

Johannesburg-Lewiston Area Schools

FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2014



CONTENTS

	<u>Page</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	i
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS.....	2
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	5
STATEMENT OF ACTIVITIES	6
BALANCE SHEET - GOVERNMENTAL FUNDS	7
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	8
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE STATEMENT OF ACTIVITIES	9
STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS	10
NOTES TO FINANCIAL STATEMENTS	11
REQUIRED SUPPLEMENTARY INFORMATION	
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND	26
SUPPLEMENTARY INFORMATION	
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS	28
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS	29
FEDERAL PROGRAMS	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	31
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	33
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	34
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133.....	34
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	39

JOHANNESBURG-LEWISTON AREA SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis, a requirement of GASB 34, is intended to be the Johannesburg-Lewiston Area Schools District's ("the District") analysis of the financial results for the year ended June 30, 2014. The intent of this discussion and analysis is to provide a look at the District's performance and current position. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

The overall financial condition of the District remains strong. All goals related to financial activities have been met in the past year. If current revenue and expenditure patterns can be maintained, the resources for the following year will be available.

The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$6.7 million (net position).

The District's total net position increased by \$595,786 in the 2013/14 school year.

At the end of the current fiscal year, the fund balance for the District's General Fund is \$666,596 with an increase of \$244,376 for the fiscal year ended June 30, 2014.

USING THE ANNUAL REPORT

Generally accepted accounting principles ("GAAP") requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole (government-wide statements), and then proceed to provide an increasingly detailed look at specific financial statements (fund financial statements). Also included are various notes to the financial statements. The audit also contains supplemental information in addition to the basic financial statements.

Reporting the District as a Whole – The Statement of Net Position and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a manner to help address this question. These statements include all assets and liabilities of the District using the accrual basis of accounting similar to the accounting used by the private sector. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The two statements report the District's net position and any changes in them. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, political conditions on a State level, student enrollment growth, quality of local service and facility improvements prior to arriving at any conclusion regarding the overall health of the District.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the District as a whole. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The two types of funds: governmental funds and fiduciary funds use different accounting approaches as further discussed in the notes to the financial statements.

Governmental Funds

Most of the District's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental funds is reconciled in the basic financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the District's net position as of June 30, 2014 and 2013.

TABLE 1 Governmental Activities

	<u>6/30/2014</u>	<u>6/30/2013</u>
Assets		
Current assets	\$ 1,516,538	\$ 1,397,564
Noncurrent assets – capital	<u>7,741,220</u>	<u>8,127,216</u>
Total assets	<u>9,257,758</u>	<u>9,524,780</u>
Liabilities		
Current liabilities	1,584,604	1,545,376
Noncurrent liabilities	<u>978,900</u>	<u>1,880,936</u>
Total liabilities	<u>2,563,504</u>	<u>3,426,312</u>
Net position		
Invested in capital assets, net	5,899,547	5,439,616
Restricted	133,011	287,286
Unrestricted	<u>661,696</u>	<u>371,566</u>
Total net position	<u>\$ 6,694,254</u>	<u>\$ 6,098,468</u>

The District currently reports positive balances in each category of net position.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The results of this year's operations for the District as a whole are represented in a statement of activities (Table 2), which shows the changes in net position for the years ended June 30, 2014 and 2013.

TABLE 2 Governmental Activities

	<u>6/30/2014</u>	<u>6/30/2013</u>
Program revenues		
Charges for services	\$ 111,372	\$ 105,289
Operating grants and contributions	1,467,097	823,158
Capital grants and contributions	13,072	-
General revenues		
Property taxes	6,239,496	6,190,650
State School Aid	399,946	969,514
Other and interest	17,500	48,410
Total revenues	<u>8,248,483</u>	<u>8,137,021</u>
Functions/ program expenses		
Instruction	4,209,776	4,321,192
Supporting services	2,862,900	2,897,421
Food service	305,842	341,691
Athletics	135,502	154,571
Interest and other	138,677	120,090
Total expenses	<u>7,652,697</u>	<u>7,834,965</u>
Change in net position	595,786	302,056
Net position, beginning of year	<u>6,098,468</u>	<u>5,796,412</u>
Net position, end of year	<u>\$ 6,694,254</u>	<u>\$ 6,098,468</u>

As reported in the statement of activities, the cost of all governmental activities for the year was \$7,652,697. While \$6,448,320 in revenue was generated directly from local taxpayers, another \$111,372 was generated through "charges for actual services" to local districts, or individuals that benefited directly from our services. State, federal, other regional grants and programs brought \$1,258,273 to the District. The District received \$399,946 in state education funding and just over \$30,572 in other miscellaneous sources, inclusive of investment earnings. Net position for the year ending June 30, 2014 increased by \$595,786.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The District's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. During the fiscal year of 2013/14 the District amended the budgets of these major governmental funds several times. This has been the normal business practice of the District. Due to the timing of grant awards and pupil counts, the general fund budget could change significantly from the beginning to the end of the year.

General Fund

The General Fund revenues were higher than expenditures in the past year of operations by \$244,376. The District has evaluated expenditures in all operational areas in order to make budgetary cuts where necessary. General Fund expenditures in total decreased by \$183,023 from 2012/13 to 2013/14.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's assets have accumulated \$11,180,790 of depreciation. Our capitalized assets include our buildings, land, equipment and transportation fleet. This year saw a \$385,996 decrease in Net Capital Assets. A categorized listing of the assets is below.

TABLE 3 Governmental Activities

	<u>6/30/2014</u>	<u>6/30/2013</u>
Land	\$ 6,253	\$ 6,253
Land improvements	814,868	814,868
Buildings and improvements	14,942,476	14,935,105
Buses and vehicles	873,562	792,471
Furniture and equipment	<u>2,284,851</u>	<u>2,246,295</u>
Total capital assets	18,915,757	18,794,992
Accumulated depreciation	<u>(11,180,790)</u>	<u>(10,667,776)</u>
Total capital assets, net	<u>\$ 7,741,220</u>	<u>\$ 8,127,216</u>

Long Term Debt

The District owes \$1,880,573 on debt that will be paid over the next two years. Debt principal in an amount of \$730,000 was paid on the 2004 Refunding Bond. The District borrowed \$29,923 to purchase band equipment during the 2010/11 year and will repay this with interest over the next year. The District also made principal payments in the amount of \$110,000 on the 2012 bus bond during 2013/14. The District's liability for compensated absences decreased by \$363 to a total of \$38,900. Total long-term debt decreased by \$846,290 in the year ended June 30, 2014.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The economy of the State of Michigan is still slow. The exact implications on school funding are unknown at this time. Our budgets were prepared with these factors in mind. We also are dependent on student counts which vary from year to year, for our foundation allowance.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Johannesburg-Lewiston Area School'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 information should be addressed to:

Superintendent, Johannesburg-Lewiston Area Schools, 10854 M-32, Johannesburg, MI
49751 – Phone 989-732-1773



Thomas E. Gartland, CPA
Brad P. Niergarth, CPA
James G. Shumate, CPA
Robert C. Thompson, CPA
Michael D. Shaw, CPA
Mary F. Krantz, CPA
Shelly K. Bedford, CPA
Heidi M. Wendel, CPA
Shelly A. Ashmore, CPA
James M. Taylor, CPA

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Education
Johannesburg-Lewiston Area Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of *Johannesburg-Lewiston Area Schools* (the "School District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through iv and budgetary comparison information on page 26, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 combining nonmajor fund financial statements and 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 our opinion, the combining nonmajor fund financial statements 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 Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2014 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the School District's internal control over financial reporting and compliance.

Dennis, Gartland & Niergarth

October 9, 2014

Johannesburg-Lewiston Area Schools

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,213,450
Due from other governments	294,601
Accounts receivable	7,209
Inventory	<u>1,278</u>
Total current assets	1,516,538
Non-current assets	
Capital assets, net of accumulated depreciation	<u>7,741,220</u>
Total assets	<u><u>\$ 9,257,758</u></u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 174,276
Salaries payable and related liabilities	489,495
Unearned revenues	19,160
Current portion of long-term debt	<u>901,673</u>
Total current liabilities	1,584,604
Non-current portion of long-term liabilities	<u>978,900</u>
Total liabilities	<u><u>2,563,504</u></u>
NET POSITION	
Invested in capital assets, net of related debt	5,899,547
Restricted for	
Food service	24,942
Debt service	63,552
Capital projects	44,517
Unrestricted	<u>661,696</u>
Total net position	<u><u>6,694,254</u></u>
Total liabilities and net position	<u><u>\$ 9,257,758</u></u>

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

Johannesburg-Lewiston Area Schools

STATEMENT OF ACTIVITIES

Year ended June 30, 2014

Functions/Program	Expenses	Program Revenues			Net (Expense)/ Revenue and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Instruction	\$ 4,209,776	\$ -	\$ 331,302	\$ -	\$ (3,878,474)
Supporting services	2,862,900	35,481	889,825	-	(1,937,594)
Food service	305,842	75,891	245,970	-	16,019
Athletics	135,502	-	-	13,072	(122,430)
Other	38,934	-	-	-	(38,934)
Interest on long-term debt	99,743	-	-	-	(99,743)
Total governmental activities	\$ 7,652,697	\$ 111,372	\$ 1,467,097	\$ 13,072	(6,061,156)
General revenues					
Property taxes					
Levied for general purposes					5,210,150
Levied for debt service					1,029,346
State school aid - unrestricted					399,946
Investment and other					17,500
Total general general purpose revenues					6,656,942
Change in net position					595,786
Net position, beginning of year					6,098,468
Net position, end of year					\$ 6,694,254

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

Johannesburg-Lewiston Area Schools

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	2004 Refunding Bonds	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,025,725	\$ 49,744	\$ 137,981	\$ 1,213,450
Due from other governments	294,601	-	-	294,601
Accounts receivable	5,380	749	1,080	7,209
Inventory	-	-	1,278	1,278
Due from other funds	8,387	-	-	8,387
Total assets	\$ 1,334,093	\$ 50,493	\$ 140,339	\$ 1,524,925
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 161,514	\$ 648	\$ 113	\$ 162,275
Salaries payable and related liabilities	489,495	-	-	489,495
Due to other funds	-	-	8,387	8,387
Unearned revenues	16,488	-	2,672	19,160
Total liabilities	667,497	648	11,172	679,317
FUND BALANCES				
Non spendable for inventory	-	-	1,278	1,278
Restricted				
Food service	-	-	23,664	23,664
Debt service	-	49,845	25,708	75,553
Capital projects	-	-	44,517	44,517
Committed				
Subsequent year's expenditures	330,134	-	-	330,134
Capital projects	-	-	34,000	34,000
Unassigned	336,462	-	-	336,462
Total fund balances	666,596	49,845	129,167	845,608
Total liabilities and fund balances	\$ 1,334,093	\$ 50,493	\$ 140,339	

Reconciliation of Governmental Fund Balances to District-Wide Government Activities Net Position

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$18,922,010 and the accumulated depreciation is \$11,180,790.

7,741,220

Interest is accrued on outstanding bonds and installment debts in governmental activities, whereas in governmental funds, an interest expenditure is reported when due.

(12,001)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	(1,835,000)
Installment debt payable	(6,673)
Compensated absences payable	(38,900)

Total net assets - governmental activities

\$ 6,694,254

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

Johannesburg-Lewiston Area Schools

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2014

	General Fund	2004 Refunding Bonds	Non-Major Governmental Funds	Total
Revenues				
Property taxes	\$ 5,210,150	\$ 902,644	\$ 126,702	\$ 6,239,496
State sources	1,005,069	-	18,573	1,023,642
Federal sources	338,105	-	227,397	565,502
Interest earnings	3,590	-	293	3,883
Other	340,069	-	75,891	415,960
Total revenues	6,896,983	902,644	448,856	8,248,483
Expenditures				
Current				
Instruction	3,867,655	-	-	3,867,655
Supporting services	2,537,424	-	-	2,537,424
Food service	-	-	305,842	305,842
Athletics	135,502	-	-	135,502
Other	-	-	5,132	5,132
Debt service				
Principal	5,927	730,000	110,000	845,927
Interest	1,585	91,000	6,548	99,133
Other	-	33,802	-	33,802
Capital outlay	66,754	-	215,210	281,964
Total expenditures	6,614,847	854,802	642,732	8,112,381
REVENUES OVER (UNDER) EXPENDITURES	282,136	47,842	(193,876)	136,102
Other financing sources (uses)				
Transfers in	-	-	37,760	37,760
Transfers out	(37,760)	-	-	(37,760)
Total other financing sources (uses)	(37,760)	-	37,760	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	244,376	47,842	(156,116)	136,102
Fund balance, beginning of year	422,220	2,003	285,283	709,506
Fund balance, end of year	<u>\$ 666,596</u>	<u>\$ 49,845</u>	<u>\$ 129,167</u>	<u>\$ 845,608</u>

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

Johannesburg-Lewiston Area Schools

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE
DISTRICT-WIDE STATEMENT OF ACTIVITIES

Year ended June 30, 2014

Total Net Change in Fund Balance - Governmental Funds \$ 136,102

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

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, costs that meet the capitalization policy are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.

	Capital outlays	192,700		
	Depreciation expense	<u>(578,696)</u>		(385,996)

Repayment of bond principal and capitalized leases are expenditures in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities. 845,927

In the statement of activities, certain operating expenses - compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, compensated absences earned was less than the amounts used by \$363. 363

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The interest reported in the statement of activities is the net result of the increase in accrued interest on bonds and installment debt. (610)

Changes in Net Position of Governmental Activities \$ 595,786

Johannesburg-Lewiston Area Schools

STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS

June 30, 2014

	<u>Student Activity Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 160,504</u>
LIABILITIES	
Due to student groups	<u>\$ 160,504</u>

Johannesburg-Lewiston Area Schools

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

Johannesburg-Lewiston Area Schools (the "School District") operates under a Board-Superintendent form of government and provides education services to Johannesburg and Lewiston residents. The accounting policies of the School District conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units.

The accounting and reporting framework and the more significant accounting principles and practices of Johannesburg-Lewiston Area Schools are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the School District's financial activities for the fiscal year ended June 30, 2014.

The Financial Reporting Entity

Johannesburg-Lewiston Area Schools is a special purpose government and considered to be a primary government because it has a separately elected governing body, is legally separate and is fiscally independent of other state and local governments. The financial reporting entity of Johannesburg-Lewiston Area Schools includes the School District as the primary government and its component units; i.e., legally separate organizations for which the primary government is financially accountable and any other organizations which management has determined, based on the nature and significance of their relationship with the School District, must be included to prevent the School District's financial statements from being misleading. Based on criteria established in Governmental Accounting Standards Board ("GASB") Statement No. 14, as amended, management has not identified any component units. Student, parent and teacher organizations are not included, except to the extent that the School District holds assets in the capacity of an agent.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the School District as a whole, except for its fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and School District general revenues.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the School District's services; and (2) operating grants and contributions which finance annual operating activities including restricted investment income. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

NOTES TO FINANCIAL STATEMENTS - Continued

Fund Financial Statements

The balance sheet and statement of revenues, expenditures and changes in fund balances (i.e., fund financial statements) for the School District's governmental funds are presented after the District-wide statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds. Major funds are generally those that represent 10% or more of governmental fund assets, liabilities, revenues or expenditures.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The district-wide statements report using the economic resource measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include property taxes, intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received.

Fund Types and Major Funds

Activities in Major Funds

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

The *2004 Refunding Bonds Debt Retirement Fund* is used to record tax, interest and other revenue for the payment of general long-term debt principal, interest and related costs.

NOTES TO FINANCIAL STATEMENTS - Continued

Other Governmental Funds

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted or Board committed to expenditures for special purposes. The Food Service Fund is accounted for as a Special Revenue Fund.

The *Debt Service Funds* are used to account for the accumulation of resources for, and the payment of, bond principal, interest and related costs.

The *Capital Projects Funds* are used to account for financial resources set aside for the acquisition or construction of capital assets. The 2009 Technology Fund and 2012 School Bus Bonds Fund are accounted for as capital projects funds.

Fiduciary Funds

The *Agency Fund* accounts for assets held by the School District as an agent for individuals, private organizations, other governments or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Student Activity Fund is an Agency Fund.

Cash and Cash Equivalents

The School District's reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Inventories

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost, which is recorded as an expenditure at the time individual inventory items are used.

Capital Assets

Capital assets are recorded at cost or, if donated, the fair value at the time of donation. Capital assets are depreciated over their estimated useful lives ranging from 2 to 50 years. The School District generally capitalizes assets with costs of \$1,000 or more as purchase and construction outlays occur. No depreciation is recorded on land or construction-in-process. Expenditures for major renewals and betterments that extend the useful lives of the capital assets are capitalized. Expenditures for maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

NOTES TO FINANCIAL STATEMENTS - Continued

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	10 - 50 years
Improvements, other than buildings	10 - 50 years
Buses and vehicles	7 - 15 years
Furniture and equipment	2 - 15 years

Long-Term Debt and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts and premiums are deferred and amortized over the life of the bonds. Bond issuance costs are expensed as incurred.

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

Fund Equity

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors or contributors, or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the School Board through approval of resolutions. Assigned fund balances is a limitation imposed by the Superintendent as a designee of the School Board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed or assigned to those purposes.

Spending Policy

When both restricted and unrestricted fund balances are available for use, it is the School District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Program Revenues

Program revenues derive directly from the program itself or from outside parties for the restricted use in a particular program. On the statement of activities, program revenues reduce the net cost of the various functions to reflect the amount which is financed from the School District's general revenues.

The School District's most significant program revenues are Title I, At-Risk and School Lunch Program, which are reported as operating grants and contributions.

Allocation of Expenses

The School District reports each function's direct expenses, those that are specifically associated with a service, program or department and, thus, are clearly identifiable to a particular function.

The School District has elected to not allocate indirect expenses.

Use of Estimates in the Preparation of Financial Statements

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

NOTE B - BUDGETARY POLICY AND PRACTICE

The School District has adopted these procedures in establishing the budgets as reflected in the financial statements.

1. As early as possible in the preceding fiscal year (generally in the spring), the Superintendent formulates preliminary budgets for the coming year, which he submits to the Board of Education for their review.
2. A public hearing is held prior to June 30 on the proposed budgets to obtain taxpayer comments.
3. The Board of Education reviews the proposed budget and then in June adopts a formal resolution approving the needed appropriations for the coming operating year.
4. All transfers of budget amounts and any amendments to the formal Appropriation Act are approved by the Board of Education.
5. It is the Superintendent's responsibility to supervise and monitor the budget process. He does this by reviewing the monthly financial data and reporting and recommending any needed amendments to the Board of Education.
6. The budget is adopted on a basis consistent with generally accepted accounting principles.
7. The budgets presented in these financial statements are as originally adopted and as formally amended by the Board of Education.
8. All annual appropriations lapse at fiscal year-end.

Excess of Expenditures over Appropriations in Budgeted Funds

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2014, the School District was out of compliance with the Act as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Athletics	\$ 139,467	\$ 140,550	\$ 1,083

NOTE C - CASH AND CASH EQUIVALENTS

At June 30, 2014, the School District's cash and cash equivalents include the following:

	<u>Cash and</u>
	<u>Equivalents</u>
Cash on hand	\$ 165
Bank deposits	<u>1,373,789</u>
	<u><u>\$ 1,373,954</u></u>

Deposits

Custodial Credit Risk - Deposits

In the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2014, the carrying amount of the School District's deposits for both governmental activities and fiduciary funds was \$1,373,954 and the bank balance was \$1,666,720. As of June 30, 2014, \$963,863 of the bank balance was exposed to custodial risk because it was uninsured and uncollateralized.

NOTE D - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS AND UNEARNED REVENUE

Property Taxes Receivable, Deferred Revenue and Property Tax Calendar

Property taxes are levied, billed and become a lien on property as of December 1 on the State taxable valuation of property in the School District as of the preceding December 31. Townships within the School District collect and remit taxes until February 15, at which time the uncollected real property taxes are turned over to the counties as delinquent. Delinquent real property taxes are funded by the counties and remitted to the School District. Delinquent personal property tax remains a receivable until collected from the taxpayer by the townships and remitted to the School District. In the governmental fund financial statements, if delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred inflows of resources. In the district-wide financial statements, property taxes receivable and related revenue include all amounts due the School District regardless of when cash is received. Over time, substantially all property taxes are collected.

NOTES TO FINANCIAL STATEMENTS - Continued

During the fiscal year, \$18 per \$1,000 of equalized non-principal residence property value in the School District of \$287.4 million and \$6 per \$1,000 of commercial personal property value in the School District of \$2.9 million was levied for general operating purposes. For debt service purposes, \$2.35 per \$1,000 of equalized principal, non-principal residence property and commercial personal property value in the School District of \$434.3 million was levied.

Intergovernmental Receivables and Unearned Revenue

Intergovernmental receivables are primarily comprised of amounts due from the State and Federal governments. Revenue is recorded as earned when eligibility requirements are met. Grant revenues deferred in the governmental fund financial statements include unearned revenue. Grant revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period) is recorded as deferred inflows of resources. Unearned revenue received after 60 days is fully recognized as revenue in the government-wide statements if grantor eligibility requirements are met.

Amounts due from other governments at June 30, 2014 are as follows:

Due from State of Michigan State Aid	\$ 191,748
Due from Federal grants	<u>102,853</u>
	<u>\$ 294,601</u>

NOTE E - INVESTMENTS IN CAPITAL ASSETS

Investments in capital assets consist of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 6,253	\$ -	\$ -	\$ 6,253
Capital assets being depreciated				
Land improvements	814,868	-	-	814,868
Buildings and improvements	14,935,105	7,371	-	14,942,476
Buses and vehicles	792,471	146,773	(65,682)	873,562
Furniture and equipment	<u>2,246,295</u>	<u>38,556</u>	<u>-</u>	<u>2,284,851</u>
Total capital assets being depreciated	18,788,739	192,700	(65,682)	18,915,757
Less accumulated depreciation	<u>(10,667,776)</u>	<u>(578,696)</u>	<u>65,682</u>	<u>(11,180,790)</u>
Total capital assets, net	<u>\$ 8,127,216</u>	<u>\$ (385,996)</u>	<u>\$ -</u>	<u>\$ 7,741,220</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Depreciation expense was charged to the function in the statement of activities, as follows:

Instruction	\$ 342,121
Support services	<u>236,575</u>
Total depreciation expense	<u><u>\$ 578,696</u></u>

NOTE F - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Receivables and Payables

Outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end and other miscellaneous receivables/payables between funds.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Governmental Funds		
General Fund	\$ 8,387	\$ -
Non-Major Governmental Funds		
Food Service Fund	<u>-</u>	<u>8,387</u>
	<u><u>\$ 8,387</u></u>	<u><u>\$ 8,387</u></u>

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement.

NOTES TO FINANCIAL STATEMENTS - Continued

The following schedule reports transfers and payments within the reporting entity:

Fund	Transfers In	Transfers Out
Major Governmental Funds		
General Fund	\$ -	\$ 37,760
Other Governmental Funds		
Food Service Fund	3,760	-
2012 School Bus Fund	<u>34,000</u>	<u>-</u>
	<u>\$ 37,760</u>	<u>\$ 37,760</u>

NOTE G - LONG-TERM LIABILITIES

Changes in long-term debt during the year ended June 30, 2014 were as follows:

	Beginning Balance	New Debt	Payments	Ending Balance	Current Portion
2004 Refunding Bond	\$ 2,275,000	\$ -	\$ (730,000)	\$ 1,545,000	\$ 760,000
2012 Bus Bond	400,000	-	(110,000)	290,000	135,000
Installment debt	12,600	-	(5,927)	6,673	6,673
Accumulated leave liability	<u>39,263</u>	<u>-</u>	<u>(363)</u>	<u>38,900</u>	<u>-</u>
Total long-term debt	<u>\$ 2,726,863</u>	<u>\$ -</u>	<u>\$ (846,290)</u>	<u>\$ 1,880,573</u>	<u>\$ 901,673</u>

Payments on general obligation bonds are made by the Debt Service Fund. The accumulated leave liability and installment debt will be liquidated primarily by the General Fund.

At June 30, 2014, the School District's long-term debt consisted of the following:

2004 Refunding General Obligation Bonds due in annual installments of \$760,000 to \$785,000; interest rate of 4.0%; matures May 2016.	\$ 1,545,000
2012 School Bus Bonds due in annual installments of \$135,000 to \$155,000; interest rate of 1.65% to 1.90%; matures May 2016.	290,000
Installment debt used to finance band equipment; due in installment of \$6,673; interest rate of 12.576%; matures July 2014.	6,673
Accumulated leave liability	<u>38,900</u>
Total long-term debt	<u>\$ 1,880,573</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Total annual requirements to amortize bonds and installment debt outstanding as of June 30, 2014 are as follows:

Years Ending June 30,	Principal	Interest	Total
2015	\$ 901,673	\$ 67,811	\$ 969,484
2016	940,000	34,346	974,346
	\$ 1,841,673	\$ 102,157	\$ 1,943,830

Interest expense for the year ended June 30, 2014 was \$99,743 and interest paid for the year ended June 30, 2014 was \$99,133.

Accumulated Leave Liability

Employees of the School District accumulate earned but unused compensated sick leave days, as specified by the bargaining units' contract. 25% of sick leave is accrued when incurred for non-teachers and 50% for teachers. Upon either resignation or retirement, the employees are compensated at daily rates specified in the bargaining units' contracts.

NOTE H - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; unemployment benefits; and natural disasters. The School District manages its risk exposures and provides certain employee benefits through a combination of self-insurance and risk management pools.

The School District pays unemployment claims on a reimbursement basis. At June 30, 2014, there were no significant unbilled claims.

The School District participates in SET-SEG's risk management pools for worker's compensation claims, disability 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 School 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 School District's General Fund.

NOTE I - PENSION PLAN AND POST-EMPLOYMENT BENEFITS

The School District contributes to the Michigan Public School Employees Retirement Systems ("MPSERS"), statewide cost-sharing multiple-employer defined benefit and defined contribution pension plans administered by the State of Michigan, Department of Management & Budget, Office of Retirement Services ("ORS"). MPSERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. MPSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Office of Retirement System, P.O. Box 30171, Lansing, MI 48909-7671.

Funding Policy

Defined Benefit Plan

Employer contributions to the system result from implementing the 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, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

Defined Contribution Plan

Employer contributions to the system are dependent on the plan elected by the participant.

Employee Contributions

Basic plan members are not required to make contributions. Member Investment Plan members contribute at rates ranging from 0% to 7% of gross wages.

NOTES TO FINANCIAL STATEMENTS - Continued

Employer Contributions

Employer contributions to the system for covered payroll of the plan were as follows:

Fiscal Year 2013-2014 Employer Contribution Rate
Active Members and Qualified Participants - Effective February 1, 2013

	Basic/MIP with Premium Subsidy	Pension Plus with Premium Subsidy	Pension Plus with PHF	Pension Plus to DC with PHF	Basic/MIP to DC with Premium Subsidy	Basic/MIP to DC with PHF	Basic/MIP with PHF
Defined Benefit Plan Contributions:							
Pension contributions	15.21 %	15.02 %	15.02 %	12.78 %	12.78 %	12.78 %	15.21 %
Health contributions	9.11 %	9.11 %	8.18 %	8.18 %	9.11 %	8.18 %	8.18 %
Defined Contribution Plan Contributions:							
Employer contributions	0.00 %	1.00 %	1.00 %	3.00 %	4.00 %	4.00 %	0.00 %
Personal Healthcare Fund	0.00 %	0.00 %	2.00 %	2.00 %	0.00 %	2.00 %	2.00 %

Fiscal Year 2013-2014 Employer Contribution Rate
Active Members and Qualified Participants - Effective October 1, 2013

	Basic/MIP with Premium Subsidy	Pension Plus with Premium Subsidy	Pension Plus with PHF	Pension Plus to DC with PHF	Basic/MIP to DC with Premium Subsidy	Basic/MIP to DC with PHF	Basic/MIP with PHF
Defined Benefit Plan Contributions:							
Pension contributions	18.34 %	18.11 %	18.11 %	15.44 %	15.44 %	15.44 %	18.34 %
Health contributions	6.45 %	6.45 %	5.52 %	5.52 %	6.45 %	5.52 %	5.52 %
Defined Contribution Plan Contributions:							
Employer contributions	0.00 %	1.00 %	1.00 %	3.00 %	4.00 %	4.00 %	0.00 %
Personal Healthcare Fund	0.00 %	0.00 %	2.00 %	2.00 %	0.00 %	2.00 %	2.00 %

The School District's contributions to the MPSERS Defined Benefit Plan for the years ended June 30, 2014, 2013 and 2012 were \$959,917, \$934,063, and \$844,602, respectively, which is equal to the required contribution for the year.

The School District's contributions to the MPSERS Defined Contribution Plan was \$15,252 for the year ended June 30, 2014.

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. Retirees having these coverages 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 coverages. Required contributions for post employment health care benefits are included as part of the School District's total contribution to the MPSERS Plan discussed above.

NOTE J - COMMITMENTS AND CONTINGENCIES

Federal and State Grants

In the normal course of operations, the School District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Collectively Bargained Employment Agreements

The teachers of the School District are organized under the Johannesburg-Lewiston Education Association. The Board of Education and the Johannesburg-Lewiston Education Association had a contract for September 1, 2012 through August 31, 2014. A new contract is being negotiated.

The support personnel at the School District are organized under the Johannesburg-Lewiston Educational Support Personnel Association. The Board of Education and the Johannesburg-Lewiston Educational Support Personnel Association have a contract for July 1, 2013 through June 30, 2015.

NOTE K - LEASE OBLIGATIONS

The School District leases copiers under the terms of noncancellable operating leases. Rental expense for the operating leases amounted to \$20,952 for the year ended June 30, 2014. Future minimum rentals to be paid for operating leases are as follows:

Years Ending <u>June 30,</u>	
2015	\$ 20,952
2016	20,952
2017	20,952
2018	<u>15,714</u>
	<u>\$ 78,570</u>

NOTE L - IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

In June 2012, the GASB issued Statement No. 68 (“GASB 68”), *Accounting and Financial Reporting for Pensions*—an amendment of GASB Statement 27. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. GASB 68 is effective for fiscal years beginning after June 15, 2014.

GASB 68 requires employers to report net pension benefits as a liability in the Statement of Net Position. The Statement requires immediate recognition of the pension expense, including annual service cost and interest, and the effect of changes in benefit terms on the net pension liability. Cost-sharing employers are required to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also requires expanded note disclosures and required supplementary information covering the past 10 years for the net pension liability. An estimate (which could change by a material amount) of the School District's net pension liability at June 30, 2014 is \$9.7 million.

REQUIRED SUPPLEMENTARY INFORMATION

Johannesburg-Lewiston Area Schools

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

Year ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Revenues				
Local	\$ 5,550,385	\$ 5,532,132	\$ 5,553,809	\$ 21,677
State	630,604	1,023,773	1,005,069	(18,704)
Federal	336,190	346,075	338,105	(7,970)
Total revenues	6,517,179	6,901,980	6,896,983	(4,997)
Expenditures				
Instruction				
Basic programs	2,965,342	3,124,833	3,105,522	19,311
Added needs	830,485	817,562	800,684	16,878
Supporting services				
Student services	170,825	243,607	231,341	12,266
General administration	419,400	395,767	385,237	10,530
School administration	639,759	618,910	609,589	9,321
Buildings and grounds	735,240	698,910	665,862	33,048
Transportation	628,425	614,692	607,749	6,943
Other	55,500	56,634	55,725	909
Athletics	133,675	139,467	140,550	(1,083)
Capital outlay	-	5,100	5,076	24
Other financing uses	47,515	45,275	45,272	3
Total expenditures	6,626,166	6,760,757	6,652,607	108,150
REVENUES OVER (UNDER) EXPENDITURES	(108,987)	141,223	244,376	103,153
Fund balance, beginning of year	422,220	422,220	422,220	-
Fund balance, end of year	\$ 313,233	\$ 563,443	\$ 666,596	\$ 103,153

**COMBINING FINANCIAL STATEMENTS
OF NON-MAJOR GOVERNMENTAL FUNDS**

Johannesburg-Lewiston Area Schools

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2014

	Special Revenue <u>Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>		
	Food Service <u>Fund</u>	2012 Bus <u>Bond</u>	2009 <u>Technology</u>	2012 <u>School Bus</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 33,781	\$ 25,683	\$ -	\$ 78,517	\$ 137,981
Accounts receivable	963	117	-	-	1,080
Inventory	<u>1,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,278</u>
 Total assets	 <u>\$ 36,022</u>	 <u>\$ 25,800</u>	 <u>\$ -</u>	 <u>\$ 78,517</u>	 <u>\$ 140,339</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 21	\$ 92	\$ -	\$ -	\$ 113
Due to other funds	8,387	-	-	-	8,387
Unearned revenues	<u>2,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,672</u>
 Total liabilities	 <u>11,080</u>	 <u>92</u>	 <u>-</u>	 <u>-</u>	 <u>11,172</u>
FUND BALANCES					
Nonspendable	1,278	-	-	-	1,278
Restricted					
Food service	23,664	-	-	-	23,664
Debt service	-	25,708	-	-	25,708
Capital projects	-	-	-	44,517	44,517
Committed for capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,000</u>	<u>34,000</u>
 Total fund balances	 <u>24,942</u>	 <u>25,708</u>	 <u>-</u>	 <u>78,517</u>	 <u>129,167</u>
 Total liabilities and fund balances	 <u>\$ 36,022</u>	 <u>\$ 25,800</u>	 <u>\$ -</u>	 <u>\$ 78,517</u>	 <u>\$ 140,339</u>

Johannesburg-Lewiston Area Schools

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**

Year ended June 30, 2014

	Special Revenue Fund	Debt Service 2012 Bus Bond	Capital Projects 2009 Technology	2012 School Bus	Total
	Food Service Fund				
Revenues					
Property taxes	\$ -	\$ 126,702	\$ -	\$ -	\$ 126,702
State sources	18,573	-	-	-	18,573
Federal sources	227,397	-	-	-	227,397
Interest earnings	-	289	-	4	293
Other	<u>75,891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,891</u>
Total revenues	<u>321,861</u>	<u>126,991</u>	<u>-</u>	<u>4</u>	<u>448,856</u>
Expenditures					
Food service	305,842	-	-	-	305,842
Debt service					
Principal	-	110,000	-	-	110,000
Interest	-	6,548	-	-	6,548
Capital outlay	-	-	60,116	155,094	215,210
Other	<u>-</u>	<u>693</u>	<u>4,409</u>	<u>30</u>	<u>5,132</u>
Total expenditures	<u>305,842</u>	<u>117,241</u>	<u>64,525</u>	<u>155,124</u>	<u>642,732</u>
REVENUES OVER (UNDER) EXPENDITURES	16,019	9,750	(64,525)	(155,120)	(193,876)
Other financing sources					
Transfers in	<u>3,760</u>	<u>-</u>	<u>-</u>	<u>34,000</u>	<u>37,760</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	<u>19,779</u>	<u>9,750</u>	<u>(64,525)</u>	<u>(121,120)</u>	<u>(156,116)</u>
Fund balance, beginning of year	<u>5,163</u>	<u>15,958</u>	<u>64,525</u>	<u>199,637</u>	<u>285,283</u>
Fund balance, end of year	<u>\$ 24,942</u>	<u>\$ 25,708</u>	<u>\$ -</u>	<u>\$ 78,517</u>	<u>\$ 129,167</u>

FEDERAL PROGRAMS

Johannesburg-Lewiston Area Schools

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2014

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Approved Grant Amount	(Deferred) Receivable June 30, 2013	Current Year Receipts	Current Year Expenditures	(Deferred) Receivable June 30, 2014
United States Department of Agriculture						
Passed through Michigan Department of Education						
Child Nutrition Cluster						
School Breakfast Program						
131970	10.553	\$ 7,955	\$ -	\$ 7,955	\$ 7,955	\$ -
141970		<u>57,003</u>	<u>-</u>	<u>57,003</u>	<u>57,003</u>	<u>-</u>
Total School Breakfast Program		<u>64,958</u>	<u>-</u>	<u>64,958</u>	<u>64,958</u>	<u>-</u>
National School Lunch						
131960	10.555	121,656	1,748	1,748	-	-
141960		<u>141,454</u>	<u>-</u>	<u>141,454</u>	<u>141,454</u>	<u>-</u>
Entitlement Commodities		<u>20,985</u>	<u>-</u>	<u>20,985</u>	<u>20,985</u>	<u>-</u>
Total National School Lunch		<u>284,095</u>	<u>1,748</u>	<u>164,187</u>	<u>162,439</u>	<u>-</u>
Total United States Department of Agriculture		<u>349,053</u>	<u>1,748</u>	<u>229,145</u>	<u>227,397</u>	<u>-</u>
United States Department of Education						
Passed through Michigan Department of Education						
Title I Grants to Local Educational Agencies						
131530-1213	84.010	322,057	68,174	75,918	7,744	-
141530-1314		<u>291,275</u>	<u>-</u>	<u>195,637</u>	<u>291,275</u>	<u>95,638</u>
Total Title I Grants to Local Education Agencies		613,332	68,174	271,555	299,019	95,638
Rural Education						
14066-1314	84.358B	13,940	-	13,940	13,940	-
Improving Teacher Quality State Grants						
140520-1314	84.367	<u>42,619</u>	<u>-</u>	<u>11,128</u>	<u>18,343</u>	<u>7,215</u>
Total passed through Michigan Department of Education		<u>669,891</u>	<u>68,174</u>	<u>296,623</u>	<u>331,302</u>	<u>102,853</u>

Johannesburg-Lewiston Area Schools

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued

Year ended June 30, 2014

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Approved Grant Amount	(Deferred) Receivable June 30, 2013	Current Year Receipts	Current Year Expenditures	(Deferred) Receivable June 30, 2014
Passed through Cheboygan-Otsego-Presque Isle ESD						
Special Education - Grants to States (IDEA, Part B)	84.027	\$ 480	\$ -	\$ 480	\$ 480	\$ -
Medical Assistance Program (Medicaid, Title XIX)	93.778	<u>1,948</u>	<u>-</u>	<u>1,948</u>	<u>1,948</u>	<u>-</u>
Total passed through Cheboygan-Otsego-Presque Isle ESD		<u>2,428</u>	<u>-</u>	<u>2,428</u>	<u>2,428</u>	<u>-</u>
Passed through Alpena Public Schools						
Overseas Program - Special Bilateral Projects	84.018	<u>4,777</u>	<u>-</u>	<u>4,777</u>	<u>4,375</u>	<u>(402)</u>
Total United States Department of Education		<u>677,096</u>	<u>68,174</u>	<u>303,828</u>	<u>338,105</u>	<u>102,451</u>
Total Federal Financial Assistance		<u>\$ 1,026,149</u>	<u>\$ 69,922</u>	<u>\$ 532,973</u>	<u>\$ 565,502</u>	<u>\$ 102,451</u>

Johannesburg-Lewiston Area Schools

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2014

- Note 1** The Schedule of Expenditures of Federal Awards is prepared using the modified accrual basis of accounting.
- Note 2** Management has reported that expenditures in this Schedule of Expenditures of Federal Awards are equal to those amounts reported in the annual or final cost reports. Unallowed differences, if any, have been disclosed to the auditor.
- Note 3** The financial reports, including claims for advances and reimbursements and amounts claimed or used for matching are timely, complete, accurate and contain information that is supported by the books and records from which the basic financial statements have been prepared. Grant receipts reported on the Schedule of Expenditures of Federal Awards, as passed through the Michigan Department of Education, reconcile to the Grant Section Auditor's Report (R7120). Unreconciled differences have been disclosed to the auditor.



Thomas E. Gartland, CPA
Brad P. Niergarth, CPA
James G. Shumate, CPA
Robert C. Thompson, CPA
Michael D. Shaw, CPA
Mary F. Krantz, CPA
Shelly K. Bedford, CPA
Heidi M. Wendel, CPA
Shelly A. Ashmore, CPA
James M. Taylor, CPA

**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***

Board of Education
Johannesburg-Lewiston Area Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of *Johannesburg-Lewiston Area Schools* (the "School District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 9, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2014-002 to be a significant deficiency.

Compliance and Other Matters

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

School District's Response to Findings

The School District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Dennis, Gartland & Niergarth

October 9, 2014



Thomas E. Gartland, CPA
Brad P. Niergarth, CPA
James G. Shumate, CPA
Robert C. Thompson, CPA
Michael D. Shaw, CPA
Mary F. Krantz, CPA
Shelly K. Bedford, CPA
Heidi M. Wendel, CPA
Shelly A. Ashmore, CPA
James M. Taylor, CPA

**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
Johannesburg-Lewiston Area Schools

Report on Compliance for Each Major Federal Program

We have audited *Johannesburg-Lewiston Area Schools* (the "School District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the School District's major Federal programs for the year ended June 30, 2014. The School District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Johannesburg-Lewiston Area 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.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs, as items 2014-003 and 2014-004. Our opinion on each major Federal program is not modified with respect to these matters.

The School District's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

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

Dennis, Gartland & Niergarth

October 9, 2014

Johannesburg-Lewiston Area Schools

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2014

PRIOR YEAR

Finding Number 2013-001 is equivalent to finding 2014-002 and there is no change in its status.

CURRENT YEAR

Section 1 - Summary of Auditors' Results

1. The auditor's report represents an unmodified opinion on the general purpose financial statements of Johannesburg-Lewiston Area Schools.
2. There was one material weakness and one significant deficiency in internal control over financial reporting as a result of the audit of the basic financial statements.
3. There were no compliance findings disclosed that were material to the School District's financial statements.
4. The auditor's report does not disclose any reportable conditions in internal control over major programs.
5. The report over compliance for major programs was unmodified.
6. There were two immaterial noncompliance findings. See Section 3 - Findings and Questioned Costs in Accordance with OMB Circular A-133.
7. The School District's major program was the Child Nutrition Cluster (School Breakfast Program, CFDA #10.553 and National School Lunch Program, CFDA #10.555).
8. The dollar threshold for distinguishing between Type A and Type B programs was \$300,000.
9. Johannesburg-Lewiston Area Schools qualified as a low-risk auditee.

Section 2 - Findings in Accordance with Governmental Auditing Standards

Finding Number 2014-001

Criteria: Adequate segregation of duties for the School District is necessary to minimize the likelihood that fraud and errors could occur and not be detected.

Condition: The School District has not achieved a complete segregation of duties among employees who have access to assets and those with accounting responsibilities.

Cause: The small size of the business office staff creates an inherent lack of segregation of duties.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

Effect: As a result of this condition, the School District lacks a thorough segregation of duties.

Management's Response: The School District has evaluated the manner in which they segregate duties and has implemented measures. However, the cost associated with adding additional staff to achieve a complete segregation is not justified by the expected benefits.

Finding Number 2014-002

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles ("GAAP"). This is a responsibility of the School District's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing and summarizing accounting data (i.e., maintaining internal books and records) and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

Condition: As is the case with many smaller and medium-sized school districts, the School District has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the School District's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the School District's *internal* controls.

Cause: This condition was caused by the School District's decision that it is more cost effective to outsource the preparation of its annual financial statements to auditors than to incur the time and expense of obtaining the necessary training and expertise required for the School District to perform this task internally.

Effect: As a result of this condition, the School District lacks internal controls over the preparation of financial statements in accordance with GAAP and instead relies, in part, on its external auditors for assistance with this task.

Management's Response: The School District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the School District to outsource this task to its external auditors and to carefully review the draft financial statements and footnotes prior to approving them and accepting responsibility for their content and presentation.

Section 3 - Findings and Questioned Costs in Accordance with OMB Circular A-133

Finding Number 2014-003

Child Nutrition Cluster: School Breakfast Program CFDA #10.553; National School Lunch Program CFDA #10.555

Allowability - Meal Components and Quantities on Breakfast Menus

Immaterial Noncompliance

Criteria: Per Federal regulations 7 CFR, §220.23, meals offered to each age/grade group must include the food components and food quantities specified in the meal pattern guidelines.

Condition: The School District did not consistently indicate on breakfast menus the side choices available with each entree and that milk and fruit/juice was available with each meal.

Cause: Food service staff used an outdated format when preparing menus.

Effect: Children may not obtain balanced nutrition.

Context: The School District was aware of the need for improved breakfast menus. New breakfast menus were designed prior to the beginning of the 2014/2015 school year.

Questioned Costs: None.

Recommendation: Redesign of the breakfast menu to include proper identification of meal components and quantities.

Management's Response and Planned Corrective Actions: The School District has worked closely with the Michigan Department of Education to develop breakfast menus in compliance with meal pattern guidelines. For the 2014/2015 school year, a separate breakfast menu will be prepared on a monthly basis, which clearly indicates the availability of side choices with each entree and to indicate milk and fruit/juice is available with each meal.

Responsible Party for Corrective Action: Rick Holt, Superintendent, and Carol Havrilla, Executive Assistant.

Anticipated Completion Date: September 2014.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

Finding Number 2014-004

Child Nutrition Cluster: School Breakfast Program CFDA #10.553; National School Lunch Program CFDA #10.555

Special Tests and Provisions - Building Self-Monitoring Review

Immaterial Noncompliance

Criteria: Per Federal regulations 7 CFR, §210.8(a)(1), school districts with more than one building shall conduct an annual self-monitoring review in each building before February 1 of each school year.

Condition: The self-monitoring reviews were not conducted by February 1.

Cause: Management does not have a procedure in place to prompt the reviews.

Effect: Potential building-level noncompliance could go undetected for an extended period.

Context: The School District completed the self-monitoring reviews on February 5 and February 6.

Questioned Costs: None.

Recommendation: A policy should be in place that reminds staff to conduct the self-monitoring review prior to February 1.

Management's Response and Planned Corrective Actions: The School District has implemented a self-imposed policy to have the self-monitoring review completed by December 31 of each year to ensure this requirement is met timely.

Responsible Party for Corrective Action: Rick Holt, Superintendent, and Carol Havrilla, Executive Assistant.

Anticipated Completion Date: December 2014.