$ 74,600	\$ 1,835,907
Total	<u>\$ 1,761,307</u>	<u>\$ 74,600</u>	<u>\$ 1,835,907</u>

The breakdown between deposits and investments for the District is as follows:

Deposits (checking, savings)	\$ 1,835,702
Investments (Michigan Liquid Asset Fund)	5
	<u>\$ 1,835,707</u>

The total of cash and investments on the Statement of Net Position includes petty cash of \$250.

As of June 30, 2014 the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Investment pool	\$ 5	<u>31 days</u>

Interest rate risk

In accordance with its investment policy, 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; investing operating funds primarily in shorter term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2014 the District did not have any investments in commercial paper or corporate bonds.

Concentration of credit risk

The District will minimize the 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 portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. At June 30, 2014 the District's investments were in a pooled investment fund.

Custodial credit risk - 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. At June 30, 2014, \$1,450,664 of the District's bank balance of \$1,945,959 was exposed to custodial risk because it was uninsured. The book balance of these accounts was \$1,795,416.

Custodial credit risk - investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District did not have any custodial credit risk on its investments at June 30, 2014. The District will minimize custodial credit risk, which is the loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and by pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the District will do business.

Foreign currency risk

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

BOYNE FALLS PUBLIC SCHOOL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

NOTE 4 - RECEIVABLES

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

	<u>General Fund</u>	<u>2004 Debt Service Fund</u>	<u>2007 Debt Service Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Accounts receivable	\$ 16,309	\$ -	\$ -	\$ 2,000	\$ 18,309
Intergovernmental	<u>30,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,477</u>
Total receivables	<u>\$ 46,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 48,786</u>

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

	<u>Unearned</u>
Grants and categorical aid payment not considered available	\$ -
Payments received prior to meeting all eligibility requirements:	
Vocational education millage	<u>134,980</u>
Totals	<u>\$ 134,980</u>
 Total unearned revenue	 <u>\$ 134,980</u>

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the District's Governmental activities were as follows:

<u>Assets</u>	<u>Balance</u> July 1, 2013	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> June 30, 2014
Capital assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Subtotal	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Capital assets being depreciated:				
Land improvements	566,432	-	-	566,432
Buildings & improvements	7,611,564	-	-	7,611,564
Buses	182,904	-	-	182,904
Furniture & equipment	<u>1,348,001</u>	<u>-</u>	<u>-</u>	<u>1,348,001</u>
Subtotal	<u>9,708,901</u>	<u>-</u>	<u>-</u>	<u>9,708,901</u>
<u>Accumulated Depreciation</u>				
Land improvements	320,545	28,322	-	348,867
Buildings & improvements	1,567,465	152,231	-	1,719,696
Buses	151,648	11,930	-	163,578
Furniture & equipment	<u>945,267</u>	<u>52,294</u>	<u>-</u>	<u>997,561</u>
Subtotal	<u>2,984,925</u>	<u>244,777</u>	<u>-</u>	<u>3,229,702</u>
Net capital assets being depreciated	<u>6,723,976</u>	<u>(244,777)</u>	<u>-</u>	<u>6,479,199</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 6,728,976</u>	<u>\$ (244,777)</u>	<u>\$ -</u>	<u>\$ 6,484,199</u>

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

NOTE 6 - RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 14,001	General Fund	\$ 56,062
Other Nonmajor Govern.	15,766	2014 Debt Service	4,670
2014 Debt Service	14,046	Other Nonmajor Govern.	7,807
2007 Debt Service	30,920	Fiduciary fund	6,194
Total	<u>\$ 74,733</u>	Total	<u>\$ 74,733</u>
<u>Transfer In</u>		<u>Transfer Out</u>	
None		None	

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 7 - LONG-TERM DEBT

The District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge full faith and credit of the school district.

Long-term debt activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:				
General Obligation Bonds:				
2014 Issue	\$ 1,825,000	\$ (235,000)	\$ 1,590,000	\$ 110,000
2007 Issue	4,095,000	(285,000)	3,810,000	300,000
Compensated absences	13,571	(3,425)	10,146	-
Deferred charges on refunding	<u>(73,195)</u>	<u>6,654</u>	<u>(66,541)</u>	<u>-</u>
Total Governmental Activities	<u>\$ 5,860,376</u>	<u>\$ (516,771)</u>	<u>\$ 5,343,605</u>	<u>\$ 410,000</u>

Annual debt service requirements to maturity for the General Obligation Bonds are as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 410,000	\$ 189,563	\$ 599,563
2016	435,000	173,792	608,792
2017	465,000	156,815	621,815
2018	495,000	138,565	633,565
2019	525,000	122,545	647,545
2020-2024	<u>3,070,000</u>	<u>327,565</u>	<u>3,397,565</u>
Total	<u>\$ 5,400,000</u>	<u>\$ 1,108,845</u>	<u>\$ 6,508,845</u>

General Obligation Bonds payable at June 30, 2014 are comprised of the following issues:

General obligation bonds:

2014 bonds due in annual installments \$ 1,590,000
ranging from \$110,000 to \$225,000 through
May 1, 2024; interest rates ranging from
.70% to 2.60%

2007 bonds due in annual installments 3,810,000
ranging from \$255,000 to \$430,000 through
May 1, 2024; interest rates ranging from
4.00% to 5.00%

Total General obligation bonds \$ 5,400,000

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District participates in SET-SEG's risk management pools for worker's compensation claims, liability insurance and errors and omissions coverages. SET-SEG was established pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of SET-SEG is to provide cooperative and comprehensive risk financing and risk control services. SET-SEG provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

The District makes annual contributions to SET-SEG based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the General Fund. Such contributions as received by SET-SEG are allocated between its general and member retention funds. Economic resources in SET-SEG's General Fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention fund are used for loss payments and defense costs up to the member's self-insurance retention limits along with certain other member-specific costs. Any refunds from SET-SEG are deposited in the District's General Fund.

NOTE 9 - PENSION PLAN AND POST RETIREMENT BENEFITS

Plan Description - The District participates in the Michigan Public School Employees' Retirement System (MPSERS) a state-wide, cost sharing, multiple-employer defined benefit public employee retirement system administered by the State of Michigan, Department of Management and Budget, Office of Retirement Services ("ORS"). Effective December 1, 2012, members could elect to no longer contribute to the pension fund, and begin contributing to a defined contribution plan. MPSERS provides retirement, survivor and disability, death and post-employment health benefits to plan members and beneficiaries. Member Investment Plan ("MIP") participants receive enhanced benefits compared to Basic Plan participants. Benefits are safeguarded by Article IX, Section 24 of the Michigan Constitution. Public Act 300 of 1980, as amended, assigns authority to establish and amend benefit provisions to the State Legislature. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MPSERS, P.O. Box 30171, Lansing, MI 48909-7611, by calling (517) 322-5103 or on the State of Michigan website at www.Michigan.gov.

Funding Policy - Defined Benefit Plan - Plan members who participate in MIP are required to contribute 3% to 7% of their annual salary; plan members who participate in the Basic Plan contribute 3%; and the District is required to contribute at an actuarially determined rate using the individual entry age actuarial cost method. The rates were October 1, 2013 through September 30, 2013 the rates were 20.96% and 24.32% dependent on entrance date. Beginning October 1, 2013, the rates ranged between 24.79% and 26.96% based on individual retirement elections made by each employee. The contribution requirements of plan members and the District are established and may be amended by the State Legislature. The District's contributions to MPSERS for the years ended June 30, 2014, 2013, and 2012 were \$272,812, \$271,970 and \$260,621 respectively.

BOYNE FALLS PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 9 - PENSION PLAN AND POST RETIREMENT BENEFITS (continued)

Funding Policy - Defined Contribution Plan - Plan members who participate in the plan may contribute up to the maximum amounts permitted by the Internal Revenue Service to their 457 account. The District is required to contribute up to 4% to a tax deferred 401(k) account. The District's contributions to the defined contribution plan was \$3,234 and \$1,762 for the years ended June 30, 2014 and 2013.

Post Employment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental, and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

NOTE 10 - CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District is a reimbursing employer to the State of Michigan Unemployment Agency and as such is responsible to pay the Agency for all benefits paid and charged to the District. As of June 30, all known liabilities for claims paid by the Agency are recorded as accounts payable.

REQUIRED SUPPLEMENTAL INFORMATION

BOYNE FALLS PUBLIC SCHOOL
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	2014 Original	2014 Final		
REVENUES				
Local sources	\$ 1,838,145	\$ 1,935,699	\$ 1,933,424	\$ (2,275)
State sources	138,424	176,243	174,469	(1,774)
Federal sources	179,781	175,392	169,737	(5,655)
Interdistrict sources	240,259	234,302	216,454	(17,848)
Total Revenues	<u>2,396,609</u>	<u>2,521,636</u>	<u>2,494,084</u>	<u>(27,552)</u>
EXPENDITURES				
Current:				
Instruction:				
Basic programs	1,322,225	1,281,963	1,257,109	(24,854)
Added needs	276,401	279,987	277,031	(2,956)
Support services:				
Pupil services	56,220	56,023	54,624	(1,399)
Instructional staff	95,408	96,830	77,185	(19,645)
General administration	190,179	187,199	180,488	(6,711)
School administration	99,744	99,244	97,879	(1,365)
Business	74,400	74,400	67,117	(7,283)
Operation & maintenance	234,597	264,697	254,928	(9,769)
Transportation	111,907	122,032	117,777	(4,255)
Central/Other	45,900	48,107	44,993	(3,114)
Community Activities	4,300	4,274	4,274	-
Total Expenditures	<u>2,511,281</u>	<u>2,514,756</u>	<u>2,433,405</u>	<u>(81,351)</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	-	-	-	-
Outgoing transfers & other transactions	13,500	12,500	-	12,500
Total Other Financing Sources (Uses)	<u>13,500</u>	<u>12,500</u>	<u>-</u>	<u>12,500</u>
Excess of Revenues over (under) Expenditures and Other Financing Sources (Uses)	(101,172)	19,380	60,679	41,299
Budgetary fund balance - July 1, 2013	<u>1,038,362</u>	<u>1,159,244</u>	<u>1,159,244</u>	<u>-</u>
Budgetary fund balance - June 30, 2014	<u>\$ 937,190</u>	<u>\$ 1,178,624</u>	<u>\$ 1,219,923</u>	<u>\$ 41,299</u>

OTHER SUPPLEMENTAL INFORMATION

BOYNE FALLS PUBLIC SCHOOL
GENERAL FUND
COMPARATIVE DETAIL OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>2014</u>	<u>2013</u>
REVENUES		
Local Sources:		
Current property taxes	\$ 1,890,071	\$ 1,879,040
Earnings on investments	4,055	2,998
Miscellaneous	39,298	24,901
Total Local Sources	<u>1,933,424</u>	<u>1,906,939</u>
State Sources:		
Grants - Unrestricted:		
State Aid	26,958	25,451
Grants - Restricted:		
Special education	55,686	52,946
Other	83,946	45,248
Received through ISD:		
Other	7,879	8,809
Total State Sources	<u>174,469</u>	<u>132,454</u>
Federal Sources:		
Grants - Restricted:		
Received direct:		
REAP	11,553	16,544
Received through State:		
Education Jobs Fund		4,337
Title I	39,537	44,140
Title II	14,287	14,747
Received through ISD:		
Medicaid	381	404
21st Century	103,384	109,400
Other grants	595	2,344
Total Federal Sources	<u>169,737</u>	<u>191,916</u>
Interdistrict Sources:		
Vocational education millage	149,074	163,370
Special education	61,839	59,015
Other	5,541	10,815
	<u>216,454</u>	<u>233,200</u>
TOTAL REVENUES	<u>\$ 2,494,084</u>	<u>\$ 2,464,509</u>

BOYNE FALLS PUBLIC SCHOOL
GENERAL FUND
COMPARATIVE DETAILS OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2014

INSTRUCTION:	2014	2013
Basic Programs:		
Elementary:		
Salaries	\$ 351,143	\$ 367,963
Employee benefits	221,719	225,123
Purchased services	42,213	21,068
Supplies & materials	5,399	7,975
Other expenses	747	610
Capital outlay	-	-
Total Elementary	621,221	622,739
Middle School:		
Salaries	87,561	86,071
Employee benefits	49,517	46,058
Purchased services	19,976	15,842
Supplies & materials	1,465	11,384
Other expenses	540	281
Total Middle School	159,059	159,636
High School:		
Salaries	269,514	250,479
Employee benefits	154,245	129,699
Purchased services	9,666	6,942
Supplies & materials	8,139	16,184
Other expenses	22,679	22,566
Capital outlay	-	-
Total High School	464,243	425,870
Summer School:		
Salaries	2,900	5,800
Employee benefits	954	1,894
Purchased services	8,732	5,790
Supplies & materials	-	44
Total Summer School	12,586	13,528
TOTAL BASIC PROGRAMS	1,257,109	1,221,773
Added Needs:		
Special Education:		
Salaries	113,035	111,726
Employee benefits	67,505	61,412
Purchased services	1,742	2,345
Supplies & materials	595	1,406
Other expenses	22	-
Total Special Education	182,899	176,889
Compensatory Education:		
Salaries	30,025	37,616
Employee benefits	33,639	35,091
Purchased services	-	-
Total Compensatory Education	63,664	72,707

BOYNE FALLS PUBLIC SCHOOL
GENERAL FUND
COMPARATIVE DETAIL OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2014

INSTRUCTION:	2014	2013
Added Needs (continued)		
Career Technical Education:		
Salaries	\$ 676	\$ -
Employee benefits	220	-
Purchased services	389	302
Supplies & materials	29,183	30,161
Capital outlay	-	-
Total Career Technical Education	30,468	30,463
TOTAL ADDED NEEDS	277,031	280,059
TOTAL INSTRUCTION	1,534,140	1,501,832
SUPPORT SERVICES:		
Support Services - Pupil:		
Guidance:		
Salaries	31,039	30,851
Employee benefits	15,639	13,114
Purchased services	77	373
Supplies & materials	2,608	3,401
Other expenses	-	-
Total Guidance	49,363	47,739
Health Services:		
Supplies & materials	176	18
Total Health Services	176	18
Other Pupil Services:		
Salaries	725	1,257
Employee benefits	249	391
Purchased services	4,111	3,967
Other expenses	-	-
Total Other Pupil Services	5,085	5,615
Total Support Services - Pupil	54,624	53,372
Support Services - Instructional Staff:		
Improvement of Instruction:		
Salaries	7,323	7,225
Employee benefits	2,686	2,392
Purchased services	1,267	182
Supplies & materials	21	-
Other expenses	-	-
Total Improvement of Instruction	11,297	9,799
Educational Media Services:		
Salaries	339	-
Employee benefits	124	-
Purchased services	2,196	-
Supplies & materials	64	553
Other expenses	-	-
Total Educational Media Services	2,723	553
Technology Assisted Instruction:		
Purchased services	41,266	-
Supplies & materials	19,004	-
Other expenses	79	37,358
Total Technology Assisted Instruction	60,349	37,358

BOYNE FALLS PUBLIC SCHOOL
GENERAL FUND
COMPARATIVE DETAIL OF EXPENDITURES AND OTHER FINANCING USES - (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
SUPPORT SERVICES:		
Support Services - Instructional Staff: (continued)		
Supervision & Direction of Instructional Staff:		
Salaries	\$ 2,061	\$ 2,061
Employee benefits	755	663
Purchased services	-	-
Supplies & materials	-	-
Other expenses	-	-
Total Supervision & Direction of Instructional Staff	2,816	2,724
Total Support Services - Instructional Staff	77,185	50,434
Support Services - General Administration:		
Board of Education:		
Salaries	2,013	1,075
Employee benefits	189	121
Purchased services	12,552	13,631
Supplies & materials	12	1,223
Other expenses	2,633	2,559
Capital outlay	-	-
Total Board of Education	17,399	18,609
Executive Administration:		
Salaries	97,143	97,000
Employee benefits	60,700	56,120
Purchased services	3,500	2,621
Supplies & materials	383	899
Other expenses	1,363	1,432
Capital outlay	-	-
Total Executive Administration	163,089	158,072
Total Support Services - General Administration	180,488	176,681
Support Services - School Administration:		
Office of the Principal:		
Salaries	42,082	40,756
Employee benefits	28,984	25,144
Purchased services	24,792	25,250
Supplies & materials	1,712	1,624
Other expenses	309	139
Capital outlay	-	-
Total Support Services - School Administration	97,879	92,913
Support Services - Business:		
Other Business Services:		
Employee benefits	-	-
Purchased services	62,445	50,065
Supplies & materials	311	238
Other expenses	4,361	14,872
Total Support Services - Business	67,117	65,175

BOYNE FALLS PUBLIC SCHOOL
GENERAL FUND
COMPARATIVE DETAIL OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
SUPPORT SERVICES:		
Support Services - Operation & Maintenance:		
Purchased services	168,908	134,573
Supplies & materials	85,227	78,702
Other expenses	793	553
Total Support Services - Operation & Maintenance	254,928	213,828
Support Services - Pupil Transportation:		
Salaries	34,158	29,245
Employee benefits	32,014	28,738
Purchased services	33,939	29,548
Supplies & materials	17,357	16,508
Other expenses	309	105
Total Support Services - Transportation	117,777	104,144
Support Services - Planning, Development:		
Salaries	1,140	1,140
Employee benefits	418	367
Purchased services	-	1,064
Other expenses	13	936
Total Support Services - Planning, Development	1,571	3,507
Support Services - Information Management Services		
Supplies & materials	1,000	-
Other expenses	-	-
Total Information Management Services	1,000	-
Support Services - Athletic Activities:		
Salaries	10,352	9,954
Employee benefits	3,637	3,314
Purchased services	27,833	26,344
Supplies & materials	390	710
Other expenses	210	600
Total Support Services - Athletic Activities	42,422	40,922
TOTAL SUPPORT SERVICES	894,991	800,976
COMMUNITY ACTIVITIES		
Purchased services	3,300	200
Supplies & materials	974	488
TOTAL COMMUNITY ACTIVITIES	4,274	688
TOTAL EXPENDITURES	2,433,405	2,303,496
OTHER FINANCING USES:		
Payments to other governmental units:		
Other	-	-
Loan payments	-	-
Total Other Financing Uses	-	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 2,433,405	\$ 2,303,496

BOYNE FALLS PUBLIC SCHOOL
TRUST AND AGENCY FUNDS
STATEMENT OF CHANGES IN DEPOSITS HELD FOR OTHERS
FOR THE YEAR ENDED JUNE 30, 2014

	BALANCES July 1, 2013	REVENUES	EXPENDITURES	BALANCES June 30, 2014
Class of 2011	\$ 1,287	\$ -	\$ 1,287	\$ -
Class of 2012	60	-	60	-
Class of 2013	1,249	-	1,249	-
Class of 2014	17,644	46,768	64,005	407
Class of 2015	10,231	22,150	10,075	22,306
Class of 2016	6,645	16,737	8,198	15,184
Class of 2017	(746)	9,772	4,049	4,977
Class of 2018	-	-	800	(800)
BFPS Flower Fund	69	470	340	199
Baseball	140	750	749	141
Boyne Falls School pavers	1,818	201	74	1,945
Celebration of the Arts	72	-	-	72
Cross country	4,525	5,495	6,095	3,925
Girls basketball	21	-	-	21
Library fund	463	-	-	463
Miscellaneous	5,082	6,526	5,024	6,584
Miscellaneous Administration	2,476	2,283	3,439	1,320
Music department	(1)	-	-	(1)
National honor society	293	370	306	357
Student assistance	990	300	195	1,095
Student council	1,921	2,259	3,673	507
Volleyball	362	-	-	362
Yearbook	-	3,867	3,941	(74)
Field trip - elementary	2,215	3,031	3,165	2,081
Boys basketball	1,885	5,611	5,963	1,533
Softball	281	-	-	281
Julius Kowalski scholarship	4,482	-	-	4,482
Jill Stewart scholarship	1,039	-	-	1,039
	<u>64,503</u>	<u>126,590</u>	<u>122,687</u>	<u>68,406</u>
Totals	\$ <u>64,503</u>	\$ <u>126,590</u>	\$ <u>122,687</u>	\$ <u>68,406</u>

BOYNE FALLS PUBLIC SCHOOL
SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS
JUNE 30, 2014

DATE OF ISSUE - February 13, 2014

Original amount of issue - \$ 1,590,000

Purpose of issue - Refunding of the 2004 issue bonds that enabled the District in erecting, furnishing, and equipping additions to and partially remodeling Boyne Falls Public School facility; acquiring, installing and equipping the facility for technology; erecting, furnishing and equipping a bus garage and a restroom/storage building; acquiring school bus(es); and developing and improving the site.

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1	Total Fiscal Year Requirements
		November 1	May 1		
0.70%	2014-15	\$ 13,781	\$ 13,782	\$ 110,000	\$ 137,563
0.85%	2015-16	13,396	13,396	115,000	141,792
1.00%	2016-17	12,908	12,907	125,000	150,815
1.20%	2017-18	12,282	12,283	135,000	159,565
1.40%	2018-19	11,473	11,472	150,000	172,945
1.65%	2019-20	10,422	10,423	160,000	180,845
1.90%	2020-21	9,103	9,102	170,000	188,205
2.15%	2021-22	7,487	7,488	190,000	204,975
2.40%	2022-23	5,445	5,445	210,000	220,890
2.60%	2023-24	2,925	2,925	225,000	230,850
		<u>\$ 99,222</u>	<u>\$ 99,223</u>	<u>\$ 1,590,000</u>	<u>\$ 1,788,445</u>

BOYNE FALLS PUBLIC SCHOOL
SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS
JUNE 30, 2014

DATE OF ISSUE - MAY 1, 2007

Original amount of issue - \$ 5,095,000

Purpose of issue - To refund a portion of the outstanding 1999 Bond issue, dated May 1, 1999, bonds which are callable on or after May 1, 2009, and are due and payable May 1, 2010 through May 1, 2019, inclusive May 1, 2021 and May 1, 2024; and paying the costs of issuing the bonds.

Optional Redemption - Bonds maturing on or after May 1, 2018, are subject to redemption prior to maturity at the option of the School District in such order as the School District may determine and by lot within any maturity, on any date occurring on or after May 1, 2017, at par and accrued interest to the date fixed for redemption.

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1	Total Fiscal Year Requirements
		November 1	May 1		
5.00%	2014-15	\$ 81,000	\$ 81,000	\$ 300,000	\$ 462,000
5.00%	2015-16	73,500	73,500	320,000	467,000
5.00%	2016-17	65,500	65,500	340,000	471,000
4.00%	2017-18	57,000	57,000	360,000	474,000
4.00%	2018-19	49,800	49,800	375,000	474,600
4.00%	2019-20	42,300	42,300	400,000	484,600
4.00%	2020-21	34,300	34,300	420,000	488,600
4.00%	2021-22	25,900	25,900	430,000	481,800
4.00%	2022-23	17,300	17,300	435,000	469,600
4.00%	2023-24	8,600	8,600	430,000	447,200
		<u>\$ 455,200</u>	<u>\$ 455,200</u>	<u>\$ 3,810,000</u>	<u>\$ 4,720,400</u>

APPENDICE

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

Board of Education
Boyne Falls Public School
Boyne Falls, Michigan 49713

We have audited, 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, financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Boyne Falls Public School as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Boyne Falls Public School's basic financial statements and have issued our report thereon dated September 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Boyne Falls Public School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boyne Falls Public School's internal control. Accordingly, we do not express an opinion on the effectiveness of Boyne Falls Public 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Board of Education
Boyne Falls Public School
Boyne Falls, Michigan 49713

Purpose of this Report

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

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants
September 13, 2014

September 13, 2014

To the Board of Education
Boyne Falls Public School
Boyne Falls, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Boyne Falls Public School for the year ended June 30, 2014, and have issued our report thereon dated September 13, 2014. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated July 21, 2014, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Boyne Falls Public School. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Boyne Falls Public School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 21, 2014.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Boyne Falls Public School are described in Note 1 to the financial statements. No new accounting pronouncements were implemented during the year ended June 30, 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was :

Management's estimate of the net book value of fixed assets is based on estimated depreciation lives. We evaluated the key factors and assumptions used to develop the depreciation lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 13, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education and management of Boyne Falls Public School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Robertson & Carpenter CPAs, PC
Certified Public Accountants