

MESICK CONSOLIDATED SCHOOLS
REPORT ON FINANCIAL STATEMENTS
JUNE 30, 2013



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749
www.bcbcpa.com

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditor's Report	i-iii
Management's Discussion and Analysis	iv-x
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet - Governmental Funds	3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Fiduciary Funds	
Statement of Fiduciary Net Position	7
Notes to Financial Statements	8 – 27
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	28
Combining Fund Financial Statements	
Nonmajor Governmental Fund Types	
Combining Balance Sheet	29
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	30



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July 25, 2013

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Mesick Consolidated Schools
Mesick, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mesick Consolidated Schools, Mesick, Michigan as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mesick Consolidated Schools, Mesick, Michigan 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 3.K.2 to the financial statements, Mesick Consolidated Schools implemented Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iv through x and 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mesick Consolidated Schools' basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2013, on our consideration of Mesick Consolidated Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and Mesick agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mesick Consolidated Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2013

This section of Mesick Consolidated Schools’ (the “District”) annual report presents our discussion and analysis of the District’s financial performance during the year ended June 30, 2013. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The basic financial statements consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements.

A. Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District’s assets, deferred outflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents the information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods.

Both of the government-wide statements distinguish functions of the District that are principally supported by state aid and property taxes (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, supporting services, food service activities, athletic activities, community services, interest, and other transactions.

B. Fund Financial Statements

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

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

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2013

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

Fiduciary Funds. The District is a trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in both the government-wide and the fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

C. Summary of Net Position

The following schedule summarizes the net assets at fiscal year ended June 30:

	<u>2013</u>	<u>2012</u>
Assets		
Current Assets	\$ 3,238,087	\$ 3,020,507
Non Current Assets		
Capital Assets	11,993,867	10,858,031
Less Accumulated Depreciation	(4,368,494)	(4,160,797)
Total Non Current Assets	<u>7,625,373</u>	<u>6,697,234</u>
 Deferred Outflows of Resources		
Deferred Charges - Net of Amortization	<u>18,128</u>	<u>21,815</u>

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2013

	<u>2013</u>	<u>2012</u>
Liabilities		
Current Liabilities	2,127,631	1,796,214
Non Current Liabilities	3,435,603	2,959,268
Total Liabilities	<u>5,563,234</u>	<u>4,755,482</u>
Net Position		
Net Investment in Capital Assets	3,956,998	3,469,046
Restricted for Food Service	49,174	121,966
Restricted for Debt Service	79,100	112,904
Unrestricted	<u>1,233,082</u>	<u>1,280,158</u>
Total Net Position	<u>\$ 5,318,354</u>	<u>\$ 4,984,074</u>

D. Analysis of Financial Position

During the fiscal year ended June 30, 2013, the District's net position increased by \$334,280. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

The District is required to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2013, \$248,476 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2013, \$1,176,615 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

3. Issuance of Debt and Payment of Long-Term Liabilities

During the year ending June 30, 2013, the District increased its long-term liabilities by \$476,335 due to issuing debt to finance energy improvements. Principal paid on debt amounted to \$597,143, while the liability for compensated absences increased by approximately \$3,500.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2013

E. Results of Operations

For the fiscal year ended June 30, the results of operations, on a district-wide basis, were:

	2013	2012
General Revenues		
Property Taxes	\$ 1,693,868	\$ 1,623,793
Investment Earnings	4,439	5,363
State Sources	3,808,616	3,951,653
Gain on Sale of Capital Assets	1,100	0
Other	48,726	119,638
Total General Revenues	5,556,749	5,700,447
Program Revenues		
Charges for Services	147,517	179,314
Operating Grants and Contributions	1,459,318	1,375,930
Total Program Revenues	1,606,835	1,555,244
Total Revenues	7,163,584	7,255,691
Expenses		
Instruction	3,751,953	3,663,890
Supporting Services	2,236,135	2,206,695
Community Activities	16,912	27,284
Food Service	414,519	375,449
Capital Outlay	0	13,481
Interest on Long-Term Debt	143,058	133,968
Other Transactions	18,251	673
Unallocated Depreciation	248,476	245,679
Total Expenses	6,829,304	6,667,119
Change in Net Position	\$ 334,280	\$ 588,572

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2013

F. Financial Analysis of the District's Funds

The financial performance of the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

	2013	2012	Increase (Decrease)
Major Funds			
General Fund	\$ 1,029,009	\$ 997,038	\$ 31,971
Capital Projects Fund	434,951	504,061	(69,110)
2012 Capital Projects Fund	123,993	0	123,993
Nonmajor Funds			
Food Service	58,139	130,293	(72,154)
Debt Fund	95,575	132,383	(36,808)
 Total Governmental Funds	 \$ 1,741,667	 \$ 1,763,775	 \$ (22,108)

In 2012-2013, the General Fund balance increased primarily due to savings on staff costs. There was staff turnover that resulted in new staff being hired as well as some long term substitutes in place saving the district money. In addition, other cost savings measures have been put in place. In 2012-2013, staff members' contributions toward their health insurance continued thus saving the District money.

The Capital Projects Fund decreased due to making the first payment on the energy conservation bonds. The District is anticipating some rebates to offset that payment. In addition, there have been some unexpected delays in starting the timber harvest for the year. Therefore, the timber payment has not been received yet.

The 2012 Capital Projects fund increased due to selling bonds and the energy enhancements have not yet been completed.

The Food Service Fund balance decreased primarily due to planned enhancements to the cafeteria. These included a new walk in cooler, serving stations, and cashier stand.

The Debt Retirement Fund decreased its fund balance due to payments increasing as we near the end of the loan.

G. General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2013

made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>	<u>\$ 5,980,608</u>	<u>\$ 6,223,706</u>	<u>\$ 6,191,552</u>
<u>EXPENDITURES</u>			
Instruction	\$ 3,721,143	\$ 3,795,436	\$ 3,755,050
Supporting Services	2,248,438	2,382,786	2,388,219
Community Activities	38,496	17,809	16,912
Other Transactions	0	500	500
Total Expenditures	<u>\$ 6,008,077</u>	<u>\$ 6,196,531</u>	<u>\$ 6,160,681</u>

The change between original budget and final budget was a result of a more accurate picture of anticipated actual revenues and expenditures, especially the revenues and expenditures related to federal and state grants.

The total revenue variance of \$32,154 and total expenditure variance of \$35,850 are nearly identical. The variance can be attributed to the difference between budgeted and actual grant revenues and related expenditures. The minimal variances will not have a significant effect on future services or the liquidity of the District.

H. Capital Asset and Debt Administration

1. Capital Assets

At June 30, 2013, the District has \$7,625,373 (net of depreciation) in a broad range of capital assets, including school buildings and facilities and various types of equipment. This represents a net increase of \$928,139 over the prior fiscal year. The increase is due to the energy improvements to the District's buildings. Depreciation expense for the year amounted to \$248,476, bringing the accumulated depreciation to \$4,368,494 as of June 30, 2013.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2013

2. *Long-Term Debt*

At June 30, 2013, the District had \$3,809,961 in bonded debt outstanding. This represents an increase of \$564,491 from the amount outstanding at the close of the prior fiscal year. This increase can be attributed to the issuance of energy improvement bonds. Other long-term debt includes compensated absences of \$232,782.

J. Factors Bearing on the District's Future

The change in the pupil count days to the February of the school year rather than the prior February leaves the District not knowing the number of students they will be paid for during the 2013-2014 year. By the time the count days come, it is difficult to adjust staffing levels if student numbers have seen large changes.

Due to decreasing enrollments, the District is able to take advantage of using a 3 year blended count for determining their state aid. In 2014-2015, the year that drops out of the blend is larger than the remaining ones. This will result in approximately 29 less kids for the District in the 2014-2015 school year. At an anticipated foundation allowance of \$7,041, this is a decrease in revenue of \$204,189.

Retirement costs continue to be a concern for the District. In 2012-2013, the District paid a large percentage of its budget to employee retirement costs.

Mesick Consolidated Schools is striving to meet the challenges facing them while remaining a school of excellence.

K. Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Wexford-Missaukee Intermediate School District, 9907 East 13th Street, Cadillac, Michigan 49601.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2013

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,404,343
Restricted Cash	911,805
Investments	11
Accounts Receivable	449
Due from Other Governmental Units	919,246
Inventories	2,233
Total Current Assets	<u>3,238,087</u>

NON CURRENT ASSETS

Capital Assets	11,993,867
Less Accumulated Depreciation	<u>(4,368,494)</u>
Total Non Current Assets	<u>7,625,373</u>
TOTAL ASSETS	<u>10,863,460</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Charges on Refunding	<u>18,128</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts Payable	907,442
Salaries and Benefits Payable	549,890
Accrued Interest Payable	24,071
Unearned Revenue	39,088
Current Portion of Non Current Liabilities	607,140
Total Current Liabilities	<u>2,127,631</u>

NON CURRENT LIABILITIES

Bonds Payable	3,809,961
Compensated Absences	232,782
Less Current Portion of Non Current Liabilities	<u>(607,140)</u>
Total Non Current Liabilities	<u>3,435,603</u>
TOTAL LIABILITIES	<u>5,563,234</u>

NET POSITION

Net Investment in Capital Assets	3,956,998
Restricted for Food Service	49,174
Restricted for Debt Service	79,100
Unrestricted	1,233,082
TOTAL NET POSITION	<u>\$ 5,318,354</u>

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	NET (EXPENSE)
					REVENUE AND CHANGES IN NET POSITION
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 3,751,953	\$ 47,598	\$ 952,410	\$ 0	\$ (2,751,945)
Supporting Services	2,236,135	31,866	206,248	0	(1,998,021)
Community Activities	16,912	4,484	6,253	0	(6,175)
Food Service	414,519	63,569	278,060	0	(72,890)
Interest on Long Term Debt	143,058	0	16,347	0	(126,711)
Other Transactions	18,251	0	0	0	(18,251)
Unallocated Depreciation	248,476	0	0	0	(248,476)
Total Governmental Activities	<u>\$ 6,829,304</u>	<u>\$ 147,517</u>	<u>\$ 1,459,318</u>	<u>\$ 0</u>	<u>(5,222,469)</u>
<u>GENERAL REVENUES</u>					
Property Taxes - General Purposes					1,100,634
Property Taxes - Debt Service					593,234
Investment Earnings					4,439
State Sources					3,808,616
Gain on Sale of Capital Assets					1,100
Other					48,726
Total General Revenues					<u>5,556,749</u>
Change in Net Position					334,280
<u>NET POSITION</u> - Beginning of Year					<u>4,984,074</u>
<u>NET POSITION</u> - End of Year					<u>\$ 5,318,354</u>

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2013

	GENERAL FUND	CAPITAL PROJECTS FUND	2012 CAPITAL PROJECTS FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 818,754	\$ 434,951	\$ 0	\$ 150,638	\$ 1,404,343
Restricted Cash	0	0	911,805	0	911,805
Investments	11	0	0	0	11
Accounts Receivable	449	0	0	0	449
Due from Other Funds	0	0	0	10,215	10,215
Due from Other Governmental Units	917,681	0	0	1,565	919,246
Inventories	0	0	0	2,233	2,233
TOTAL ASSETS	\$1,736,895	\$ 434,951	\$ 911,805	\$ 164,651	\$ 3,248,302
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 117,165	\$ 0	\$ 787,812	\$ 2,465	\$ 907,442
Salaries and Benefits Payable	543,835	0	0	6,055	549,890
Due to Other Funds	10,215	0	0	0	10,215
Unearned Revenue	36,671	0	0	2,417	39,088
Total Liabilities	707,886	0	787,812	10,937	1,506,635
<u>FUND BALANCES</u>					
Nonspendable, Inventory	0	0	0	2,233	2,233
Restricted for Food Service	0	0	0	55,906	55,906
Restricted for Debt Service	0	0	0	95,575	95,575
Restricted for Capital Projects	0	0	123,993	0	123,993
Committed for Compensated Absences	191,737	0	0	0	191,737
Committed for Capital Projects	0	434,951	0	0	434,951
Assigned for Subsequent Year Budget Shortfall	67,415	0	0	0	67,415
Unassigned	769,857	0	0	0	769,857
Total Fund Balances	1,029,009	434,951	123,993	153,714	1,741,667
TOTAL LIABILITIES AND FUND BALANCES	\$1,736,895	\$ 434,951	\$ 911,805	\$ 164,651	\$ 3,248,302

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

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

JUNE 30, 2013

Total Governmental Fund Balances	\$ 1,741,667
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Amounts reported for governmental activities in the
Statement of Net Position are different because:

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

The cost of the capital assets is	\$ 11,993,867	
Accumulated depreciation is	<u>(4,368,494)</u>	7,625,373

Long term liabilities are not due and payable in the current period and are not
reported in the funds.

Bonds Payable	(3,809,961)
Compensated Absences	(232,782)

Accrued interest on bonds is not included as a liability in government funds, it is recorded when paid.	(24,071)
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The issuance of long-term debt provides current financial resources to
governmental funds, while the repayment of the principal of long-term debt
consumes the current financial resources of governmental funds. Neither
transaction, however, has any effect on 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 over the life of the long-term bond issue.

Bond Deferred Loss on Refunding	52,235	
Amortization of Bond Deferred Loss on Refunding	<u>(34,107)</u>	18,128

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 5,318,354</u>
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The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2013

	GENERAL FUND	CAPITAL PROJECTS FUND	2012 CAPITAL PROJECTS FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>					
Local Sources	\$ 1,209,463	\$ 2,917	\$ 535	\$ 657,443	\$ 1,870,358
State Sources	4,364,010	0	0	15,233	4,379,243
Federal Sources	435,417	16,347	0	265,767	717,531
Other Transactions	182,662	0	0	0	182,662
Total Revenues	6,191,552	19,264	535	938,443	7,149,794
<u>EXPENDITURES</u>					
Instruction					
Basic Programs	2,981,849	0	0	0	2,981,849
Added Needs	773,201	0	0	0	773,201
Supporting Services					
Pupil	127,630	0	0	0	127,630
Instructional Staff	52,742	0	0	0	52,742
General Administration	278,654	0	0	0	278,654
School Administration	317,436	0	0	0	317,436
Business	75,168	0	0	0	75,168
Operation and Maintenance	644,268	0	0	0	644,268
Pupil Transportation Services	470,358	0	0	0	470,358
Central Services	279,731	0	0	0	279,731
Athletic Activities	142,232	0	0	0	142,232
Community Activities					
Community Activities	6,254	0	0	0	6,254
Custody and Care of Children	10,658	0	0	0	10,658
Food Service	0	0	0	413,881	413,881
Capital Outlay	0	0	1,023,561	0	1,023,561
Debt Service					
Principal	0	77,140	0	515,000	592,140
Interest	0	17,904	0	116,875	134,779
Bond Issuance Costs	0	0	10,082	0	10,082
Other Transactions	500	6,020	0	1,649	8,169
Total Expenditures	6,160,681	101,064	1,033,643	1,047,405	8,342,793
Excess (Deficiency) of Revenues Over Expenditures	30,871	(81,800)	(1,033,108)	(108,962)	(1,192,999)
<u>OTHER FINANCING SOURCES (USES)</u>					
Proceeds from Sale of Capital Assets	1,100	0	0	0	1,100
Sale of Timber	0	12,690	0	0	12,690
Face Value of Energy Bonds Issued	0	0	1,157,101	0	1,157,101
Total Other Financing Sources (Uses)	1,100	12,690	1,157,101	0	1,170,891
Net Change in Fund Balance	31,971	(69,110)	123,993	(108,962)	(22,108)
<u>FUND BALANCE</u> - Beginning of Year	997,038	504,061	0	262,676	1,763,775
<u>FUND BALANCE</u> - End of Year	\$ 1,029,009	\$ 434,951	\$ 123,993	\$ 153,714	\$ 1,741,667

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

Net Change in Fund Balances Total Governmental Funds	\$ (22,108)
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures. In the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(248,476)
Capital Outlay	1,176,615

Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	19,479
Accrued Interest Payable - End of Year	(24,071)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the Statement of Activities (where it is a reduction of liabilities).	597,143
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 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 over the life of the long-term bond issue.

Amortization of Bond Deferred Loss on Refunding	(3,687)
Issuance of Debt	(1,157,101)

Employees Early Retirement and Compensated Absences are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absences - Beginning of Year	229,268
Compensated Absences - End of Year	(232,782)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 334,280</u>
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The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2013

	<u>AGENCY FUND</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 99,711
 <u>LIABILITIES</u>	
Due to Groups and Organizations	<u>99,711</u>
 <u>NET POSITION</u>	 <u><u>\$ 0</u></u>

The notes to the financial statements are an integral part of this statement.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District (the "District") is located in Wexford and Manistee Counties with its administrative offices located in Mesick, Michigan. The District operates under an elected 7-member board of education and provides services to its students in elementary, high school, special education instruction, guidance, health, transportation, food service, athletics and recreation. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District does not have any business-type activities or component units.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

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

The *Capital Projects Fund* accounts for the acquisition of fixed assets or construction of major capital projects.

The *2012 Capital Projects Fund* accounts for the bond proceeds received and expenditures paid related to the energy savings improvements.

Other Non-Major Funds:

The *special revenue (School Service) fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes. The District accounts for its food service activities in a special revenue fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

Additionally, the District reports the following fund type:

Fiduciary funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. This fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following fiduciary fund:

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

In the government-wide statement of net position, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating 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, intermediate district sources, interest income and other revenues).

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

- a) In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.
- c) Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the district, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted in June, 2012, or as amended by the School Board of Education throughout the year.

2. *Excess of Expenditures Over Appropriations*

General Fund:

Supporting Services:

Pupil expenditures of \$127,630 exceeded appropriations of \$126,484.

Operation and Maintenance expenditures of \$644,268 exceeded appropriations of \$626,300.

Central Services expenditures of \$279,731 exceeded appropriations of \$263,610.

Community Activities:

Custody and Care of Children expenditures of \$10,658 exceeded appropriations of \$10,405.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. *Cash and Investments*

Cash includes amounts in demand deposits.

Investments are carried at market value.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States.
- (e) United States government or federal agency obligation repurchase agreements.
- (f) Bankers' acceptances issued by a bank that is a member of the federal deposit insurance corporation.
- (g) Mutual funds composed entirely investment vehicles that are legal for direct investment by a school district.
- (h) Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

The District's deposits and investments are held separately by several of the District's funds.

2. *Inventory and Prepaid Items*

Inventory is valued at cost. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

Certain payments made to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year end to indicate the portion of the governmental fund balances that are nonspendable.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

3. *Capital Assets*

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings, additions, and land improvements	25-50 years
Furniture, textbooks, and other equipment	5-20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

4. *Deferred Outflows/Inflows of Resources*

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

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

5. *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

6. *Compensated Absences*

It is the District's policy to permit employees to accumulate certain earned but unused benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. *Net Position Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. *Fund Balance Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The governing board

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

has by resolution authorized the superintendent to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

10. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

11. Restricted Assets

Certain cash resources are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants and they are maintained in separate bank accounts.

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2013, the foundation allowance was based on pupil membership counts taken in February and October of 2012. For fiscal year ended June 30, 2013, the per pupil foundation allowance was \$6,966 for Mesick Consolidated Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2012 to August 2013. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

2. Program Revenues

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are billed as of December 1. The due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2013, the District levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund - Non-Principal Residence Exemption (PRE)	18.0000
General Fund - Commercial Personal Property	6.0000
2004 Debt Retirement - PRE, Non-PRE, Commercial Personal Property	4.0000

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note 1.F.2, on the Excess of expenditures over appropriations, describes a budgetary violation that occurred for the year ended June 30, 2013.

NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Investment Rate Risk. The District will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

funds, or similar investing pools and limiting the average maturity in accordance with the District's cash requirement.

Credit Risk. The District will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

Concentration of Credit Risk. The District will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2013, the District's bank balance was \$2,714,332 and \$1,537,889 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

Foreign Currency Risk. The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

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. The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name. At year end all of the District's investments were uncategorized as to risk.

At year-end, the only investments were investment trust funds.

Investments not subject to categorization:

Investment Trust Funds

\$ 11

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2013, the fair value of the District’s investments is the same as the value of the pool shares.

Balance sheet classifications:

	Deposits	Investments	Fiduciary Assets	Total
Cash & Restricted Cash	\$2,316,148	\$ 0	\$ 99,711	\$ 2,415,859
Investments	0	11	0	11
	<u>\$2,316,148</u>	<u>\$ 11</u>	<u>\$ 99,711</u>	<u>\$ 2,415,870</u>

B. Receivables/Unearned Revenue

Receivables as of year end for the government’s individual major funds and nonmajor are as follows:

	General	Nonmajor and Other Funds	Total
Receivables:			
Accounts	\$ 449	\$ 0	\$ 449
Due from Other Governmental Units	917,681	1,565	919,246
Total	<u>\$ 918,130</u>	<u>\$ 1,565</u>	<u>\$ 919,695</u>

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs.

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the District reported unearned revenue of \$39,088, which is made up of grant receipts and other revenue that has been received, but not yet earned.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

C. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Assets Not Being Depreciated				
Land	\$ 200,631	\$ 0	\$ 0	\$ 200,631
Other Capital Assets:				
Land Improvements	410,960	0	0	410,960
Buildings and Additions	8,572,116	1,023,561	0	9,595,677
Machinery and Equipment	634,327	75,307	0	709,634
Textbooks and Library Books	127,850	0	0	127,850
Transportation Equipment	912,147	77,747	40,779	949,115
Subtotal	10,657,400	1,176,615	40,779	11,793,236
Accumulated Depreciation				
Other Capital Assets:				
Land Improvements	319,393	15,850	0	335,243
Buildings and Additions	2,605,444	154,901	0	2,760,345
Machinery and Equipment	559,189	22,710	0	581,899
Textbooks and Library Books	127,164	423	0	127,587
Transportation Equipment	549,607	54,592	40,779	563,420
	4,160,797	248,476	40,779	4,368,494
Net Capital Assets Being Depreciated	6,496,603	928,139	0	7,424,742
Net Capital Assets	\$ 6,697,234	\$ 928,139	\$ 0	\$ 7,625,373

Depreciation for the fiscal year ended June 30, 2013, amounted to \$248,476. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Employee Retirement System

Plan Description. The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909 or by calling (800) 381-5111.

Funding Policy. Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990, contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired January 1, 1990, or later and returning members who did not work between January 1, 1987, through December 31, 1989, contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members joining the system on or after July 1, 2008, contribute at the following graduated rate: 3% of the first \$5,000, 3.6% of \$5,001 through \$15,000 and 6.4% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of MPSERS who became a member of MPSERS after June 30, 2010, is a Pension Plus Member. The Pension Plus Plan pairs a guaranteed retirement income (defined benefit pension) with a flexible and transferable retirement savings (defined contribution) account.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. For the period October 1 through September 30, the District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement.

The system ("MPSERS") is administered by the State of Michigan. These contributions are required by law and are calculated by using the contributions rates and periods provided in the table below of the employees' wages. In addition, the District is required to match 50% of the employees' contribution, up to 1% of the employees' compensation, in the Pension Plus plan.

Additionally, Public Act 300 of 2012 was enacted on September 4, 2012. As a result, any employee that was hired after September 4, 2012, can choose to become a member of the MPSERS Pension Plus plan or a separate MPSERS Defined Contribution plan. For employees that elect to become a member of the MPSERS Defined Contribution plan, the District is required to match 50% of the employees' contribution, up to 4% of the employees' salary.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

The contribution requirements of plan members and the District are established and may be amended by the MPSERS board of Trustees. The District contributions to MPSERS were equal to the required contribution for those years.

The District's contributions to MPSERS are as follows:

Contribution Period	Basic MIP with Premium Subsidy	Pension Plus with Premium Subsidy	Pension Plus PHF	From Basic/MIP and Pension Plus to Defined Contribution with PHF	From Basic/MIP to Defined Contribution with Premium Subsidy	Basic/ MIP with PHF
7/1/12 - 9/30/12	24.46%	23.23%	N/A	N/A	N/A	N/A
10/1/12 - 1/31/13	25.36%	24.13%	23.20%	20.96%	N/A	N/A
2/1/13 - 6/30/13	24.32%	24.13%	23.20%	20.96%	21.89%	23.39%

Fiscal Year Ending June 30,	Contributions to MPSERS
2013	\$ 835,499
2012	773,860
2011	649,047

Other Post Employment Benefits Funding Policy. Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, established eligibility and benefit provisions. Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental, and vision coverage for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010, to contribute 3%. The District does not contribute 3% to employees hired after September 4, 2012, or for any employees that elected into the newly created Personal Healthcare Fund, as discussed below.

As noted above, Public Act 300 of 2012 was enacted on September 4, 2012. This legislature affects employees hired after September 4, 2012, or employees that elect out of the pre-existing postemployment healthcare plan and into a new Personal Healthcare Fund. The District is required to contribute 2% of each applicable employee's salary to this fund.

Pension recipients are generally eligible for Health Plan, Dental Plan, Vision Plan, and Hearing coverage.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

The District is not responsible for the payment of retirement benefits and post-employment benefits which is the responsibility of the State of Michigan.

E. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2013, or any of the prior three years.

F. Long-Term Liabilities

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of the governmental long-term liability transactions for the District for the year ended June 30, 2013:

	LEASE		COMPENSATED	
	PURCHASE		ABSENCES	BONDS
	AGREEMENT			TOTAL
Balance, July 1, 2012	\$ 5,003	\$ 229,268	\$ 3,245,000	\$ 3,479,271
Additions	0	86,384	1,157,101	1,243,485
Deletions	(5,003)	(82,870)	(592,140)	(680,013)
Balance, June 30, 2013	0	232,782	3,809,961	4,042,743
Less current portion	0	0	(607,140)	(607,140)
Total due after one year	\$ 0	\$ 232,782	\$ 3,202,821	\$ 3,435,603

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

The District's liability obligations at June 30, 2013, are comprised of the following issues:

General Obligation Serial Bonds

2004 refunding bonds due in annual installments of \$530,000 to \$550,000 through May 1, 2018, interest at 3.50% to 3.80%. \$ 2,730,000

2012 Energy Conservation Improvement QZAB Bond

Energy Improvement Bonds, due in monthly installments of \$77,140 to \$77,141 through May 1, 2027, interest at 4.22%. 1,079,961

Compensated Absences Payable

Accumulated sick and vacation pay. 232,782

TOTAL LONG-TERM DEBT \$ 4,042,743

The annual requirements to amortize all long-term liability outstanding as of June 30, 2013, including interest payments of \$644,158 are as follows:

Year ending June 30,	Principal	Interest	Amounts Payable
2014	\$ 607,140	\$ 144,424	\$ 751,564
2015	627,140	122,619	749,759
2016	627,140	100,114	727,254
2017	627,140	77,058	704,198
2018	627,140	53,453	680,593
2019-2023	385,700	113,936	499,636
2024-2027	308,561	32,554	341,115
	<u>3,809,961</u>	<u>644,158</u>	<u>4,454,119</u>
Compensated absences	232,782	0	232,782
	<u><u>\$ 4,042,743</u></u>	<u><u>\$ 644,158</u></u>	<u><u>\$ 4,686,901</u></u>

Interest on the 2012 Energy Conservation Improvement QZAB Bond is expected to be offset nearly entirely by a federal interest subsidy.

The annual requirements to amortize the accrued compensated absences are uncertain because it is unknown when the employees will use the benefit. Compensated absences will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

G. Short-Term Debt

On August 20, 2012, the District issued a State Aid Note in the amount of \$500,000. The note matures on August 20, 2013, with interest at 0.400%. The District pledged its State Aid revenue for payment of this liability at maturity and has made required payments to an irrevocable set-aside account in the amount of \$502,000 to cover the entire principal amount plus interest. At year end, these payments are considered defeased debt and are not included in the year-end balance. The purpose of the note was to provide for cash flow needs at the beginning of the school year. Interest expense for the year was \$2,387.

The following is a summary of the Short-Term Debt transactions for the District for the year ended June 30, 2013:

Short-Term Debt at July 1, 2012	\$ 500,000
New Debt Issued	500,000
Debt Retired and Paid	(1,000,000)
Short-Term Debt at June 30, 2013	<u>\$ 0</u>

As of the date of the audit, the District is in the process of applying for a State Aid Note to allow the District to meet its cash flow needs at the beginning of the 2013-2014 fiscal year. The District expects to borrow approximately \$400,000.

H. Interfund Receivables and Payables

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 0	\$ 10,215
Debt Service Fund - 2004 Debt Retirement	8,156	0
School Service Fund - Food Service Fund	2,059	0
	<u>\$ 10,215</u>	<u>\$ 10,215</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All Interfund balances outstanding at June 30, 2013, are expected to be repaid within one year.

I. Interfund Transfers

There were no interfund Transfers as of June 30, 2013.

J. "Durant" Case Settlement

The District accepted an offer made by the State of Michigan to all "non-plaintiff" school districts for settlement of the "Durant" case, which was a suit alleging underfunding by the State of Michigan for State mandated special education programs. Mesick Consolidated Schools will

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

receive a total settlement from this case of \$88,208, and the State will pay it in the following manner:

- (a) 50% of the settlement (or \$44,104) will be paid to the District over a ten-year period beginning November 15, 1998. These funds are restricted and can be used only for school buses, electronic technology, instructional material and software, school security, textbooks, infrastructure or infrastructure improvement, training for technology, or to reduce or eliminate voter-approved debt that was issued prior to November 19, 1997.
- (b) 50% of the settlement (or \$44,104) will be paid to the District over a fifteen-year period beginning May 15, 1999. These funds are also restricted and can be used only for the following items and in the order presented:
 - (i) reduce or eliminate voter-approved debt issued prior to November 19, 1997.
 - (ii) reduce or eliminate other limited tax obligation debt.
 - (iii) deposit into a sinking fund.

The District has approved using their settlement funds for technology and reduction of bonded indebtedness.

The payment received by the District in 2012-2013 was the last payment the District will receive.

K. Leases

Operating Leases – The District is committed under a noncancelable lease for office equipment. The lease is an operating lease with no contingent lease payments. For the year ended June 30, 2013, rental expenditures were \$2,640. Future minimum lease payments are as follows:

Year Ended June 30,	Amount
2014	\$ 6,336
2015	6,336
2016	6,336
2017	6,336
2018	3,696

L. Other Information

1. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. *New GASB Standards*

Effective July 1, 2012, the District adopted GASB Statement 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement 65, "Items Previously Recognized as Assets and Liabilities". These statements establish and clarify new components of the Statement of Position, "Deferred Inflows of Resources" and "Deferred Outflows of Resources". At June 30, 2013, the District has one item, deferred charges on refunding, which is considered a deferred outflow of resources. GASB 63 also changes the term "net assets", which was previously made up of assets less liabilities, to "net position", which is now made up of assets, deferred outflows of resources, liabilities and deferred inflows of resources. Accordingly any reference to "net assets" has been changed to "net position".

3. *Single Audit*

Current federal guidelines require entities with federal expenditures exceeding \$500,000 to have a "single audit" of federally funded programs. This audit is being performed and the reports based thereon will be issued under a separate cover.

4. *Capital Projects Fund*

The 2012 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

NOTE 4 – UPCOMING ACCOUNTING PRONOUNCEMENTS

The District is currently evaluating the impact these standards will have on the financial statements when adopted.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued by the GASB in June 2012 and will be effective for the District's 2015 fiscal year. The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 1,167,823	\$ 1,191,344	\$ 1,209,463
State Sources	4,263,773	4,370,525	4,364,010
Federal Sources	411,769	479,799	435,417
Other Transactions	137,243	182,038	182,662
Total Revenues	5,980,608	6,223,706	6,191,552
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	2,893,665	2,989,582	2,981,849
Added Needs	827,478	805,854	773,201
Supporting Services			
Pupil	142,529	126,484	127,630
Instructional Staff	45,365	64,367	52,742
General Administration	273,030	282,455	278,654
School Administration	316,996	318,128	317,436
Business	104,175	77,725	75,168
Operation and Maintenance	625,736	626,300	644,268
Pupil Transportation Services	382,912	472,522	470,358
Central Services	203,685	263,610	279,731
Athletic Activities	154,010	151,195	142,232
Community Activities			
Community Activities	7,500	7,404	6,254
Custody and Care of Children	30,996	10,405	10,658
Other Transactions	0	500	500
Total Expenditures	6,008,077	6,196,531	6,160,681
Excess (Deficiency) of Revenues Over Expenditures	(27,469)	27,175	30,871
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from the Sale of Capital Assets	0	1,100	1,100
Net Change in Fund Balance	(27,469)	28,275	31,971
<u>FUND BALANCE</u> - Beginning of Year	888,144	997,038	997,038
<u>FUND BALANCE</u> - End of Year	\$ 860,675	\$ 1,025,313	\$ 1,029,009

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2013

	FOOD SERVICE FUND	DEBT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 63,219	\$ 87,419	\$ 150,638
Due from Other Funds	2,059	8,156	10,215
Due from Other Governmental Units	1,565	0	1,565
Inventories	2,233	0	2,233
TOTAL ASSETS	<u>\$ 69,076</u>	<u>\$ 95,575</u>	<u>\$ 164,651</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 2,465	\$ 0	\$ 2,465
Salaries and Benefits Payable	6,055	0	6,055
Unearned Revenue	2,417	0	2,417
Total Liabilities	<u>10,937</u>	<u>0</u>	<u>10,937</u>
<u>FUND BALANCE</u>			
Nonspendable, Inventory	2,233	0	2,233
Restricted for Food Service	55,906	0	55,906
Restricted for Debt Service	0	95,575	95,575
Total Fund Balances	<u>58,139</u>	<u>95,575</u>	<u>153,714</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 69,076</u>	<u>\$ 95,575</u>	<u>\$ 164,651</u>

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2013

	FOOD SERVICE FUND	DEBT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$ 63,667	\$ 593,776	\$ 657,443
State Sources	12,293	2,940	15,233
Federal Sources	265,767	0	265,767
	<hr/>	<hr/>	<hr/>
Total Revenues	341,727	596,716	938,443
	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES</u>			
Food Service	413,881	0	413,881
Debt Service			
Principal	0	515,000	515,000
Interest	0	116,875	116,875
Other Transactions	0	1,649	1,649
	<hr/>	<hr/>	<hr/>
Total Expenditures	413,881	633,524	1,047,405
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	(72,154)	(36,808)	(108,962)
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u> - Beginning of Year	130,293	132,383	262,676
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 58,139	\$ 95,575	\$ 153,714
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

