

**Millington Community Schools**

**Millington, Michigan**

**Annual Financial Statements  
and  
Independent Auditors' Report**

**June 30, 2014**

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**Millington Community Schools**  
**Members of the Board of Education and Administration**  
**June 30, 2014**

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Members of the Board of Education

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

Administration

John Palmer	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 the Millington Community Schools, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***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.

***Opinion:***

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 the Millington Community Schools, as of June 30, 2014, 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.

**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, 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 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 the School District's basic financial statements. The list of the Members of the Board of Education and Administration and other supplementary information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, 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. 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 other supplementary

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 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2014 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Saginaw, Michigan  
September 30, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

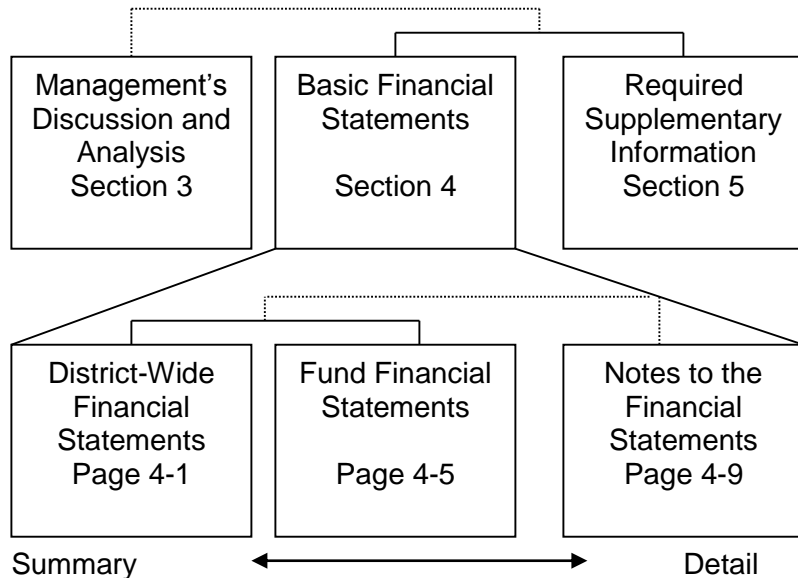
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# Millington Community Schools Management's Discussion and Analysis Year Ended June 30, 2014

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 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

**Millington Community Schools  
Management's Discussion and Analysis  
Year Ended June 30, 2014**

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**

	2014	2013	Total
	Governmental	Governmental	Percentage
	<u>Activities</u>	<u>Activities</u>	<u>Change</u>
Assets			
Current	\$ 4,133,379	\$ 4,510,300	-8%
Capital, net	<u>11,417,242</u>	<u>11,953,073</u>	-4%
Total	<u>15,550,621</u>	<u>16,463,373</u>	-6%
Liabilities			
Current	2,892,561	3,468,856	-17%
Long-term	<u>3,908,084</u>	<u>4,779,505</u>	-18%
Total	<u>6,800,645</u>	<u>8,248,361</u>	-18%
Net position			
Net investment in			
capital assets	7,798,169	7,569,051	3%
Restricted	27,579	65,869	-58%
Unrestricted	<u>924,228</u>	<u>580,092</u>	59%
Total	<u>\$ 8,749,976</u>	<u>\$ 8,215,012</u>	7%

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 less than those of 2013. The change results from better management of grant payment requests which increased cash by \$318,000 and lowered the balance of government receivables by \$586,000.

The decrease in District capital assets is the result of annual depreciation expense in the amount of \$535,831 and \$49,933 for the disposal of a bus. There were no additions to capital assets during the fiscal year.

The decrease in current liabilities is the result of elimination of the MIEHIP payable and a significant decrease in salary and benefit payable items at the end of the fiscal year which are the result of payment timing. The balance of long-term liabilities decreased \$871,421 from the prior year. This is the result of principal payments on our QZAB bonds and our 2008 Building and Site bonds.

The net position for the District increased by \$534,964 during the 2013-2014 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, 2014**

**Statement of Net Position from Operating Results**

	2014	2013	Total
	Governmental	Governmental	Percentage
	Activites	Activites	Change
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 284,489	\$ 305,435	-7%
Operating grants and contributions	2,082,892	2,118,933	-2%
General revenues			
Property taxes	1,403,218	1,397,716	0%
State foundation allowance	8,875,260	9,057,434	-2%
Other	120,726	150,432	-20%
Total	<u>12,766,585</u>	<u>13,029,950</u>	-2%
<b>Expenses</b>			
Instruction	6,775,280	8,166,045	-17%
Support Services	4,519,885	4,811,736	-6%
Food Services	673,773	736,363	-8%
Community Services	88,717	97,488	-9%
Other Transactions	181,119	146,543	24%
Total	<u>12,238,774</u>	<u>13,958,175</u>	-12%
<b>Change in net position</b>	<u>\$ 527,811</u>	<u>\$ (928,225)</u>	-157%

Total revenues for the district were less than 2013 levels by \$263,365 or 2%. Revenue from the state foundation allowance decreased \$182,174. This revenue decrease is the result of declining enrollment. Federal grants and other contributions to the district were down \$36,041 primarily the result of decreases in IDEA and Title I funding. Charges for services decreased \$20,946. Other revenues decreased approximately \$30,000.

The result of total operations produced expenditures that were \$1,786,565 less than 2013. This represents a significant decrease or 13% from 2013 levels. This decrease is primarily due to early

retirement incentives to bring staffing in line with enrollment reductions.

Supporting services decreased by \$291,851 from 2013 levels. Computer system expenses were lower due to the additional expense in 2013 for the Skyward software conversion. Operations and maintenance expenses were less than 2013 along with support services for instructional staff, mainly due to retirement and reduction in staff.

A decrease in expenditures for food services of approximately \$23,000 and a combined decrease of \$24,000 of spending in the community education fund and interest on debt, combined with the above spending variances yielded an overall decrease of \$1,786,600 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, yields the increase in net position of the District for the fiscal year end of \$1,590,364.

**School District's Funds**

As the School District completed this fiscal year, the governmental funds reported a combined fund balance of \$1,264,818, which is an increase over the prior year. The primary reasons for the increase:

In the General Fund, our principal operating fund, the fund balance increased by \$149,000. This amount reflects an increase to fund balance of 13% for the fiscal year. The increase is primarily the result of staff reductions via early retirement incentives and other decreases as the district responded to shrinking student enrollment.

The fund balance of our Food Service Fund decreased approximately \$3,000. The additional constraints placed on school food service programs by the federal government has made it difficult to contain costs in the food service program.

**Millington Community Schools  
Management's Discussion and Analysis  
Year Ended June 30, 2014**

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The Debt Service Fund showed a decrease in fund balance of approximately \$11,300. The net results of the decrease and the prior years balance reflects an ending balance of \$49,597 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 Sinking Fund ended the year with a deficit balance of approximately \$88,000. This represents an increase from prior year of approximately \$55,000. These funds are also restricted for specific expenditures as allowed by law.

The Community Education Fund had a fund balance of \$9,265 at the fiscal year end an increase of \$5,785 from the 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 2013-2014 was \$6,966 per student. This amount is an increase to the 2012-2013 foundation allowance of \$120 per student.

**Student Enrollment**

The District's student "Full Time Equivalent" (FTE) for the fall count of 2013-2014 was 1,334 students. The following summarizes fall student enrollments in the past five years:

**Enrollment History**

Fiscal Year	Student FTE	Change From Prior Year
2013-2014	1,334	(55)
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 2014-2015 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 2013-2014. This represents a consistent levy with the 2012-2013 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

**Millington Community Schools  
Management's Discussion and Analysis  
Year Ended June 30, 2014**

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**

2013-2014	\$ 629,367	5.56%
2012-2013	\$ 629,641	5.94%
2011-2012	\$ 658,808	5.20%
2010-2011	\$ 648,579	4.90%
2009-2010	\$ 603,368	5.20%
2008-2009	\$ 639,567	5.20%

Local revenues in the table include the receipt of delinquent taxes from prior years. For the fiscal year ended June 30, 2014, the District had minimal current year property taxes that had not been collected.

**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
	2014	2013	Change
<b>Assets</b>			
Land	\$ 40,000	\$ 40,000	0.0%
Site improvements	1,603,909	1,603,909	0.0%
Buildings and improvements	14,975,849	14,975,849	0.0%
Busses and other vehicles	996,700	1,046,633	-4.8%
Furniture and equipment	493,493	493,493	0.0%
Subtotal	18,109,951	18,159,884	-0.3%
Less accumulated depreciation	<u>(6,692,709)</u>	<u>(6,206,811)</u>	7.8%
<b>Total assets</b>	<u>\$ 11,417,242</u>	<u>\$ 11,953,073</u>	-4.5%

**Long-Term Debt**

The long-term obligations for the District decreased from \$4,779,532 at the end of 2012-2013 to \$3,908,084 at the end of 2013-2014. The total decrease was \$871,448. This included a net decrease in Governmental obligation bonds of \$725,000. In addition the retirement incentive package was decreased by \$112,500. Other contracts payable were decreased by \$20,000.

**Millington Community Schools  
Management's Discussion and Analysis  
Year Ended June 30, 2014**

**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 2013-2014 was approved on June 25, 2013 and amended in January of 2014 and June of 2014.

**General Fund Revenues**

	<b>2013</b>
Total revenues final budget	\$ 11,422,329
Total revenues original budget	11,931,650
<b>Change</b>	<b>\$ (509,321)</b>

The Districts' actual general fund revenues of \$11,315,750 were less than the revised budget by \$106,579, a variance of 0.93%.

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

- Federal revenues decreased from the original budget to the final budget by approximately \$74,000. This is primarily the result of a reduction in federal IDEA funding and Title I funding.
- State revenues decreased from the original budget to the final budget by \$321,000. An increase in the MPERS UAAL Rate stabilization funding was offset by decreases in the Discretionary payment, Technology Infrastructure grant, and the Special Ed Headlee payment.
- Local revenues decreased by approximately \$148,000 as a result of reductions in property taxes anticipated sports tournaments being placed at other districts, and decreases in miscellaneous other revenues.

**General Fund Expenditures**

	<b>2013</b>
Total expenditures final budget	\$ 12,075,848
Total expenditures original budget	11,803,613
<b>Change</b>	<b>\$ 272,235</b>

The District's actual general fund expenditures of \$11,166,530 were less than the revised budget by \$909,317, a variance of 7.5%.

- Instructional costs decreased 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 reclassification of services from the Tuscola ISD being funded at the local level to align with the Michigan Public School Accounting Manual.
- Supporting Services – Instructional Staff, the final budget had an increase from the original budget. This increase is the result of curriculum services provided through Excellence in Education for reading programs.
- 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 increased legal fees to settle the self-insured health litigation.

**Economic Factors and Next Year's Budget**

Since most of the District's revenue is derived from the per pupil foundation allowance, student enrollment as reported in the *blended*

**Millington Community Schools  
Management's Discussion and Analysis  
Year Ended June 30, 2014**

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*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 2014-2015 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 for 2014-2015, ranging from 20.96% to 25.78% dependent on which retirement options each employee has chosen. Funding is also being provided to assist districts in paying down the unfunded retirement liability. The amount being received for 2014-2015 is 8.76%.

**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

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**Millington Community Schools**  
**Statement of Net Position**  
**June 30, 2014**

	Governmental Activities
<b>Assets</b>	
Cash	\$ 2,113,695
Taxes receivable	387
Accounts receivable	5,322
Due from other governmental units	1,937,605
Inventory	5,000
Investments	5,034
Prepaid items	66,336
Capital assets not being depreciated	40,000
Capital assets - net of accumulated depreciation	11,377,242
Total assets	15,550,621
<b>Liabilities</b>	
Accounts payable	142,490
State aid anticipation note payable	2,000,000
Due to other governmental units	55,591
Payroll deductions and withholdings	146,907
Accrued expenditures	151,146
Accrued salaries payable	388,427
Unearned revenues	8,000
Noncurrent liabilities	
Due within one year	896,636
Due in more than one year	3,011,448
Total liabilities	6,800,645
<b>Net position</b>	
Net investment in capital assets	7,798,169
Restricted for:	
Food service	1,982
Debt service	25,597
Unrestricted	924,228
Total net position	\$ 8,749,976

See Accompanying Notes to Financial Statements

**Millington Community Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
<b>Functions/Programs</b>				
Governmental activities				
Instruction	\$ 6,775,280	\$ 33,010	\$ 1,483,806	\$ (5,258,464)
Supporting services	4,519,885	56,014	152,324	(4,311,547)
Food services	673,773	115,834	446,762	(111,177)
Community services	88,717	79,631	-	(9,086)
Interest on long-term debt	181,119	-	-	(181,119)
<b>Total governmental activities</b>	<b>\$ 12,238,774</b>	<b>\$ 284,489</b>	<b>\$ 2,082,892</b>	<b>(9,871,393)</b>
General revenues				
Property taxes, levied for general purposes				629,367
Property taxes, levied for debt service				671,711
Property taxes, levied for sinking fund				102,140
State aid - unrestricted				8,875,260
Interest and investment earnings				1,456
Gain on sale of capital assets				5,697
Other				120,726
Total general revenues				10,406,357
Change in net position				534,964
<b>Net position - beginning</b>				8,215,012
<b>Net position - ending</b>				<b>\$ 8,749,976</b>

See Accompanying Notes to Financial Statements

**Millington Community Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2014**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 2,079,584	\$ 34,111	\$ 2,113,695
Taxes receivable	-	387	387
Accounts receivable	4,043	1,279	5,322
Due from other funds	95,057	-	95,057
Due from other governmental units	1,929,216	8,389	1,937,605
Inventory	5,000	-	5,000
Investments	5,034	-	5,034
Prepaid items	24,336	42,000	66,336
<b>Total assets</b>	<b>\$ 4,142,270</b>	<b>\$ 86,166</b>	<b>\$ 4,228,436</b>

See Accompanying Notes to Financial Statements

**Millington Community Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2014**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Liabilities and fund balance</b>			
Liabilities			
Accounts payable	\$ 131,931	\$ 10,559	\$ 142,490
State aid anticipation note payable	2,000,000	-	2,000,000
Due to other funds	-	95,057	95,057
Due to other governmental units	53,945	1,646	55,591
Payroll deductions and withholdings	145,466	1,441	146,907
Accrued expenditures	126,742	404	127,146
Accrued salaries payable	388,427	-	388,427
Unearned revenue	3,778	4,222	8,000
Total liabilities	<u>2,850,289</u>	<u>113,329</u>	<u>2,963,618</u>
<b>Fund Balance (Deficit)</b>			
Non-spendable			
Inventory	\$ 5,000	\$ -	\$ 5,000
Prepaid items	24,336	42,000	66,336
Restricted for:			
Debt service	-	49,597	49,597
Unassigned	<u>1,262,645</u>	<u>(118,760)</u>	<u>1,143,885</u>
Total fund balance (deficit)	<u>1,291,981</u>	<u>(27,163)</u>	<u>1,264,818</u>
<b>Total liabilities and fund balance (deficit)</b>	<u>\$ 4,142,270</u>	<u>\$ 86,166</u>	<u>\$ 4,228,436</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, 2014**

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<b>Total fund balances for governmental funds</b>	\$ 1,264,818
Total net position for governmental activities in the statement of Net position is different because:	
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	11,377,242
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(24,000)
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	(176,511)
Special termination benefits	(112,500)
Bonds payable	(3,525,093)
Other loans payable and liabilities	<u>(93,980)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 8,749,976</u></b>

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, 2014**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Local sources	\$ 802,149	\$ 1,008,990	\$ 1,811,139
State sources	9,735,466	26,560	9,762,026
Federal sources	720,318	423,687	1,144,005
Interdistrict sources	<u>52,121</u>	<u>-</u>	<u>52,121</u>
Total revenues	<u>11,310,054</u>	<u>1,459,237</u>	<u>12,769,291</u>
<b>Expenditures</b>			
Current			
Education			
Instruction	6,569,091	-	6,569,091
Supporting services	4,292,687	-	4,292,687
Food services	-	644,001	644,001
Community services	10,950	73,846	84,796
Capital outlay	23,497	47,720	71,217
Debt service			
Principal	175,000	550,000	725,000
Interest and other expenditures	<u>58,310</u>	<u>134,681</u>	<u>192,991</u>
Total expenditures	<u>11,129,535</u>	<u>1,450,248</u>	<u>12,579,783</u>
Excess (deficiency) of revenues over expenditures	<u>180,519</u>	<u>8,989</u>	<u>189,508</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, 2014**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Other financing sources (uses)</b>			
Transfers in	\$ -	\$ 37,000	\$ 37,000
Transfers out	<u>(37,000)</u>	<u>-</u>	<u>(37,000)</u>
Total other financing sources (uses)	<u>(31,303)</u>	<u>37,000</u>	<u>5,697</u>
Net change in fund balance	149,216	45,989	195,205
<b>Fund balance - beginning</b>	<u>1,142,765</u>	<u>(73,152)</u>	<u>1,069,613</u>
<b>Fund balance (deficit) - ending</b>	<u>\$ 1,291,981</u>	<u>\$ (27,163)</u>	<u>\$ 1,264,818</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, 2014**

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<b>Net change in fund balances - Total governmental funds</b>	<b>\$ 195,205</b>
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	(1,250)
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	(535,831)
Expenses are recorded when incurred in the statement of activities.	
Interest	5,392
Special termination benefits	112,500
Compensated absences	(6,001)
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	13,469
Repayments of long-term debt	745,000
Amortization of bond premium	6,480
	13,469
<b>Change in net position of governmental activities</b>	<b>\$ 534,964</b>

See Accompanying Notes to Financial Statements



**Millington Community Schools**  
**Fiduciary Funds**  
**Statement of Assets and Liabilities**  
**June 30, 2014**

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	<u>Agency Funds</u>
<b>Assets</b>	
Cash	<u>\$ 117,160</u>
<b>Liabilities</b>	
Due to agency fund activities	<u>\$ 117,160</u>

See Accompanying Notes to Financial Statements

**Millington Community Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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**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 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

**Millington Community Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 fund:

*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.

**Millington Community Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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**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, 2014, the rates are as follows per \$1,000 of assessed value.

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.

**Millington Community Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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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.

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 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.

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.

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,

**Millington Community Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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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.

**Upcoming Accounting and Reporting Changes**

The Government Accounting Standards Board ("The GASB") has issued Statement 68, *Accounting and Financial Reporting for Pensions*, and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 net pension liability will be recorded on the government-wide statements. Statement 71 amends Statement 68 to address an issue concerning transition provisions related to certain pension

contributions made to defined benefit pension plans prior to implementation of Statement 68 by employers and non-employer contributing entities. The District is evaluating the impact these standards will have on its financial reporting. Statements 68 and 71 are effective for the year ending June 30, 2015.

The GASB has also issued Statement 69, *Government Combinations and Disposals of Government Operations*. Statement 69 provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation of termination of services, and the legal structure of the new or continuing entity. Statement 69 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.

**Millington Community Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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			
Instructional staff	\$ 139,838	\$ 145,206	\$ 5,368
Business	223,097	256,139	33,042

**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 unassigned fund balance in the Sinking Fund of \$88,007 as of June 30, 2014. This temporary deficit is caused by incurring expenditures for capital projects in excess of tax collections. This deficit is expected to be eliminated in subsequent fiscal years with the scheduled collection of property taxes.

**Note 3 - Deposits and Investments**

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

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash	\$ 2,113,695	\$ 117,160	\$ 2,230,855
Investments	5,034	-	5,034
	<u>\$ 2,118,729</u>	<u>\$ 117,160</u>	<u>\$ 2,235,889</u>

**Millington Community Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 2,230,855
Investments in securities, mutual funds, and similar vehicles	5,034
Total	\$ 2,235,889

As of year end, the District had the following investments:

Investment	Fair Value	Rating	Rating Organization
Michigan Liquid Asset Fund	\$ 5,034	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 \$2,170,379 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, 2014**

**Note 4 - Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Capital assets being depreciated				
Buildings and additions	14,975,849	-	-	14,975,849
Site improvements	1,603,909	-	-	1,603,909
Equipment and furniture	493,493	-	-	493,493
Buses and other vehicles	1,046,633	-	49,933	996,700
Total capital assets being depreciated	18,119,884	-	49,933	18,069,951
Less accumulated depreciation for				
Buildings and additions	4,726,615	359,079	-	5,085,694
Site improvements	484,100	80,544	-	564,644
Equipment and furniture	197,767	37,037	-	234,804
Buses and other vehicles	798,329	59,171	49,933	807,567
Total accumulated depreciation	6,206,811	535,831	49,933	6,692,709
Net capital assets being depreciated	11,913,073	(535,831)	-	11,377,242
Net capital assets	<u>\$ 11,953,073</u>	<u>\$ (535,831)</u>	<u>\$ -</u>	<u>\$ 11,417,242</u>

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

<b>Governmental activities</b>	
Instruction	\$ 303,688
Support services	198,450
Food services	29,772
Community services	3,921
Total governmental activities	<u>\$ 535,831</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>\$ 95,057</u>

Interfund transfers consist of \$37,000 transferred from General Fund to Food Service Fund 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	\$ 4,222
Grant and categorical aid payments received prior to meeting all eligibility	<u>3,778</u>
Total	<u>\$ 8,000</u>

**Millington Community Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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

Beginning Balance	Proceeds	Repayments	Ending Balance	Rate
\$ 1,621,691	\$ 2,000,000	\$ 1,621,691	\$ 2,000,000	0.45% - 0.80%

**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:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 4,225,000	\$ -	\$ 725,000	\$ 3,500,000	\$ 750,000
Contract payable	60,000	-	20,000	40,000	20,000
Capital lease	67,449	-	13,469	53,980	14,136
Compensated absences	170,510	6,001	-	176,511	-
Special termination benefits	225,000	-	112,500	112,500	112,500
Premium on bonds	31,573	-	6,480	25,093	-
<b>Total</b>	<b>\$ 4,779,532</b>	<b>\$ 6,001</b>	<b>\$ 877,449</b>	<b>\$ 3,908,084</b>	<b>\$ 896,636</b>

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

\$1,750,000 serial bond due in annual installments of \$175,000 through May 1, 2020, interest at 4.76% \$ 1,050,000

\$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% 2,450,000

Total general obligation bonded debt \$ 3,500,000

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Year Ending June 30,</b>			
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>
<b>Total</b>	<b><u>\$3,500,000</u></b>	<b><u>\$798,694</u></b>	<b><u>\$4,298,694</u></b>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$49,597 to pay this debt. Future debt and interest will be payable from future tax levies. Contract Payable is expected to be liquidated by the Sinking Fund. Capital leases, compensated absences and special termination benefits are expected to be liquidated by the General Fund.

**Millington Community Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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**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. Future payments are as follows:

<u>Year ending June 30,</u>	
2015	\$ 20,000
2016	20,000
	<u>\$ 40,000</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>	
2015	\$ 16,440
2016	16,440
2017	16,440
2018	9,590
	<u>58,910</u>
Total minimum lease payments	58,910
Less amount representing interest	4,930
	<u>4,930</u>
Present value of minimum lease payments	<u>\$ 53,980</u>

The assets acquired through capital leases are as follows:

Asset	
Equipment and furniture	\$ 72,872
Less accumulated depreciation	36,436
	<u>36,436</u>
Total	<u>\$ 36,436</u>

**Compensated Absences**

Accrued compensated absences at year end, consists of \$176,511 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. The final payment of \$112,500 is payable in the fiscal year ended June 30, 2015.

**Millington Community Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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**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, 2014 were \$21,878. 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, 2014.

**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>.

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

**Millington Community Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

The system also provides postemployment healthcare benefits to retirees and their beneficiaries who elect to receive the benefits.

**Pension Benefits**

Employer contributions to MPSERS result from the applying rules and applicable changes of the School Finance Reform Act. Accordingly, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. Depending on the plan selected, a plan member's contribution may range from 0% to 7% of their gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

For the period July 1, 2013 through September 30, 2013, employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP	Pension Plus	Pension Plus PHF (first worked September 4, 2012 or later)	Pension Plus to DC with PHF (first worked September 4, 2012 or later)	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	15.21%	15.02%	15.02%	12.78%	12.78%	12.78%	15.21%
Health contributions	9.11%	9.11%	8.18%	8.18%	9.11%	8.18%	8.18%
Defined contribution plan employer contributions:							
DC	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
PHF	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%

For the period October 1, 2013 through June 30, 2014, employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP	Pension Plus	Pension Plus PHF (first worked September 4, 2012 or later)	Pension Plus to DC with PHF (first worked September 4, 2012 or later)	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	18.34%	18.11%	18.11%	15.44%	15.44%	15.44%	18.34%
Health contributions	6.45%	6.45%	5.52%	5.52%	6.45%	5.52%	5.52%
Defined contribution plan employer contributions:							
DC	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
PHF	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%

The School District's required and actual contributions to the plans for the years ended June 30, 2014, 2013, and 2012 were approximately \$1,093,391 \$933,608, and \$983,856, respectively. Contributions made by the participants of the plan for the year ended June 30, 2014 were \$7,931.

**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, 2014**

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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.

For the periods July 1, 2013 through September 30, 2013, and October 1, 2013 through June 30, 2014, the employer contribution rate ranged from 8.18% to 9.11% and 5.52% to 6.45%, respectively. See above two tables for rates.

The District's actual contributions match the required contributions for the years ended June 30, 2014, 2013, and 2012 and were approximately \$443,086, \$559,561, and \$523,983 respectively.

**Unfunded Accrued Actuarial Liability**

During the year ended June 30, 2014, the District had contributions in the amount of \$369,853 to the Michigan Public School Employee Retirement System (MPSERS). This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 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, 2014.

**Note 12 - Subsequent Event**

Subsequent to June 30, 2014, the School District has paid the balance accrued interest on the short-term state aid anticipation note borrowed in August of 2013 and has subsequently borrowed \$2,000,000 in short-term state aid anticipation notes. Proceeds from the borrowing were received in August 2014. The interest rate on the new borrowings is 0.780%.

## REQUIRED SUPPLEMENTARY INFORMATION

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**Millington Community Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>			Over (Under) Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Local sources	\$ 964,972	\$ 817,114	\$ 802,149	\$ (14,965)
State sources	10,055,287	9,735,647	9,735,466	(181)
Federal sources	816,216	770,069	720,318	(49,751)
Interdistrict sources	<u>92,675</u>	<u>96,802</u>	<u>52,121</u>	<u>(44,681)</u>
Total revenues	<u>11,929,150</u>	<u>11,419,632</u>	<u>11,310,054</u>	<u>(109,578)</u>
<b>Expenditures</b>				
Instruction				
Basic programs	5,750,659	5,655,471	5,152,232	(503,239)
Added needs	1,798,731	1,499,585	1,404,397	(95,188)
Adult and continuing education	-	12,462	12,462	-
Supporting services				
Pupil	358,437	604,607	581,663	(22,944)
Instructional staff	171,563	139,838	145,206	5,368
General administration	312,416	426,124	415,804	(10,320)
School administration	588,926	787,711	735,383	(52,328)
Business	164,566	223,097	256,139	33,042
Operations and maintenance	1,338,564	1,282,463	1,124,020	(158,443)
Pupil transportation services	635,526	663,351	630,661	(32,690)
Central	156,808	210,718	192,560	(18,158)
Athletic activities	243,316	223,325	211,251	(12,074)
Community services	5,000	12,000	10,950	(1,050)
Capital outlay	37,451	36,786	23,497	(13,289)
Debt service				
Interest and fiscal charges	<u>66,650</u>	<u>58,310</u>	<u>58,310</u>	<u>-</u>
Total expenditures	<u>11,803,613</u>	<u>12,010,848</u>	<u>11,129,535</u>	<u>(881,313)</u>
Deficiency of revenues over expenditures	<u>125,537</u>	<u>(591,216)</u>	<u>180,519</u>	<u>771,735</u>



**Millington Community Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>			Over (Under) Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	\$ 2,500	\$ 2,697	\$ 5,697	\$ 3,000
Transfers out	<u>-</u>	<u>(65,000)</u>	<u>(37,000)</u>	<u>28,000</u>
Total other financing sources (uses)	<u>2,500</u>	<u>(62,303)</u>	<u>(31,303)</u>	<u>31,000</u>
Net change in fund balance	128,037	(653,519)	149,216	802,735
Fund balance - beginning	<u>1,142,765</u>	<u>1,142,765</u>	<u>1,142,765</u>	<u>-</u>
<b>Fund balance - ending</b>	<u><u>\$ 1,270,802</u></u>	<u><u>\$ 489,246</u></u>	<u><u>\$ 1,291,981</u></u>	<u><u>\$ 802,735</u></u>

## OTHER SUPPLEMENTARY INFORMATION

**Millington Community Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2014**

	Special Revenue Funds		Debt Service Funds		Total Nonmajor Governmental Funds
	Food Service	Community Education	All Issues	Sinking Fund	
<b>Assets</b>					
Cash	\$ -	\$ 10,675	\$ 49,210	\$ 6,992	\$ 66,877
Taxes receivable	-	-	387	-	387
Accounts receivable	-	1,279	-	-	1,279
Due from other governmental units	8,331	-	-	58	8,389
Prepaid items	42,000	-	-	-	42,000
<b>Total assets</b>	<u>\$ 50,331</u>	<u>\$ 11,954</u>	<u>\$ 49,597</u>	<u>\$ 7,050</u>	<u>\$ 118,932</u>
<b>Liabilities and fund balance</b>					
Checks written against future deposits	\$ 32,766	\$ -	\$ -	\$ -	\$ 32,766
Accounts payable	7,870	2,689	-	-	10,559
Due to other funds	-	-	-	95,057	95,057
Due to other governmental units	1,646	-	-	-	1,646
Payroll deductions and withholdings	1,441	-	-	-	1,441
Accrued expenditures	404	-	-	-	404
Unearned revenue	4,222	-	-	-	4,222
<b>Total liabilities</b>	<u>48,349</u>	<u>2,689</u>	<u>-</u>	<u>95,057</u>	<u>146,095</u>
<b>Fund balance (deficit)</b>					
Non-spendable					
Prepaid items	42,000	-	-	-	42,000
Restricted for:					
Debt service	-	-	49,597	-	49,597
Unassigned	(40,018)	9,265	-	(88,007)	(118,760)
<b>Total fund balance (deficit)</b>	<u>1,982</u>	<u>9,265</u>	<u>49,597</u>	<u>(88,007)</u>	<u>(27,163)</u>
<b>Total liabilities, deferred inflows and fund balance</b>	<u>\$ 50,331</u>	<u>\$ 11,954</u>	<u>\$ 49,597</u>	<u>\$ 7,050</u>	<u>\$ 118,932</u>

**Millington Community Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2014**

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>	<u>Sinking Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Community Education</u>	<u>All Issues</u>		
<b>Revenues</b>					
Local sources	\$ 153,798	\$ 79,631	\$ 673,347	\$ 102,214	\$ 1,008,990
State sources	26,560	-	-	-	26,560
Federal sources	423,687	-	-	-	423,687
	<u>604,045</u>	<u>79,631</u>	<u>673,347</u>	<u>102,214</u>	<u>1,459,237</u>
Total revenues					
<b>Expenditures</b>					
Current					
Education					
Food services	644,001	-	-	-	644,001
Community services	-	73,846	-	-	73,846
Capital outlay	-	-	-	47,720	47,720
Debt service					
Principal	-	-	550,000	-	550,000
Interest and other expenditures	-	-	134,681	-	134,681
	<u>644,001</u>	<u>73,846</u>	<u>684,681</u>	<u>47,720</u>	<u>1,450,248</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>(39,956)</u>	<u>5,785</u>	<u>(11,334)</u>	<u>54,494</u>	<u>8,989</u>

**Millington Community Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2014**

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	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>	<u>Sinking Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Community Education</u>	<u>All Issues</u>		
<b>Other financing sources (uses)</b>					
Transfers in	\$ 37,000	\$ -	\$ -	\$ -	\$ 37,000
Net change in fund balance	(2,956)	5,785	(11,334)	54,494	45,989
Fund balance - beginning	4,938	3,480	60,931	(142,501)	(73,152)
<b>Fund balance (deficit) - ending</b>	<u>\$ 1,982</u>	<u>\$ 9,265</u>	<u>\$ 49,597</u>	<u>\$ (88,007)</u>	<u>\$ (27,163)</u>

**Millington Community Schools**  
**Other Supplementary Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2014**

<u>Year Ending June 30,</u>	<u>2008 Building and Site Bond</u>	<u>2010 School Improvement Bond</u>	<u>Total</u>
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>\$ 2,450,000</u>	<u>\$ 1,050,000</u>	<u>\$ 3,500,000</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

\$ 5,000,000

\$ 1,750,000

**Millington Community Schools**

**Millington, Michigan**

**Single Audit Report**

**June 30, 2014**

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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, 2014, and the related notes to the financial statements, which collectively comprise Millington Community Schools' basic financial statements, and have issued our report thereon dated September 30, 2014.

**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.

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

**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*.

**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  
September 30, 2014

## **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, 2014. 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, 2014.

### **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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

## 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, 2014, and the related notes to the financial statements, which collectively comprise Millington Community Schools' basic financial statements. We issued our report thereon September 30, 2014, 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  
September 30, 2014

**Millington Community Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2014**

Federal Grant Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue July 1, 2013	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue June 30, 2014
U.S. Department of Agriculture							
Nutrition Cluster							
Passed through Michigan Department of Education							
Non-cash assistance (commodities)							
National School Lunch Program							
Entitlement Commodities							
	10.555	\$ 44,924	\$ -	\$ -	\$ 44,924	\$ 44,924	\$ -
Cash assistance							
National School Lunch Breakfast							
	10.553						
141970		105,710	-	-	105,710	105,710	-
131970		142,726	130,047	-	12,679	12,679	-
				-	118,389	118,389	-
National School Lunch Program							
	10.555						
141960		231,758			231,758	231,758	-
131960		301,291	272,675	-	28,616	28,616	-
				-	260,374	260,374	-
Total cash assistance					378,763	378,763	-
Total Nutrition Cluster					423,687	423,687	-

**Millington Community Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2014**

Federal Grant Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue July 1, 2013	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue June 30, 2014
U.S. Department of Education							
Passed through Michigan Department of Education							
Title I, Part A							
	84.010						
141530-1314		\$ 258,088	\$ -	\$ -	\$ 227,548	\$ 182,764	\$ 44,784
131530-1213		293,960	293,960	23,032	-	23,032	-
				<u>23,032</u>	<u>227,548</u>	<u>205,796</u>	<u>44,784</u>
Passed through Tuscola Intermediate School District							
IDEA Special Education							
	84.027						
140450		404,322	-	-	404,322	350,591	53,731
130450		419,652	419,652	419,652	-	419,652	-
				<u>419,652</u>	<u>404,322</u>	<u>770,243</u>	<u>53,731</u>
Passed through Michigan Department of Education							
Title IIA, Teacher Quality Formula							
	84.367						
140520-1314		88,942	-	-	69,731	67,100	2,631
130520-1213		77,275	62,931	48,323	-	48,323	-
				<u>48,323</u>	<u>69,731</u>	<u>115,423</u>	<u>2,631</u>
Total U.S. Department of Education				<u>491,007</u>	<u>701,601</u>	<u>1,091,462</u>	<u>101,146</u>
U.S. Department of Health and Human Services							
Passed through Northern Michigan Community Service Agency Inc.							
Headstart							
2013-2014	93.600	18,717	-	-	18,717	18,717	-
Total Federal Financial Awards				<u>\$ 491,007</u>	<u>\$ 1,144,005</u>	<u>\$ 1,533,866</u>	<u>\$ 101,146</u>

**Millington Community Schools**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2014**

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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, 2014.
3. The federal amounts reported on the "Grant Auditor Report" are in agreement with the Schedule of Expenditures of Federal Awards.
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.



**Millington Community Schools**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2014**

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**Section I – Summary of Auditor’s Results**

*Financial Statements*

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? \_\_\_\_\_ yes      X   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Significant Deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes      X   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      X   no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.027 10.553, 10.555	IDEA Special Education Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes      X   no

**Millington Community Schools**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2014**

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**Section II – Financial Statement Findings**

There were no financial statement findings for June 30, 2014

**Section II – Federal Award Findings**

There were no Federal award findings for June 30, 2014

**Millington Community Schools**  
**Summary of Prior Year Audit Findings**  
**June 30, 2014**

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**Finding 2013-001 – Material Weakness – Account Reconciliations**

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

**Current Status:** Resolved - All accounts were reconciled timely as of June 30, 2014.

**Finding 2013-002 – Material Weakness, Noncompliance – Budgeting**

**Condition:** Significant budget variances were identified during the audit.

**Current Status:** Improved - The June 30, 2014 actual results were in line with budgeted expectations. Certain line items did exceed budgeted amounts including Instructional Staff and Business.

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

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

**Current Status:** Resolved - All certification sampled were present



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September 30, 2014

Audit Committee, Board of Education, and Management  
Millington Community Schools  
Millington, MI

We have completed our audit of the financial statements of Millington Community Schools as of and for the year ended June 30, 2014, and have issued our report dated September 30, 2014. 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 April 11, 2014. 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 used by the district are described in Note 1 of the financial statements. 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 financial statement 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.

## *Accounting Standards and Regulatory Updates*

### Accounting Standards

The Government Accounting Standards Board (“The GASB”) has issued Statement 68, *Accounting and Financial Reporting for Pensions*, and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement 68 requires government 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 net pension liability will be recorded on the government-wide statements. Statement 71 amends Statement 68 to address an issue concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement 68 by employers and non-employer contributing entities. Statements 68 and 71 are effective for the year ending June 30, 2015.

The GASB has also issued Statement 69, *Government Combinations and Disposals of Government Operations*. Statement 69 provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity. Statement 69 is effective for the year ending June 30, 2015.

### Uniform Grant Guidance (Super Circular)

In December 2013, the Federal Office of Management and Budget (OMB) issued final guidance on administrative requirements, the Guidance supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, A-122, A-89, A-102 and A-133 and the guidance in Circular A-50 on Single Audit Act follow-up. Districts will need to implement the new administrative requirements and Cost Principles for all new federal grants awarded after December 26, 2014, and to additional funding to existing awards (referred to as funding increments) made after that date. EDGAR will be the source for guidance school districts will follow.

Highlights of the Super Circular:

- Raises the single audit threshold from \$500,000 to \$750,000 (federal expenditures during the June 30, 2016, year end)
- Increases monitoring and risk assessment necessary by federal program offices
- Focuses heavily on internal controls and policies/procedures, which should be in compliance with COSO (Committee of Sponsoring Organizations of the Treadway Commissions)
- Additional monitoring by pass-through agencies of sub recipients
- New rules for procurement/property management
- Cost principles are more principles based, with intention to reduce administrative burden

Additional information and resources are available at the following websites:

- OMB [http://www.whitehouse.gov/omb/grants\\_docs](http://www.whitehouse.gov/omb/grants_docs)
- U Council on Federal Assistance Reform (COFAR)\_ <https://cfo.gov/cofar/>
- US Department of Education <http://1.usa.gov/1rzFswz>
- EDGAR (<http://1.usa.gov/1pOUq2p>)

### Sec. 147c- State Share of Unfunded Liability – Michigan Public School Employees Retirement System (MPSERS)

For 2014-15 the method in which the State will allocate the State Share of the Unfunded Liability will not change. However, the rate will increase to an estimated 7.63% of payroll. The funding was increased to accommodate the unfunded liability statutory cap of 20.96%.

### Audit and FID Submission Deadline

For the upcoming year, June 30, 2015, the deadline to submit the Financial Information Database (FID) and the school district financial audits will be October 15th.

### Sec. 22f - Best Practices

For the upcoming year, June 30, 2015, fiscal year your district must meet 7 out of 9 Best Practices. Per pupil funding, if this is met, will be \$50. The nine best practices are as follows:

- Act as policyholder for health care services benefits
- Competitively bid at least one non-instructional service
- Participate in schools of choice
- Provide online learning opportunities
- Provide a public online dashboard with finance and academic metrics
- Use teacher and administrator job performance as a significant factor in determining compensation requirements under MCL 380.1250
- Collective bargaining agreements shall not include any prohibited subjects of bargaining as required under the Public Employment Relations Act
- Implement a comprehensive guidance and counseling program.
- Offer pupils in grades K to 8 the opportunity to complete coursework or other learning experiences that are substantially equivalent to 1 credit in a language other than English

### *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, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures 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 that report (those reports) to ensure you are aware of relevant information.

### *Report on Required Supplementary Information*

With respect to the required supplementary 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 Information*

With respect to the supplementary information accompanying the financial statements, 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 supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We discussed these matters with various personnel in the district during the audit 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.*

Flint, Michigan