

Millington Community Schools

Millington, Michigan

**Annual Financial Statements
and
Auditors' Report**

June 30, 2013

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Millington Community Schools
Members of the Board of Education and Administration
June 30, 2013

Members of the Board of Education

John Crump	President
Dean Hennessy	Vice-President
Sheila Hebner	Secretary
Scott Murray	Treasurer
Judith Grulke	Trustee
Gary Shreve	Trustee
Vance Hickey	Trustee

Administration

John Males	Superintendent
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Independent Auditors' Report

Management and the Board of Education
Millington Community 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 Millington Community Schools, as of and for the year ended June 30, 2013, 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Millington Community Schools, as of June 30, 2013, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2013, the District adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Other Matters:

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Millington Community Schools' basic financial statements. The list of the Members of the Board of Education and Administration and other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplemental 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, other than the prior year information, the other supplemental information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The list of the Members of the Board of Education and Administration, which is the responsibility of management, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Prior Year Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Millington Community Schools' financial statements as of and for the year ended June 30, 2012, which are not presented with the accompanying financial statements. In our report dated August 30, 2013, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Millington Community Schools' financial statements as a whole. The 2012 information in the comparative supplemental schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2012 information in the comparative supplemental schedules are fairly stated in all material respects in relation to the financial statements from which they have been derived.

Yeo & Yeo, P.C.

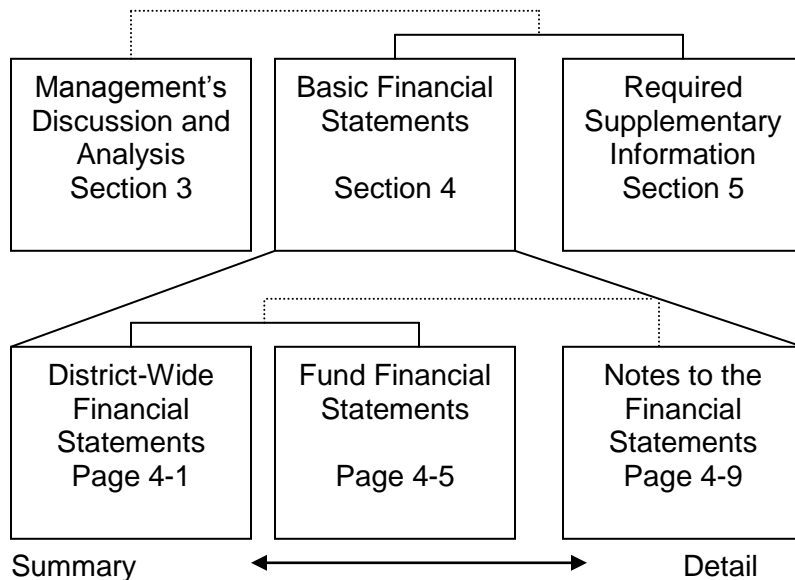
Saginaw, Michigan
November 11, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Millington Community Schools Management's Discussion and Analysis Year Ended June 30, 2013

This financial report is presented in the format required by generally accepted accounting principals. The overall organization of this report is shown in Figure A-1.

Figure A-1
Millington Community Schools
Organization of Annual Financial Report



District –Wide Financial Statements

The District-wide statements provide a perspective of the District as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two District-wide statements: The Statement of Net Position and the Statement of Activities.

The Statement of Net Position (page 4-1) combines and consolidates the governmental funds' current financial

resources (short-term spendable resources) with capital assets and long-term obligations, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities (page 4-2) accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various district services.

When analyzed together, the two statements help the reader determine whether the District is financially stronger or weaker as a result of the year's activities.

Fund Financial Statements

The fund financial statements focus on individual parts of the district, reporting the District's operation in more detail than the district-wide statements. The fund level statements are reported on a *modified accrual basis*. Only those assets that are "*measurable*" and "*currently available*" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's *Public School Accounting Manual*. In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds. The funds used by Millington Community Schools include Special Revenue Funds for food service and community education, Debt Service Fund for bonded debt as well as a Sinking Fund for capital improvements.

**Millington Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2013**

Millington Community Schools is the trustee, or fiduciary, for its student activity and scholarship funds established for the benefit of our students. These fiduciary activities are reported in separate statements of fiduciary net assets. They are excluded from the other financial statements because the District may not use the assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Financial Analysis of the District as a Whole

Summary of Net Position

	2013	2012	Total
	Governmental	Governmental	Percentage
	<u>Activities</u>	<u>Activities</u>	<u>Change</u>
Assets			
Current	\$ 4,510,300	\$ 3,407,166	32%
Capital, net	<u>11,953,073</u>	<u>12,510,780</u>	-4%
Total	<u>16,463,373</u>	<u>15,917,946</u>	3%
Liabilities			
Current	4,251,856	1,505,660	182%
Long-term	<u>3,996,505</u>	<u>5,134,721</u>	-22%
Total	<u>8,248,361</u>	<u>6,640,381</u>	24%
Net position			
Net investment in			
capital assets	7,569,051	7,534,079	0%
Restricted	65,869	189,590	-65%
Unrestricted	<u>580,092</u>	<u>1,553,896</u>	-63%
Total	<u>\$ 8,215,012</u>	<u>\$ 9,277,565</u>	-11%

Unrestricted net assets are similar but not identical to fund balance. A reconciliation of the difference between increased net position and an increase in fund balance is on page 4-5.

Total current assets are greater than those of 2012. The change includes an increase in cash of \$910,676. This is primarily the result of the necessity of the district to borrow additional funds in the spring. Decreasing current assets were prepaid items which were down \$230,772.

Other significant changes in various receivables resulted in an additional increase in current assets of approximately \$515,629.

The District decreased its capital assets primarily as a result of the Glaza Elementary building demolition. Increases in capital assets included \$41,000 for new playground equipment at Meachum, \$168,000 for various building renovations at Kirk Elementary, Meachum Elementary and the High School. Net of the annual depreciation capital assets decreased \$557,707 at the fiscal year end.

The increase in current liabilities is primarily the result of increased state aid note payable and increased accounts payable for fiscal 2012-2013. The balance of long-term liabilities decreased \$1,138,216 from prior year. This is the result of a reduction from principal payments on our QZAB bonds and our 2008 Building and Site bonds and final payment of the Durant bond.

The net position for the District decreased by \$1,062,553 during the 2012-2013 fiscal year. The *Statement of Net Position from Operating Results* (on the next page) shows the details of this change.

**Millington Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2013**

Statement of Net Position from Operating Results

	2013	2012	Total
	Governmental	Governmental	Percentage
	<u>Activites</u>	<u>Activites</u>	<u>Change</u>
Revenues			
Program revenues			
Charges for services	\$ 305,435	\$ 392,463	-22%
Operating grants and contributions	2,118,933	2,190,983	-3%
General revenues			
Property taxes	1,397,716	1,460,883	-4%
State foundation allowance	9,057,434	9,129,163	-1%
Other	<u>150,432</u>	<u>314,328</u>	-52%
Total	<u>13,029,950</u>	<u>13,487,820</u>	-3%
Expenses			
Instruction	8,166,045	7,984,472	2%
Support Services	4,811,736	4,494,193	7%
Food Services	736,363	794,129	-7%
Community Services	97,488	112,429	-13%
Other Transactions	<u>213,707</u>	<u>241,448</u>	-11%
Total	<u>14,025,339</u>	<u>13,626,671</u>	3%
Deficiency of revenues	(995,389)	(138,851)	617%
Change in accounting principle	<u>(67,164)</u>	<u>-</u>	0%
Change in net position	<u>\$ (1,062,553)</u>	<u>\$ (138,851)</u>	665%

Total revenues for the district were less than 2012 levels by nearly \$450,000, 3%. Revenue from the state foundation allowance decreased \$71,729. This revenue decrease is the result of declining enrollment. Federal grants and other contributions to the district were down \$72,050 primarily the result of decreases in IDEA and Title I funding. Charges for services decreased \$87,028. Other revenues decreased approximately \$160,000.

The result of total operations produced expenditures that were nearly \$400,000 over prior year. This represents an increase of 3% over the 2012 levels. This increase is primarily due to unanticipated costs related to participation in the Michigan Employee Health Insurance Pool.

Supporting services increased by \$317,000 from 2012 levels. This was primarily due to the services provided from the ISD being paid from local funds, and additional expenses incurred through participation in the Michigan Employee Health Insurance Pool.

A decrease in expenditures for food services of approximately \$60,000 and a combined decrease of \$42,682 of spending in the community education fund and interest on debt, combined with the above spending variances yielded an overall increase in expenditures of nearly \$400,000 in the total operation of the District.

The cumulative impact of the above net changes in revenues and the net changes in total governmental activities, along with the change in accounting principle yields the decrease in net position of the District for the fiscal year end of \$1,062,553.

School District's Funds

As the School District completed this fiscal year, the governmental funds reported a combined fund balance of \$1,069,613, which is a decrease from the prior year. The primary reasons for the decrease:

In the General Fund, our principal operating fund, the fund balance decreased by \$922,000. This amount reflects a decrease to fund balance of 45% for the fiscal year. The decrease is primarily the result of extraordinary expenses

**Millington Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2013**

related to participation in the Michigan Employee Health Insurance Pool.

The fund balance of our Food Service Fund decreased approximately \$65,000. This is primarily the result of decreased revenue related to school closures for inclement weather.

The Debt Service Fund showed a decrease in fund balance of approximately \$19,300. The net results of the decrease and the prior years balance reflects an ending balance of \$80,238 available to pay future debt payments.

The fund balance of the Debt Service Fund is reserved since it can only be used for future debt service obligations.

The Capital Project ended the year with a zero fund balance as all funds have been expended. The Sinking Fund ended the year with a deficit balance of approximately \$142,000. This represents a decrease from prior year of approximately \$223,647. These funds are also restricted for specific expenditures as allowed by law.

The Community Education Fund had a fund balance of \$3,480 at the fiscal year, end an increase of \$3,004 from prior year.

Nearly 85% of the District's general fund revenues are received from State sources. This has remained relatively consistent over the last several fiscal years, with a slight shift towards increased federal percentage. The Net State Foundation Grant is based on three variables:

1. The State of Michigan State Aid Act per student foundation allowance.
2. Student enrollment calculated by blending 90 percent of the current year's fall count and 10 percent of the next year's winter count.
3. The amount raised by the District's non-homestead property tax levy of 18.00 mills.

Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. Millington Community Schools' foundation allowance for 2012-2013 was \$6,966 per student. This amount is an increase to the 2011-2012 foundation allowance of \$120 per student.

**Millington Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2013**

Student Enrollment

The District's student "Full Time Equivalent" (FTE) for the fall count of 2012-2013 was 1,389 students. The following summarizes fall student enrollments in the past five years:

Enrollment History

Fiscal Year	Student FTE	Change From Prior Year
2012-2013	1,389	(41)
2011-2012	1,430	(62)
2010-2011	1,492	(20)
2009-2010	1,512	(20)
2008-2009	1,532	(60)

The reduction in enrollment is directly related to the economic condition of the State of Michigan. Relocation of families out of the District for the reason of employment has had a negative impact on the student count. Preliminary student enrollment projections for 2013-2014 indicate that total FTE is less than the prior year.

Property Taxes Levied for General Operations

The District levied 18.00 mills of property taxes for operations (General Fund) on Non-Homestead properties for 2012-2013. This represents a consistent levy with the 2011-2012 levies. Under Michigan law, the tax levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at lesser of the rate of

the prior year's Consumer Price Index increase or 5 percent. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, theoretically 50 percent of the market value. The following summarizes the local tax revenues as a percent of all general fund revenues for the past five years:

Local Property Tax History

Fiscal Year	Local Property Tax Revenue	% of General Fund Revenue
2012-2013	\$ 629,641	5.94%
2011-2012	658,808	5.20%
2010-2011	648,579	4.90%
2009-2010	603,368	5.20%

Local revenues in the table include the receipt of delinquent taxes from prior years. For the fiscal year ended June 30, 2011, the District had minimal current year property taxes that had not been collected.

**Millington Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2013**

Capital Assets

At June 30, 2013, the District had \$11,953,073 invested in capital assets including land, buildings, furniture, and equipment.

	June 30,		Percentage Change
	2013	2012	
Assets			
Land	\$ 40,000	\$ 40,000	0%
Site improvements	1,603,909	1,644,697	-2%
Buildings and improvements	14,975,849	15,701,116	-5%
Busses and other vehicles	1,046,633	1,046,633	0%
Furniture and equipment	493,493	326,900	51%
Subtotal	18,159,884	18,759,346	-3%
Less accumulated depreciation	(6,206,811)	(6,248,566)	-1%
Total assets	\$ 11,953,073	\$ 12,510,780	-4%

Long-Term Debt

The long-term obligations for the District decreased from \$5,134,721 in 2011-2012 to \$4,779,532 at the end of 2012-2013. The total decrease was \$355,189. This included a net decrease in Governmental obligation bonds of \$637,836. In addition the retirement incentive package increased long term debt by \$165,000. Other contracts payable increased long term debt by \$60,000.

Original versus Revised Budget

The Uniform Budget Act of the State of Michigan requires that a local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

The budget for 2012-2013 was approved on June 27, 2012 and amended in June of 2013.

General Fund Revenues

	2013
Total revenues final budget	\$ 11,627,141
Total revenues original budget	11,240,220
Change	\$ 386,921

The Districts' actual general fund revenues of \$11,601,328 were less than the revised budget by \$25,813, a variance of 0.22%.

Some of the significant revenue budget adjustments for the year include:

- Federal revenues increased from the original budget to the final budget by approximately \$400,000. This is primarily the result of additional federal IDEA funds that came as a flow through from the Tuscola ISD to the district.
- State revenues increased from the original budget to the final budget by slightly over \$41,000.
- Local revenues decreased by approximately \$50,000 as a result of reductions in property taxes and anticipated sports tournaments being placed at other districts.

**Millington Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2013**

General Fund Expenditures

	<u>2013</u>
Total expenditures final budget	\$ 12,269,261
Total expenditures original budget	<u>11,354,472</u>
Change	<u>\$ 914,789</u>

The District's actual general fund expenditures of \$12,524,291 were more than the revised budget by \$255,030, a variance of 2%.

- Instructional costs increased between the initial budget and the final budget. Accrued wages, retirement costs, and health insurance costs were the contributing factors.
- Support Services - Pupil had an increase in the final budget. This is primarily the result of additional services from the Tuscola ISD being funded at the local level and higher than anticipated health insurance expenses.
- Supporting Services – Instructional Staff, the final budget had an increase from the original budget. This increase is primarily the result of items that were missed in the original budget process for merit pay and benefits, and higher than anticipated health insurance expenses.
- Support Services – Operations & Maintenance had an increase in the final budget from the original. This was due to increased health insurance costs, the addition of a part-time staff member for technical support and software licensing fees.
- Support Services – Central had an increase in the final budget. This was due to contracted business services being added and the addition of a part-time staff member for payroll.

Economic Factors and Next Year's Budget and Rates

Since most of the District's revenue is derived from the per pupil foundation allowance, student enrollment as reported in the *blended count* is one of the key factors in forecasting revenue. Once the final student count is known in early October, State law requires the District to amend the budget if actual revenues will vary significantly from those originally appropriated.

Actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. It would appear that revenues will be slightly lower for 2013-2014 as declining enrollment continues to affect the district. Federal funds used to assist the district are also expected to decline.

Retirement paid by the district for employee groups is increasing slightly to 24.79% for the coming year and will rise to 25.78% in 2014. Contracts have been settled for all bargaining units for the next school year

Requests for Information

This financial report is designed to give our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to District Office at 8780 Dean Drive, Millington, MI 48746 or by phone at (989) 871-5201.

BASIC FINANCIAL STATEMENTS

Millington Community Schools
Statement of Net Position
June 30, 2013

	Governmental Activities
Assets	
Cash	\$ 1,869,022
Taxes receivable	1,250
Accounts receivable	28,760
Due from other governmental units	2,521,278
Inventory	5,000
Investments	5,032
Prepaid items	79,958
Capital assets not being depreciated	40,000
Capital assets - net of accumulated depreciation	<u>11,913,073</u>
Total assets	<u>16,463,373</u>
 Liabilities	
Accounts payable	384,963
State aid anticipation note payable	1,621,691
Due to other governmental units	421,168
Payroll deductions and withholdings	401,893
Accrued expenditures	209,468
Accrued salaries payable	425,424
Unearned revenues	4,222
Noncurrent liabilities	
Due within one year	870,969
Due in more than one year	<u>3,908,563</u>
Total liabilities	<u>8,248,361</u>
 Net position	
Net investment in capital assets	7,569,051
Restricted for:	
Food service	4,938
Debt service	60,931
Unrestricted	<u>580,092</u>
Total net position	<u><u>\$ 8,215,012</u></u>

See Accompanying Notes to Financial Statements

Millington Community Schools
Statement of Activities
For the Year Ended June 30, 2013

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Functions/Programs				
Governmental activities				
Instruction	\$ 8,166,045	\$ 21,861	\$ 1,489,778	\$ (6,654,406)
Supporting services	4,811,736	69,070	152,937	(4,589,729)
Food services	736,363	131,536	476,218	(128,609)
Community services	97,488	82,968	-	(14,520)
Interest on long-term debt	<u>213,707</u>	<u>-</u>	<u>-</u>	<u>(213,707)</u>
Total governmental activities	<u>\$ 14,025,339</u>	<u>\$ 305,435</u>	<u>\$ 2,118,933</u>	<u>(11,600,971)</u>
General revenues				
Property taxes, levied for general purposes				629,641
Property taxes, levied for debt service				667,918
Property taxes, levied for sinking fund				100,157
State aid - unrestricted				9,057,434
Interest and investment earnings				142
Other				<u>150,290</u>
Total general revenues				<u>10,605,582</u>
Change in net position				(995,389)
Net position - beginning				<u>9,277,565</u>
Change in accounting principle				(67,164)
Net position - beginning as restated				<u>9,210,401</u>
Net position - ending				<u><u>\$ 8,215,012</u></u>

See Accompanying Notes to Financial Statements

Millington Community Schools
Governmental Funds
Balance Sheet
June 30, 2013

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 1,761,570	\$ 107,452	\$ 1,869,022
Taxes receivable	650	600	1,250
Accounts receivable	24,309	4,451	28,760
Due from other funds	228,345	-	228,345
Due from other governmental units	2,515,761	5,517	2,521,278
Inventory	5,000	-	5,000
Investments	5,032	-	5,032
Prepaid items	37,958	42,000	79,958
Total assets	<u><u>\$ 4,578,625</u></u>	<u><u>\$ 160,020</u></u>	<u><u>\$ 4,738,645</u></u>
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ 384,963	\$ -	\$ 384,963
State aid anticipation note payable	1,621,691	-	1,621,691
Due to other funds	-	228,345	228,345
Due to other governmental units	421,168	-	421,168
Payroll deductions and withholdings	401,888	5	401,893
Accrued expenditures	180,076	-	180,076
Accrued salaries payable	425,424	-	425,424
Unearned revenue	-	4,222	4,222
Total liabilities	<u><u>3,435,210</u></u>	<u><u>232,572</u></u>	<u><u>3,667,782</u></u>
Deferred Inflows of Resources			
Property taxes	<u>650</u>	<u>600</u>	<u>1,250</u>

See Accompanying Notes to Financial Statements

Millington Community Schools
Governmental Funds
Balance Sheet
June 30, 2013

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance (Deficit)			
Non-spendable			
Inventory	\$ 5,000	\$ -	\$ 5,000
Prepaid items	37,958	42,000	79,958
Restricted for:			
Debt service	-	60,931	60,931
Unassigned	<u>1,099,807</u>	<u>(176,083)</u>	<u>923,724</u>
Total fund balance (deficit)	<u>1,142,765</u>	<u>(73,152)</u>	<u>1,069,613</u>
 Total liabilities and fund balance (deficit)	 <u><u>\$ 4,578,625</u></u>	 <u><u>\$ 160,020</u></u>	 <u><u>\$ 4,738,645</u></u>

See Accompanying Notes to Financial Statements

Millington Community Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2013

Total fund balances for governmental funds	\$ 1,069,613
Total net position for governmental activities in the statement of Net position is different because:	
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	
Property taxes	1,250
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	40,000
Capital assets - net of accumulated depreciation	11,913,073
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(29,392)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(170,510)
Special termination benefits	(225,000)
Bonds payable	(4,256,573)
Other loans payable and liabilities	<u>(127,449)</u>
Net position of governmental activities	<u>\$ 8,215,012</u>

Millington Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2013

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 841,067	\$ 1,015,996	\$ 1,857,063
State sources	9,794,631	42,332	9,836,963
Federal sources	791,709	442,946	1,234,655
Interdistrict sources	<u>101,049</u>	<u>-</u>	<u>101,049</u>
Total revenues	<u>11,528,456</u>	<u>1,501,274</u>	<u>13,029,730</u>
Expenditures			
Current			
Education			
Instruction	7,832,150	-	7,832,150
Supporting services	4,343,126	-	4,343,126
Food services	-	706,517	706,517
Community services	2,572	90,964	93,536
Capital outlay	86,953	384,317	471,270
Debt service			
Principal	180,423	538,648	719,071
Interest and other expenditures	<u>68,067</u>	<u>157,046</u>	<u>225,113</u>
Total expenditures	<u>12,513,291</u>	<u>1,877,492</u>	<u>14,390,783</u>
Excess (deficiency) of revenues over expenditures	<u>(984,835)</u>	<u>(376,218)</u>	<u>(1,361,053)</u>

See Accompanying Notes to Financial Statements

Millington Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2013

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses)			
Proceeds from notes and loans	\$ -	\$ 60,000	\$ 60,000
Capital leases	72,872	-	72,872
Transfers in	-	11,000	11,000
Transfers out	<u>(11,000)</u>	<u>-</u>	<u>(11,000)</u>
 Total other financing sources (uses)	 <u>61,872</u>	 <u>71,000</u>	 <u>132,872</u>
 Net change in fund balance	 (922,963)	 (305,218)	 (1,228,181)
 Fund balance - beginning	 <u>2,065,728</u>	 <u>232,066</u>	 <u>2,297,794</u>
 Fund balance (deficit) - ending	 <u><u>\$ 1,142,765</u></u>	 <u><u>\$ (73,152)</u></u>	 <u><u>\$ 1,069,613</u></u>

See Accompanying Notes to Financial Statements

Millington Community Schools
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, 2013

Net change in fund balances - Total governmental funds \$ (1,228,181)

Total change in net position reported for governmental activities in the statement of activities is different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Property taxes 220

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense (548,133)

Capital outlay 174,242

Sale of capital assets (net book value) (183,816)

Expenses are recorded when incurred in the statement of activities.

Interest 4,926

Special termination benefits 198,000

Compensated absences (5,326)

Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.

Capital lease (72,872)

Contract proceeds (60,000)

Repayments of long-term debt 719,071

Amortization of bond premium 6,480

Change in net position of governmental activities \$ (995,389)

See Accompanying Notes to Financial Statements

Millington Community Schools
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2013

	<u>Agency Funds</u>
Assets	
Cash	<u>\$ 140,215</u>
Liabilities	
Due to other governmental units	32,567
Due to agency fund activities	<u>107,648</u>
Total liabilities	<u>\$ 140,215</u>

See Accompanying Notes to Financial Statements

Millington Community Schools
Notes to Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Millington Community Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School 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 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 School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position are reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3)

unrestricted net position. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

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

Governmental 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

Millington Community Schools

Notes to Financial Statements

June 30, 2013

available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School 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 claims and judgments, are recorded only when payment is due.

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 cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Additionally the School District reports the following fund types:

Special Revenue Fund – Special Revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenues Funds include the Food Service and Community Service Funds. Operating Deficits generated by these activities are generally transferred from the General Fund.

Capital Projects Fund – The Sinking Fund is used to record tax revenue, bond proceeds, and other revenue and the disbursement of invoices specifically designated for acquiring new school sites, building, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Debt Service Fund – Debt Service Fund is used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2013, the rates are as follows per \$1,000 of assessed value.

Millington Community Schools
Notes to Financial Statements
June 30, 2013

General Fund	
Non principal residence exemption	18.0000
Commercial personal property	6.0000
Sinking Fund	3.7400

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 48% of the School District's tax roll lies within the township of Millington, 31% lies within the township of Arbela, and the remaining tax rolls lie within the townships of Forest, Tuscola, Vassar, Watertown, and Thetford.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by Tuscola County and remitted to the School District by May 15.

Investments – Investments are stated at fair value based on a quoted market price. Certificates of deposit are stated at cost which approximates fair value.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased rather than consumed although significant amounts of inventory are capitalized at year end.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Site improvements	20 years
Equipment and furniture	5-15 years
Buses and other vehicles	8 years

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial

Millington Community Schools
Notes to Financial Statements
June 30, 2013

statements, governmental fund types recognize bond premiums and discounts, during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable - amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education or the Superintendent. The Board of Education has granted the Superintendent the authority to assign funds. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

The Government Accounting Standards Board issued Statements 63 and 65, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and Items Previously Reported as Assets and Liabilities*, which the government adopted effective July 1, 2012. The new standards provide guidance for reporting deferred outflows of resources, deferred inflows of

Millington Community Schools
Notes to Financial Statements
June 30, 2013

resources and net position in a statement of net position and related disclosures.

Upcoming Accounting and Reporting Changes

The Government Accounting Standards Board has issued *Statements 67, Financial Reporting for Pension Plans and 68 Accounting and Financial Reporting for Pensions*. Statement 67 changes how public employee pension plans calculate and report their total pension liability. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The effect of these changes has not been determined. Statement 67 is effective for the year ending June 30, 2014 and Statement 68 is effective for the year ending June 30, 2015.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter

the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Function</u>	<u>Final Budget</u>	<u>Amount of Expenditures</u>	<u>Budget Variances</u>
General Fund			
Basic programs	\$5,949,307	\$ 6,251,617	\$ 302,310
Added needs	1,410,962	1,580,533	169,571
Pupil	455,755	675,562	219,807
Capital outlay	44,189	86,953	42,764
Principal	175,000	180,423	5,423
Interest and fiscal charges	66,650	68,067	1,417

Compliance Sinking Funds

The Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

Deficit Fund Balance

The District has a deficit fund balance in the Sinking Fund of \$142,501 as of June 30, 2013. The District also has a deficit

Millington Community Schools
Notes to Financial Statements
June 30, 2013

unassigned fund balance in the Food Service Fund of \$37,062 as of June 30, 2013.

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 1,869,022	\$ 140,215	\$ 2,009,237
Investments	5,032	-	5,032
	<u>\$ 1,874,054</u>	<u>\$ 140,215</u>	<u>\$ 2,014,269</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 2,009,237
Investments in securities, mutual funds, and similar vehicles	<u>5,032</u>
Total	<u>\$ 2,014,269</u>

As of yearend, the District had the following investments:

Investment	Fair Value	Rating	Rating Organization
Michigan Liquid Asset Fund	\$ 5,032	AAA	Standard and Poor's

Interest rate risk – The District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of

federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The District has no policy that would limit the amount that may be invested with any one issuer.

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. The District does not have a deposit policy for custodial credit risk. As of year end, \$250,000 of the District's bank balance of \$2,197,224 was insured or collateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the District's investments were exposed to custodial credit risk.

Millington Community Schools
Notes to Financial Statements
June 30, 2013

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Capital assets being depreciated				
Buildings and additions	15,701,116	-	725,267	14,975,849
Site improvements	1,644,697	-	40,788	1,603,909
Equipment and furniture	326,900	174,242	7,649	493,493
Buses and other vehicles	1,046,633	-	-	1,046,633
Total capital assets being depreciated	18,719,346	174,242	773,704	18,119,884
Less accumulated depreciation for				
Buildings and additions	4,934,358	359,078	566,821	4,726,615
Site improvements	420,403	80,544	16,847	484,100
Equipment and furniture	158,508	45,479	6,220	197,767
Buses and other vehicles	735,297	63,032	-	798,329
Total accumulated depreciation	6,248,566	548,133	589,888	6,206,811
Net capital assets being depreciated	12,470,780	(373,891)	183,816	11,913,073
Net capital assets	\$ 12,510,780	\$ (373,891)	\$ 183,816	\$ 11,953,073

Depreciation expense was charged to activities of the School District as follows:

Governmental activities	
Instruction	\$ 330,863
Support services	183,472
Food services	29,846
Community services	3,952
Total governmental activities	<u>\$ 548,133</u>

Note 5 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
General fund	Other governmental funds	<u>\$ 228,345</u>

Interfund transfers consist of the following:

	Transfers Out
	General Fund
Community Education	<u>\$ 11,000</u>

These transfers were made to cover the costs of the School District's programs that were in excess of revenues generated from those activities.

Note 6 - Unearned Revenue

Governmental funds also defer revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

	Unearned
Food services charges	<u>\$ 4,222</u>

Note 7 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives

Millington Community Schools
Notes to Financial Statements
June 30, 2013

state aid from October through the following August for its fiscal year ending June 30th. Borrowing on the State aid anticipation note for the year was as follows:

<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>	<u>Rate</u>
<u>\$ 221,979</u>	<u>\$ 2,990,000</u>	<u>\$ 1,590,288</u>	<u>\$ 1,621,691</u>	<u>0.40% - 0.45%</u>

The state aid anticipation note agreement includes an irrevocable set-aside of \$1,368,309 at year end that is considered defeased debt and not included in the ending balance.

Note 8 - Long-Term Debt

The School 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 the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Government obligation bonds	\$ 4,862,836	\$ -	\$ 637,836	\$ 4,225,000	\$ 725,000
Other bonds	8,648	-	8,648	-	-
Contract payable	-	60,000	-	60,000	20,000
Capital lease	-	72,872	5,423	67,449	13,469
Compensated absences	165,184	5,326	-	170,510	-
Special termination benefits	60,000	225,000	60,000	225,000	112,500
Premium on bonds	38,053	-	6,480	31,573	-
Total	<u>\$ 5,134,721</u>	<u>\$ 363,198</u>	<u>\$ 718,387</u>	<u>\$ 4,779,532</u>	<u>\$ 870,969</u>

For governmental activities, compensated absences, contract payable, capital lease payable and retirement incentives are primarily liquidated by the general fund.

General obligation bonds payable at year end, consists of the following:

\$1,750,000 serial bond due in annual installments of \$175,000 through May 1, 2020, interest at 4.76%	\$ 1,225,000
\$5,000,000 serial bond due in an annual installment of \$530,000 to \$650,000 through May 1, 2018, interest at 4.00% to 4.75%	<u>3,000,000</u>
Total general obligation bonded debt	<u>\$ 4,225,000</u>

Future principal and interest requirements for bonded debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2014	\$ 725,000	\$ 191,984	\$ 916,984
2015	750,000	160,400	910,400
2016	775,000	127,038	902,038
2017	800,000	91,830	891,830
2018	825,000	55,496	880,496
2019-2020	<u>350,000</u>	<u>171,946</u>	<u>521,946</u>
Total	<u>\$ 4,225,000</u>	<u>\$ 798,694</u>	<u>\$ 5,023,694</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of to pay this debt. Future debt and interest will be payable from future tax levies.

Millington Community Schools
Notes to Financial Statements
June 30, 2013

Contract Payable

During the 2012-2013, the school district entered into a contract for the demolition of the Glaza Building. The contract amount was for \$80,000, which was to be paid in four installments. The first installment of \$20,000 was paid in the current year with future payments as follows:

<u>Year ending June 30,</u>	
2014	\$ 20,000
2015	20,000
2016	20,000
	<u>\$ 60,000</u>

Capital Lease

The school District has a capital lease for copy machines. The future minimum lease payments are as follows:

<u>Year ending June 30,</u>	
2014	\$ 16,440
2015	16,440
2016	16,440
2017	16,440
2018	9,590
Total minimum lease payments	<u>75,350</u>
Less amount representing interest	<u>7,901</u>
Present value of minimum lease payments	<u>\$ 67,449</u>

The assets acquired through capital leases are as follows:

Asset	
Equipment and furniture	\$ 72,872
Less accumulated depreciation	<u>14,574</u>
Total	<u>\$ 58,298</u>

Compensated Absences

Accrued compensated absences at year end, consists of \$170,510 in accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

Special Termination Benefits

The purpose of the Plan is to provide an incentive to eligible employees to retire sooner than they would have otherwise. Participating in the Plan is totally voluntary on the part of an eligible employee. If an eligible employee elects not to resign under the Plan, the employee's election shall not have any impact on the employee's current or future employment with the District.

The employee must be actively employed by the District as a current member of the bargaining unit.

During 2012-2013 school year the district offered existing employees an incentive for retirement.

Future payments are as follows:

Year Ending June 30,

2014	\$ 112,500
2015	<u>112,500</u>
Total	<u>\$ 225,000</u>

Millington Community Schools
Notes to Financial Statements
June 30, 2013

Note 9 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method the School District must reimburse the Employment Commission for all benefits charged against the School District for the year. The School District had no unemployment compensation expense for the year ended. No provision has been made for possible future claims.

Payments for workers' compensation for the year ended June 30, 2013 were \$18,802. The possibility of additional claims exists but the amount of liability to the District would be immaterial by the time the aggregate stop-loss coverage are triggered. There is also a possibility of a refund due the District. Therefore, neither contingent liabilities nor assets have been recognized on the District's financial statements for the year ended June 30, 2013.

Note 10 - Pension Plans and Post Employment Benefits

Plan Description

The School District has a group of defined benefit and defined contribution retirement plans covering substantially all employees. The plans are operated by the State of Michigan's Public School Employees' Retirement System (MPERS), which is a cost-sharing multiple-employer public employee retirement system (PERS).

The plans provide retirement, survivor and disability benefits to plan members and their beneficiaries.

MPERS operates within the Michigan Department of Technology, Management and Budget, Office of Retirement Services, under the authority established by the Michigan Public School Employees Retirement Act (Retirement Act), as enacted and amended by the Michigan Legislature. The Michigan Legislature has the authority to amend the Retirement Act. The Michigan Department of Technology, Management and Budget issues a publicly-available financial report that includes financial statements and required supplemental information for MPERS. The report provides information for the plans as a whole and information helpful for understanding the scale of the information presented relative to the School District. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671, calling 800-381-5111 or on the web at <http://www.michigan.gov/orsschools>.

In 2010 the Michigan legislature created a new Pension Plus plan under MPERS. All eligible Michigan public school employees who began work on or after July 1, 2010, are enrolled in the Pension Plus plan. The Pension Plus plan includes two components: (a) a defined benefit pension component including an employee contribution, and (b) a defined contribution savings component.

In September 2012, the Michigan legislature enacted additional changes (2012 Retirement Reform) to the Retirement Act, with different aspects becoming effective in late 2012 and early 2013. With these changes MPERS offers eight retirement plans: Basic, Member Investment Plan (MIP), Basic 4%, MIP 7%, Basic DC Converted, MIP DC Converted, Pension Plus, and the Defined Contribution (DC) plan. Multiple options exist within some of these plans.

Millington Community Schools **Notes to Financial Statements** **June 30, 2013**

Full details on each of these plans are available on the MPSERS website at the address provided above.

Funding Policy

For the defined benefit plans the District is required by state law to contribute to MPSERS an actuarially determined percentage of payroll for all eligible participating employees. The District's actual contributions match the required contributions. Additionally, employees participating in the various defined benefit pension plans contribute the following amounts of their pretax salaries: (a) Member Investment Plan participants contribute 3% to 6.4%; (b) Basic 4% participants contribute 4%; and (c) MIP 7% participants contribute 3.9% to 7%. The following table discloses pertinent information relative to MPSERS defined benefit pension retirement plan funding for the three-year period beginning July 1, 2010 through June 30, 2013.

	2013	2012	2011
Funding percentage range	12.78 - 16.25%	10.66 - 15.96%	8.63 - 12.16%
School district defined benefit pension contributions	<u>\$ 933,608</u>	<u>\$ 983,856</u>	<u>\$ 709,394</u>

Defined Contribution Savings Plans

For the Pension Plus savings plan, eligible participants are automatically enrolled and 2% of their pay is withheld and deposited into the account. Participants may elect to not contribute, or may elect to increase their personal contribution up to the annual limits established by the IRS. The District matches 50 percent of the employee contributions into the Pension Plus savings plan, up to 1 percent. Participants opting to not contribute receive no employer matching contribution. Participants in the Basic DC Converted and MIP DC Converted plans receive 4% employer contributions to a tax-deferred 401(k) plan. The Defined Contribution Plan provides a 50% employer match (up to 3% of salary) on employee contributions. Participants in any of these defined contribution options may elect to

make contributions to a tax-deferred 457 account up to the maximum amounts permitted by the IRS.

Contributions by the District and participants during the year ended June 30, 2013, were:

	School District	Participants
Contributions to defined contribution plans	<u>\$ 17,871</u>	<u>\$ 7,167</u>

Post Employment Benefits

In addition to the pension benefits described above, state law requires the District to provide post-retirement healthcare benefits for eligible retirees and beneficiaries through MPSERS.

The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the participant contributes 2% of their salary, and receives a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Millington Community Schools
Notes to Financial Statements
June 30, 2013

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors. The District's actual contributions match the required contributions.

The following table discloses pertinent information relative to the District's MPSERS defined benefit post employment benefits funding for the three-year period beginning July 1, 2010 through June 30, 2013.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Funding percentage range	8.18 - 9.11%	8.50%	6.81 - 8.50%
School post employment benefit contributions	<u>\$ 559,561</u>	<u>\$ 523,983</u>	<u>\$ 495,876</u>

Contributions by the District and participants to the MPSERS defined contribution Personal Healthcare Fund during the year ended June 30, 2013, were:

	<u>School District</u>	<u>Participants</u>
Contributions to the Personal Healthcare Fund	<u>\$ 2,808</u>	<u>\$ 2,808</u>

Unfunded Accrued Actuarial Liability

During the year ended June 30, 2013, the District had contributions in the amount of \$122,173 to the Michigan Public School Employee Retirement System (MPERS). This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was 4.56% for the year. These contributions are not included in the above tables.

Note 11 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected 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 costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2013.

The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School District's attorneys, the resolution of these matters will not have a material adverse effect on the financial condition of the School District. Additional information is detailed in Note 12.

Note 12 - Subsequent Event

Subsequent to June 30, 2013, the School District has paid the balance accrued interest on the short-term state aid anticipation note borrowed in August of 2012 and has subsequently borrowed \$2,000,000 in short-term state aid anticipation notes. Proceeds from the borrowing were received in August 2013. The interest rate on the new borrowings is 0.80%.

Millington Community Schools
Notes to Financial Statements
June 30, 2013

During the year the District purposefully had itself ejected from the Michigan Employee Health Insurance Pool (MiEHIP), a health insurance pool. On October 16, 2013, the District was served with a summons and complaint in the Tuscola (Michigan) Circuit Court entitled Michigan Employee Health Insurance Pool v Millington Community Schools. The complaint calls for the District to pay the entire amount of unpaid insurance costs incurred by the district under MiEHIP of approximately \$719,000. The District maintains that they have advanced MiEHIP a total of \$425,000. The likelihood of the outcome of the litigation can not be determined, therefore, the District has recorded as a net liability of approximately \$255,000 as of June 30, 2013, of the total amount listed in the complaint and believes that the estimated settlement may range from \$255,000 to \$719,000.

Note 13 - Change in Accounting Principle

As indicated in Note 1, the District has adopted Government Accounting Standards Board Statements 63 and 65. These statements require bond issuance costs to be expensed. Previously these costs were capitalized in the statement of net position and amortized. The standards require this change be applied retroactively. The impact of this change is to reduce beginning net position in the statement of activities as of July 1, 2012, by \$67,164, restating it from \$9,277,565 to \$9,210,401.

REQUIRED SUPPLEMENTAL INFORMATION

Millington Community Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 979,972	\$ 928,783	\$ 841,067	\$ (87,716)
State sources	9,744,124	9,787,296	9,794,631	7,335
Federal sources	421,424	815,887	791,709	(24,178)
Interdistrict sources	92,200	92,675	101,049	8,374
Total revenues	11,237,720	11,624,641	11,528,456	(96,185)
Expenditures				
Instruction				
Basic programs	5,754,058	5,949,307	6,251,617	302,310
Added needs	1,408,777	1,410,962	1,580,533	169,571
Supporting services				
Pupil	358,437	455,755	675,562	219,807
Instructional staff	169,440	254,987	202,814	(52,173)
General administration	285,352	345,030	294,451	(50,579)
School administration	562,227	679,930	648,335	(31,595)
Business	166,066	173,729	169,599	(4,130)
Operations and maintenance	1,339,564	1,397,669	1,290,486	(107,183)
Pupil transportation services	636,526	690,775	594,434	(96,341)
Central	146,908	230,331	228,494	(1,837)
Athletic activities	243,316	243,747	235,501	(8,246)
Other	-	3,450	3,450	-
Community services	5,000	5,100	2,572	(2,528)
Capital outlay	37,151	44,189	86,953	42,764
Debt service				
Principal	175,000	175,000	180,423	5,423
Interest and fiscal charges	66,650	66,650	68,067	1,417
Total expenditures	11,354,472	12,126,611	12,513,291	386,680
Deficiency of revenues over expenditures	(116,752)	(501,970)	(984,835)	(482,865)

Millington Community Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>			<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Other financing sources (uses)				
Capital leases	\$ -	\$ -	\$ 72,872	\$ 72,872
Proceeds from sale of capital assets	2,500	2,500	-	(2,500)
Transfers out	<u>-</u>	<u>(142,650)</u>	<u>(11,000)</u>	<u>131,650</u>
Total other financing sources (uses)	<u>2,500</u>	<u>(140,150)</u>	<u>61,872</u>	<u>202,022</u>
Net change in fund balance	(114,252)	(642,120)	(922,963)	(280,843)
Fund balance - beginning	<u>2,065,728</u>	<u>2,065,728</u>	<u>2,065,728</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,951,476</u>	<u>\$ 1,423,608</u>	<u>\$ 1,142,765</u>	<u>\$ (280,843)</u>

OTHER SUPPLEMENTAL INFORMATION

Millington Community Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2013

	Special Revenue Funds		Debt Service Funds	Capital Project Funds		Total Nonmajor Governmental Funds
	Food Service	Community Education	All Issues	2010 Capital Project Fund	Sinking Fund	
Assets						
Cash	\$ 3,927	\$ 59	\$ 60,931	\$ -	\$ 42,535	\$ 107,452
Taxes receivable	-	-	600	-	-	600
Accounts receivable	1,030	3,421	-	-	-	4,451
Due from other governmental units	5,496	-	-	-	21	5,517
Prepaid items	42,000	-	-	-	-	42,000
Total assets	<u>\$ 52,453</u>	<u>\$ 3,480</u>	<u>\$ 61,531</u>	<u>\$ -</u>	<u>\$ 42,556</u>	<u>\$ 160,020</u>
Liabilities and fund balance						
Accounts payable	\$ 43,288	\$ -	\$ -	\$ -	\$ 185,057	\$ 228,345
Due to other governmental units	5	-	-	-	-	5
Accrued expenditures	4,222	-	-	-	-	4,222
Total liabilities	<u>47,515</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,057</u>	<u>232,572</u>
Deferred inflows of resources						
Property taxes	-	-	600	-	-	600
Fund balance (deficit)						
Non-spendable						
Prepaid items	42,000	-	-	-	-	42,000
Restricted for:						
Debt service	-	-	60,931	-	-	60,931
Unassigned	(37,062)	3,480	-	-	(142,501)	(176,083)
Total fund balance (deficit)	<u>4,938</u>	<u>3,480</u>	<u>60,931</u>	<u>-</u>	<u>(142,501)</u>	<u>(73,152)</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 52,453</u>	<u>\$ 3,480</u>	<u>\$ 61,531</u>	<u>\$ -</u>	<u>\$ 42,556</u>	<u>\$ 160,020</u>

Millington Community Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2013

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>	<u>Capital Projects Fund</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Community Education</u>	<u>All Issues</u>	<u>2010 Capital Project Fund</u>	<u>Sinking Fund</u>	
Revenues						
Local sources	\$ 165,031	\$ 82,968	\$ 667,327	\$ 16	\$ 100,654	\$ 1,015,996
State sources	33,272	-	9,060	-	-	42,332
Federal sources	442,946	-	-	-	-	442,946
Total revenues	<u>641,249</u>	<u>82,968</u>	<u>676,387</u>	<u>16</u>	<u>100,654</u>	<u>1,501,274</u>
Expenditures						
Current						
Education						
Food services	706,517	-	-	-	-	706,517
Community services	-	90,964	-	-	-	90,964
Capital outlay	-	-	-	15,872	368,445	384,317
Debt service						
Principal	-	-	538,648	-	-	538,648
Interest and other expenditures	-	-	157,046	-	-	157,046
Total expenditures	<u>706,517</u>	<u>90,964</u>	<u>695,694</u>	<u>15,872</u>	<u>368,445</u>	<u>1,877,492</u>
Excess (deficiency) of revenues over expenditures	<u>(65,268)</u>	<u>(7,996)</u>	<u>(19,307)</u>	<u>(15,856)</u>	<u>(267,791)</u>	<u>(376,218)</u>

Millington Community Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2013

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>	<u>Capital Projects Fund</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Community Education</u>	<u>All Issues</u>	<u>2010 Capital Project Fund</u>	<u>Sinking Fund</u>	
Other financing sources (uses)						
Proceeds from notes and loans	\$ -	\$ -	\$ -	\$ -	\$ 60,000	\$ 60,000
Transfers in	<u>-</u>	<u>11,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,000</u>
Net change in fund balance	(65,268)	3,004	(19,307)	(15,856)	(207,791)	(305,218)
Fund balance - beginning	<u>70,206</u>	<u>476</u>	<u>80,238</u>	<u>15,856</u>	<u>65,290</u>	<u>232,066</u>
Fund balance (deficit) - ending	<u>\$ 4,938</u>	<u>\$ 3,480</u>	<u>\$ 60,931</u>	<u>\$ -</u>	<u>\$ (142,501)</u>	<u>\$ (73,152)</u>

Millington Community Schools
Other Supplemental Information
General Fund
Comparative Balance Sheet
June 30, 2013

	2013	2012
Assets		
Cash	\$ 1,761,570	\$ 850,894
Taxes receivable	650	510
Accounts receivable	24,309	14,415
Due from other funds	228,345	91
Due from other governmental units	2,515,761	2,010,026
Inventory	5,000	5,000
Investments	5,032	5,031
Prepaid items	37,958	268,730
Total assets	<u><u>\$ 4,578,625</u></u>	<u><u>\$ 3,154,697</u></u>
Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 384,963	\$ 145,031
State aid anticipation note payable	1,621,691	221,979
Due to other governmental units	421,168	-
Payroll deductions and withholdings	401,888	266,229
Accrued expenditures	180,076	27,186
Accrued salaries payable	425,424	428,034
Total liabilities	<u><u>3,435,210</u></u>	<u><u>1,088,459</u></u>
Deferred inflows of resources		
Property taxes	<u>650</u>	<u>510</u>
Fund balance		
Non-spendable		
Inventory	5,000	5,000
Prepaid items	37,958	268,730
Assigned for:		
Budget appropriations	-	114,253
Unassigned	<u>1,099,807</u>	<u>1,677,745</u>
Total fund balance	<u><u>1,142,765</u></u>	<u><u>2,065,728</u></u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$ 4,578,625</u></u>	<u><u>\$ 3,154,697</u></u>

Millington Community Schools
Other Supplemental Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue from local sources				
Property tax levy	\$ 679,122	\$ 669,237	\$ 629,641	\$ (39,596)
Transportation fees	42,000	42,000	21,101	(20,899)
Earnings on investments	5,500	5,500	-	(5,500)
Student activities	23,350	2,910	4,626	1,716
Community service activities	50,000	50,000	48,948	(1,052)
Other local revenues	180,000	159,136	136,751	(22,385)
Total revenues from local sources	979,972	928,783	841,067	(87,716)
Revenues from state sources				
Grants - unrestricted	9,016,015	9,053,693	9,057,434	3,741
Grants - restricted	728,109	733,603	737,197	3,594
Total revenues from state sources	9,744,124	9,787,296	9,794,631	7,335
Revenues from federal sources				
Grants	421,424	815,887	791,709	(24,178)
Interdistrict sources				
Tuition	92,200	92,675	101,049	8,374
Other financing sources				
Capital leases	-	-	72,872	72,872
Proceeds from sale of capital assets	2,500	2,500	-	(2,500)
Total other financing sources	2,500	2,500	72,872	70,372
Total revenue and other financing sources	\$ 11,240,220	\$ 11,627,141	\$ 11,601,328	\$ (25,813)

Millington Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - elementary				
Salaries	\$ 1,401,190	\$ 1,136,818	\$ 1,234,571	\$ 97,753
Employee benefits	877,712	998,909	1,042,892	43,983
Purchased services	165,271	59,624	66,529	6,905
Supplies and materials	49,250	50,000	43,179	(6,821)
Total elementary	2,493,423	2,245,351	2,387,171	141,820
Basic program - middle school				
Salaries	866,358	912,341	995,351	83,010
Employee benefits	486,413	738,027	774,659	36,632
Purchased services	37,636	44,036	45,106	1,070
Supplies and materials	17,790	13,590	8,141	(5,449)
Total middle school	1,408,197	1,707,994	1,823,257	115,263
Basic program - high school				
Salaries	1,100,345	1,083,395	1,129,360	45,965
Employee benefits	588,653	797,693	803,923	6,230
Purchased services	113,680	53,880	63,190	9,310
Supplies and materials	49,060	56,172	41,135	(15,037)
Other	700	4,030	3,480	(550)
Total high school	1,852,438	1,995,170	2,041,088	45,918

Millington Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - summer school				
Salaries	\$ -	\$ 500	\$ 25	\$ (475)
Employee benefits	-	292	76	(216)
Total summer school	-	792	101	(691)
Added needs - special education				
Salaries	639,630	597,772	629,315	31,543
Employee benefits	348,811	374,845	386,167	11,322
Purchased services	63,177	66,015	59,801	(6,214)
Supplies and materials	8,250	8,875	2,159	(6,716)
Other	300	300	125,901	125,601
Total special education	1,060,168	1,047,807	1,203,343	155,536
Added needs - compensatory education				
Salaries	193,366	192,450	205,269	12,819
Employee benefits	143,907	136,105	141,038	4,933
Purchased services	8,800	14,000	11,515	(2,485)
Supplies and materials	2,536	17,100	16,038	(1,062)
Other	-	3,500	3,330	(170)
Total compensatory education	348,609	363,155	377,190	14,035

Millington Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil - guidance services				
Salaries	\$ 75,379	\$ 67,800	\$ 77,337	\$ 9,537
Employee benefits	41,594	49,344	52,487	3,143
Supplies and materials	<u>800</u>	<u>800</u>	<u>496</u>	<u>(304)</u>
Total guidance services	<u>117,773</u>	<u>117,944</u>	<u>130,320</u>	<u>12,376</u>
Pupil - health services				
Other	<u>-</u>	<u>-</u>	<u>56,813</u>	<u>56,813</u>
Pupil - psychological services				
Other	<u>-</u>	<u>-</u>	<u>51,604</u>	<u>51,604</u>
Pupil - speech services				
Other	<u>-</u>	<u>-</u>	<u>118,885</u>	<u>118,885</u>
Pupil - social work services				
Salaries	144,500	222,500	149,641	(72,859)
Employee benefits	96,144	115,291	101,769	(13,522)
Other	<u>20</u>	<u>20</u>	<u>66,530</u>	<u>66,510</u>
Total social work services	<u>240,664</u>	<u>337,811</u>	<u>317,940</u>	<u>(19,871)</u>

Millington Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Instructional staff - improvement of education				
Salaries	\$ 76,250	\$ 106,250	\$ 106,250	\$ -
Employee benefits	-	55,304	66,211	10,907
Purchased services	22,167	21,535	12,453	(9,082)
Supplies and materials	786	1,261	321	(940)
Other	-	100	75	(25)
Total improvement of education	99,203	184,450	185,310	860
Instructional staff - educational media services				
Purchased services	900	900	-	(900)
Supplies and materials	3,600	3,600	993	(2,607)
Other	1,680	1,680	1,388	(292)
Total educational media services	6,180	6,180	2,381	(3,799)
Instructional staff - supervision and direction of instructional staff				
Salaries	25,675	25,675	10,960	(14,715)
Employee benefits	37,982	37,982	3,863	(34,119)
Purchased services	400	400	-	(400)
Total supervision and direction of instructional staff	64,057	64,057	14,823	(49,234)
Instructional staff - academic student assessment				
Other	-	300	300	-

Millington Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
General administration - board of education				
Salaries	\$ 5,040	\$ 5,040	\$ 4,860	\$ (180)
Purchased services	62,600	84,900	56,940	(27,960)
Supplies and materials	130	1,630	1,190	(440)
Other	6,635	6,635	5,962	(673)
	<u>74,405</u>	<u>98,205</u>	<u>68,952</u>	<u>(29,253)</u>
Total board of education				
General administration - executive administration				
Salaries	129,940	171,998	166,436	(5,562)
Employee benefits	69,807	63,127	55,870	(7,257)
Purchased services	3,200	3,200	125	(3,075)
Supplies and materials	5,500	5,500	1,048	(4,452)
Other	2,500	3,000	2,020	(980)
	<u>210,947</u>	<u>246,825</u>	<u>225,499</u>	<u>(21,326)</u>
Total executive administration				
School administration - office of the principal				
Salaries	327,488	361,175	347,327	(13,848)
Employee benefits	223,389	306,285	293,620	(12,665)
Purchased services	3,200	4,300	3,286	(1,014)
Supplies and materials	3,150	3,150	2,403	(747)
Other	5,000	5,020	1,699	(3,321)
	<u>562,227</u>	<u>679,930</u>	<u>648,335</u>	<u>(31,595)</u>
Total office of the principal				

Millington Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Business - fiscal services				
Salaries	\$ 77,108	\$ 43,595	\$ 44,178	\$ 583
Employee benefits	46,634	43,558	41,764	(1,794)
Purchased services	21,656	64,908	68,769	3,861
Supplies and materials	2,000	2,000	1,801	(199)
Other	2,500	3,000	2,413	(587)
Total fiscal services	149,898	157,061	158,925	1,864
Business - other				
Purchased services	5,440	5,868	5,868	-
Other	10,728	10,800	4,806	(5,994)
Total other business	16,168	16,668	10,674	(5,994)
Operations and maintenance - operating building services				
Salaries	489,205	487,214	473,431	(13,783)
Employee benefits	342,085	395,458	372,854	(22,604)
Purchased services	240,570	245,618	231,265	(14,353)
Supplies and materials	265,704	267,379	212,807	(54,572)
Other	2,000	2,000	129	(1,871)
Total operating building services	1,339,564	1,397,669	1,290,486	(107,183)

Millington Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil transportation services				
Salaries	\$ 272,795	\$ 274,256	\$ 248,193	\$ (26,063)
Employee benefits	132,738	170,236	148,149	(22,087)
Purchased services	75,493	87,783	59,734	(28,049)
Supplies and materials	154,000	157,000	138,248	(18,752)
Other	1,500	1,500	110	(1,390)
Total transportation services	636,526	690,775	594,434	(96,341)
Central - support services technology				
Salaries	73,900	95,750	99,751	4,001
Employee benefits	34,393	64,551	63,547	(1,004)
Purchased services	2,210	3,530	3,788	258
Supplies and materials	18,700	47,250	43,125	(4,125)
Other	17,705	19,250	18,283	(967)
Total support services technology	146,908	230,331	228,494	(1,837)
Athletic activities				
Salaries	113,546	111,350	112,378	1,028
Employee benefits	38,220	45,537	44,775	(762)
Purchased services	25,900	30,300	30,724	424
Supplies and materials	65,650	56,560	47,624	(8,936)
Total other supporting services	243,316	243,747	235,501	(8,246)
Other supporting services				
Other	-	3,450	3,450	-

Millington Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Community services - other				
Purchased services	\$ 5,000	\$ 5,100	\$ 2,572	\$ (2,528)
Capital outlay				
Added needs - special education	3,201	2,601	-	(2,601)
Business - fiscal services	-	2,338	2,878	540
Operations and maintenance - operating building services	13,175	11,175	-	(11,175)
Pupil transportation services	-	7,300	7,300	-
Central - support services technology	<u>20,775</u>	<u>20,775</u>	<u>76,775</u>	<u>56,000</u>
Total capital outlay	<u>37,151</u>	<u>44,189</u>	<u>86,953</u>	<u>42,764</u>
Debt service				
Principal	175,000	175,000	180,423	5,423
Interest and other expenditures	<u>66,650</u>	<u>66,650</u>	<u>68,067</u>	<u>1,417</u>
Total debt service	<u>241,650</u>	<u>241,650</u>	<u>248,490</u>	<u>6,840</u>
Other financing uses				
Transfers out	<u>-</u>	<u>142,650</u>	<u>11,000</u>	<u>(131,650)</u>
Total expenditures and financing uses	<u>\$ 11,354,472</u>	<u>\$ 12,269,261</u>	<u>\$ 12,524,291</u>	<u>\$ 255,030</u>

Millington Community Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2013

<u>Year Ending June 30,</u>	<u>2008 Building and Site Bond</u>	<u>2010 School Improvement Bond</u>	<u>Total</u>
2014	\$ 550,000	\$ 175,000	\$ 725,000
2015	575,000	175,000	750,000
2016	600,000	175,000	775,000
2017	625,000	175,000	800,000
2018	650,000	175,000	825,000
2019	-	175,000	175,000
2020	-	175,000	175,000
Total	<u>\$ 3,000,000</u>	<u>\$ 1,225,000</u>	<u>\$ 4,225,000</u>
Principal payments due the first day of	May	May	
Interest payments due the first day of	May and November	May and November	
Interest rate	4.00%-4.75%	4.76%	
Original issue	<u>\$ 5,000,000</u>	<u>\$ 1,750,000</u>	

Millington Community Schools

Millington, Michigan

Single Audit Report

June 30, 2013

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**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***

Independent Auditors' Report

Management and the Board of Directors
Millington Community 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 Millington Community Schools as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Millington Community Schools' basic financial statements, and have issued our report thereon dated November 11, 2013.

Internal Control Over Financial Reporting

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

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. We consider the deficiencies described at 2013-001 and 2013-002 in the accompanying schedule of findings and questioned costs to be material weaknesses.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Millington Community Schools' 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-002.

Millington Community Schools' Response to Findings

Millington Community Schools' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Millington Community Schools' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 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.

Yeo & Yeo, P.C.

Saginaw, Michigan
November 11, 2013

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditors' Report

Management and the Board of Directors
Millington Community Schools

Report on Compliance for Each Major Federal Program

We have audited Millington Community Schools' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Millington Community Schools' major federal programs for the year ended June 30, 2013. Millington Community Schools' major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Millington Community Schools' major 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 Millington Community Schools' 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 Millington Community Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Millington Community 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, 2013.

Report on Internal Control Over Compliance

Management of Millington Community Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Millington Community Schools' 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 Millington Community Schools' 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-003 that we consider to be a significant deficiency.

Millington Community Schools' response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. Millington Community Schools' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Millington Community Schools as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Millington Community Schools' basic financial statements. We issued our report thereon November 11, 2013, which contained unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Saginaw, Michigan
November 11, 2013

Millington Community Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grant Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Grant Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2012	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Deferred) Revenue June 30, 2013
U.S. Department of Agriculture									
Nutrition Cluster									
Passed through Michigan Department of Education									
Non-cash assistance (commodities)									
National School Lunch Program	10.555								
Entitlement Commodities		N/A	\$ 40,225	\$ -	\$ -	\$ 40,225	\$ 40,225	\$ -	\$ -
Cash assistance									
National School Lunch Breakfast	10.553								
Breakfast		121970	128,088	4,849	128,088	-	4,849	-	-
Breakfast		131970	130,047	-	-	130,047	130,047	-	-
				4,849		130,047	134,896	-	-
National School Lunch Program	10.555								
Section 11 - Free and Reduced		121960	259,837	6,748	259,837	-	6,748	-	-
Section 11 - Free and Reduced		131960	272,675	-	-	272,674	272,674	-	-
				6,748		272,674	279,422	-	-
Total cash assistance				11,597		402,721	414,318	-	-
Total Nutrition Cluster				11,597		442,946	454,543	-	-
U.S. Department of Education									
Passed through Tuscola Intermediate School District									
IDEA Special Education	84.027	120450	428,477	99,292	428,477	-	99,292	-	-
IDEA Special Education		130450	419,652	-	-	419,652	-	-	419,652
				99,292		419,652	99,292	-	419,652
U.S. Department of Education									
Passed through Michigan Department of Education									
Title I, Part A	84.010	111530	279,815	-	279,815	-	(5,822)	(5,822)	-
Title I, Part A		121530	289,849	32,695	289,849	-	32,695	-	-
Title I, Part A		131530	293,960	-	-	293,960	270,928	-	23,032
				32,695		293,960	297,801	(5,822)	23,032

Millington Community Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grant Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Grant Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2012	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Deferred) Revenue June 30, 2013
Title IIA, Teacher Quality Formula	84.367	120520	79,575	\$ 44,664	\$ 79,575	\$ -	\$ 44,664	\$ -	\$ -
Title IIA, Teacher Quality Formula		130520	62,931	-	-	62,931	14,608	-	48,323
				<u>44,664</u>		<u>62,931</u>	<u>59,272</u>	<u>-</u>	<u>48,323</u>
Total U.S. Department of Education				<u>77,359</u>		<u>356,891</u>	<u>357,073</u>	<u>(5,822)</u>	<u>71,355</u>
U.S. Department of Health and Human Services									
Passed through Northern Michigan Community Service Agency, Inc.									
Headstart	93.600	N/A	20,988	-	-	20,988	20,988	-	-
Total Federal Financial Awards				<u>\$ 188,248</u>		<u>\$ 1,240,477</u>	<u>\$ 931,896</u>	<u>\$ (5,822)</u>	<u>\$ 491,007</u>

Millington Community Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2013

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2013.
3. The federal amounts reported on the "Grant Auditor Report" are in agreement with the Schedule of Expenditures of Federal Awards, except for the following awards:

	National School Lunch Breakfast <u>121970</u>	National School Lunch Program <u>121960</u>
Amounts reported per the Grant Auditors Report	\$ 13,938	\$ 30,596
(less) difference in timing of receipts	<u>9,089</u>	<u>23,848</u>
Amounts reported on the Schedule of Expenditures of Federal Awards	<u>\$ 4,849</u>	<u>\$ 6,748</u>

The receipt differences between the Grant Auditor Report and the Schedule of Expenditures of Federal Awards are due to the 2012 Grant Auditor Report including payments that were not received by the District until fiscal year 2013.

4. The amounts reported on the Recipient Entitlement Balance Report agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.
5. The State of Michigan recovered \$5,822 from Title I Program #11530 as of June 30, 2013.

Millington Community Schools
Schedule of Findings and Questioned Costs
June 30, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ yes ☐ no
- Significant Deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☒ yes ☐ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant Deficiency(ies) identified that are not considered to be material weakness(es)? ☒ yes ☐ none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☐ yes ☒ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027

IDEA Special Education

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

Millington Community Schools
Schedule of Findings and Questioned Costs
June 30, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2013-001 – Material Weakness – Account Reconciliations

Criteria: Management is responsible for timely and accurate reporting of financial data.

Condition: The bank reconciliations were not performed timely which makes it difficult for management to know the financial status of the District.

Effect: Not reconciling the cash accounts on a monthly basis could result in errors or other problems that might not be recognized and resolved in a timely manner.

Cause: Reconciliations for this cash account were not being performed until year end so the general ledger does not accurately present the financial position of the District. The District is currently undergoing reorganization of several departments which has eliminated and reassigned several critical positions in the finance department. Due to time constraints of the remaining employees, the reconciliations were not performed timely.

Recommendation: All cash accounts should be reconciled monthly to the general ledger and bank statements within 30 days of month end.

Management's response: See attached corrective action plan from management

Finding 2013-002 – Material Weakness, Noncompliance – Budgeting

Criteria: Management is responsible for preparing and monitoring an annual budget.

Condition: Significant budget variances were identified during the audit.

Effect: An inaccurate or unmonitored budget can lead to overspending and waste, which could result in significant operating shortfalls.

Cause: Although the District adopted a budget, it was done without knowledge of current activity and not amended accordingly. Therefore, it was not monitored during the year, which caused significant budget variances and an overall shortfall that required the use of fund balance. The District is currently undergoing reorganization of several departments which has eliminated and reassigned several critical positions in the finance department. Due to time constraints of the remaining employees, an accurate budget was not prepared or monitored.

Recommendation: District should prepare an original budget based on information available. This budget should then be amended to reflect significant changes periodically. Revenues should be monitored to ascertain that they are realized, and expenditures should be monitored to prevent overspending.

Management's response: See attached corrective action plan from management

Millington Community Schools
Schedule of Findings and Questioned Costs
June 30, 2013

SECTION III - FEDERAL AWARD FINDINGS

Finding 2013-003 – Significant Deficiency – Semi-Annual Payroll Certifications

Program information: Special Education, U.S. Department of Education, passed through Intermediate School District, CFDA #84.027

Specific requirement: When employees are expected to work solely on a single federal award or cost objective, charges for their salaries will be supported by semi-annual certifications signed by the employees or a supervisor with first-hand knowledge for the work performed by the employees after the fact, indicating the employees worked solely on that program for the semi-annual period covered by the certification.

Condition: Certifications were prepared on an annual basis (full school year) versus semi-annual.

Cause and effect: Semi-annual certifications were not prepared for its Special Education program.

Recommendation: At the end of each semester, certifications should be obtained. This will ensure that certifications are prepared at least semi-annually and signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

Corrective Action Plan: See attached corrective action plan from management

Millington Community Schools
Summary Schedule of Prior Audit Findings
June 30, 2013

There were no audit findings for the year ended June 30, 2012.

Millington Community Schools

Millington Junior/Senior High School
8780 Dean Drive
989-871-5221

Transportation/Maintenance
8683 Gleason Street
989-871-5250

Kirk Elementary School
8664 Dean Drive
989-871-5270

Meachum Later Elementary
8537 Gleason Street
989-871-5269

District Office
8780 Dean Drive
Millington, MI 48746
989-871-5227
fax 989-871-5260

Millington Accelerated Learning Center
8537 Gleason Street
989-871-5269

Corrective Action Plan

Finding 2013-001 – Material Weakness – Account Reconciliations

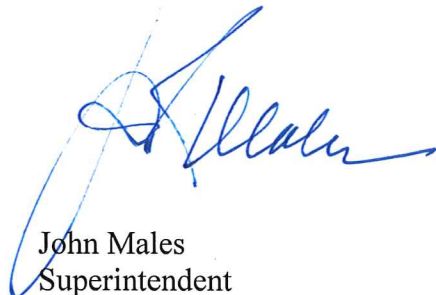
The district has reorganized the business office so that monthly reconciliations of all bank accounts are being done. The reconciliations are being performed monthly as prescribed and will be transitioned into the financial software package during the current fiscal year.

Finding 2013-002 – Material Weakness, Noncompliance – Budgeting

The district has adopted a budget for the 2013-14 school year. The budgets will be monitored and amended as the original projections change to assure that the district operations will stay in balance. Budgets will be amended in December, March, and June as necessary.

Finding 2013-003 – Significant Deficiency – Semi-Annual Payroll Certifications

The district will prepare semi-annual payroll certifications as required for all employees working on a single cost objective. This will go into effect immediately for the 2013-14 school year.



John Males
Superintendent

“Millington Community Schools is committed to providing the highest quality, progressive education in a safe and positive environment preparing all individuals for a successful and productive future.”



3023 Davenport Ave.
Saginaw, MI 48602
(989) 793-9830 / (800) 968-0010
Fax (989) 793-0186

November 11, 2013

Management and the Board of Education
Millington Community Schools
8780 Dean Drive
Millington, MI 48746

We have completed our audit of the financial statements of Millington Community Schools as of and for the year ended June 30, 2013, and have issued our report dated November 11, 2013. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditors' Communication of Significant Matters with Those Charged with Governance

II Other Comments

We discussed these matters with various personnel in the district during the audit and are currently scheduled to meet with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Education, and others within the district, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and OMB Circular A-133 as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 28, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies are described in Note 1 of the financial statements. The district has adopted Government Accounting Standards *Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012. The new standards provide guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position and related disclosures. We noted no transactions entered into by the district during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

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 Millington Community Schools' financial statements was:

Management's estimate of the useful lives of fixed assets, which is based on the length of time management believes those assets will provide some economic benefit in the future.

Disclosures in the financial statements are neutral, consistent and clear, except as follows. During the current year, the District withdrew from their self-insurance plan through Michigan Employee Health Insurance Pool (MiEHIP). This withdrawal occurred with significant unpaid insurance costs outstanding owed from the District to the pool. Subsequent to year end, MIEHIP has served the district with a complaint and summons. Due to the uncertainty of this occurrence, we feel this disclosure contains risk beyond that of the others in the footnotes.

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 that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

Both immaterial and material adjustments were detected as a result of our non-attest audit procedures and corrected by management related to payroll accruals and the treatment of a new capital lease agreement.

There were no uncorrected misstatements that were more than trivial.

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 auditors' report. We are pleased to report we had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other 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 district'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 district's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Reports

Other information that is required to be reported to you is included in the: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplemental Information

With respect to the required supplemental information accompanying the financial statements, which includes management's discussion and analysis and budgetary comparison information, we 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.

Report on Other Supplemental Information

With respect to the supplemental information accompanying the financial statements, other than list of the Members of the Board of Education and Administration, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplemental information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Appendix II Other Comments

In planning and performing our audit of the financial statements of Millington Community Schools as of and for the year ended June 30, 2013, we considered Millington Community Schools' internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the district's internal control. Accordingly, we do not express an opinion on the effectiveness of the district's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report dated November 11, 2013, on the financial statements of Millington Community Schools. Our comments and recommendations regarding those matters are:

Deficit Fund Balances

During the year, the District accumulated a deficit fund balance in the Sinking Fund. During this time the District began several construction projects and capital improvements, resulting in expenses which exceed current resources. Several of these amounts were in accounts payable at year end.

The District expects to eliminate the deficit during the fiscal year ending 2014 through additional revenues projected to be received and the freezing of new construction projects until the deficit is eliminated.

Additionally, the District has a negative unassigned fund balance in the Food Service fund as of year end. Although the overall fund balance is positive, there is an amount that is non-spendable for prepaid items that exceeds the total fund balance. The District expects to eliminate the negative balance in the upcoming fiscal year.

Segregation of Duties

Segregation of duties provides a check and balance to protect the District and its employees. We recommend that a certain minimum segregation of duties be implemented to increase the effectiveness of internal controls within the District especially related to disbursement transactions. These procedures will help prevent human errors as well as provide a deterrent for fraud. We recommend that the disbursement cycle be segregated to ensure the person issuing the checks and reconciling the bank statement does not have the ability to enter purchase orders or authorize transactions. It would be preferable that a monthly review of the check register is performed and initialed by a person not involved in the payable process. We further recommend a person who has not reconciled the bank account review the bank reconciliation.