

MILLINGTON COMMUNITY SCHOOLS
Millington, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and
additional supplementary information)
YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Millington Community Schools
Millington, Michigan 48746

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Millington Community Schools as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Millington Community Schools as of June 30, 2015, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 14 to the financial statements, Millington Community Schools implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary 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 Millington Community School's basic financial statements. The additional supplementary information, as identified in the table of contents, and schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are 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 audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2015, on our consideration of Millington Community School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Millington Community School's internal control over financial reporting and compliance.



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN

October 27, 2015

Millington Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2015

This financial report is presented in the format required by generally accepted accounting principals.

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 11) 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 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 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.

Millington Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2015

Financial Analysis of the District as a Whole

Summary of Net Position

	2015	2014
	Governmental	Governmental
	<u>Activities</u>	<u>Activities</u>
Assets		
Current	\$ 4,689,605	\$ 4,133,379
Capital, net	<u>10,920,648</u>	<u>11,417,242</u>
Total	<u>15,610,253</u>	<u>15,550,621</u>
Deferred outflows of resources	1,513,905	-
Liabilities		
Current	3,005,389	2,892,561
Pension Liability	13,432,933	-
Long-term	<u>2,956,894</u>	<u>3,908,084</u>
Total	<u>19,395,216</u>	<u>6,800,645</u>
Deferred inflows of resources	1,485,016	-
Net position		
Net investment in		
capital assets	8,092,191	7,798,169
Restricted	6,798	27,579
Unrestricted	<u>(11,855,063)</u>	<u>924,228</u>
Total	<u>\$ (3,756,074)</u>	<u>\$ 8,749,976</u>
Adoption of GASB 68 & 71		
Net Pension Liability		(14,291,063)
Deferred Outflows		831,783
Net position as restated		<u>\$ (4,709,304)</u>
July 1, 2014		

The June 30, 2014 numbers have been updated for the implementation of GASB 68 and 71.

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 16.

Total current assets are more than those of 2014. This is due to an increase of cash of \$532,000.

The decrease in District capital assets is the result of annual depreciation expense in the amount of \$524,627 and \$10,027 disposal of assets. Additions to capital assets included computer equipment and a jump mower.

The balance of long-term liabilities decreased \$951,190 from the prior year. This is the result of principal payments on our QZAB bonds and our 2008 Building and Site bonds.

Millington Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2015

The District's net position has been restated for June 30, 2014 to reflect the required implementation of GASB 68. The District has recorded its proportionate share of the net pension liability of the Michigan Public School Employers' Retirement System. This impacts the government wide statements only, not individual funds

The net position for the District increased by \$953,230 during the 2014-2015 fiscal year. The *Statement of Net Position from Operating Results* shows the details of this change.

Statement of Net Position from Operating Results

	2015	2014
	Governmental	Governmental
	<u>Activities</u>	<u>Activities</u>
Revenues		
Program revenues		
Charges for services	\$ 362,612	\$ 284,489
Operating grants and contributions	2,103,937	2,082,892
General revenues		
Property taxes	1,412,650	1,403,218
State foundation allowance	8,847,636	8,875,260
Other	190,098	120,726
Total	<u>12,916,933</u>	<u>12,766,585</u>
Expenses		
Instruction	6,783,753	6,775,280
Support Services	3,807,583	4,519,885
Food Services	616,893	673,773
Community Services	78,241	88,717
Other Transactions	677,233	181,119
Total	<u>11,963,703</u>	<u>12,238,774</u>
Increase in Net Position	953,230	527,811
Net position as restated	<u>(4,709,304)</u>	
Net position end of year	<u>\$ (3,756,074)</u>	

Total revenues for the district were more than 2014 levels by \$150,348 or 1%. Revenue from the state foundation allowance decreased \$27,624. This revenue decrease is the result of declining enrollment. Federal grants and other contributions to the district were up. Charges for services increased \$78,123. Other revenues increased approximately \$69,372.

The result of total operations produced expenditures that were \$275,071 less than 2014. This represents a decrease of 2% from 2014 levels.

**Millington Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2015**

Instructional expenses were up \$8,473, while supporting services decreased by \$712,302 from 2014 levels. Operations and maintenance expenses were less than 2014 due to reduced staffing and the partial closure of the Meachum building. Support services for instructional staff were down due to the retirement of the curriculum director and reduced staffing in counseling services.

A decrease in expenditures for food services of approximately \$56,880 and a combined decrease of \$10,476 of spending in the community education fund and interest on debt, combined with the above spending variances yielded an overall decrease of \$275,071 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 \$425,419.

School District's Funds

As the School District completed this fiscal year, the governmental funds reported a combined fund balance of \$1,705,516, 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 \$380,617. This amount reflects an increase to fund balance of 29% for the fiscal year. Partial closure of the Meachum building and staff retirements contributed to the increase.

The fund balance of our Food Service Fund increased approximately \$4,649. 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.

The Debt Service Fund showed a decrease in fund balance of approximately \$21,499. The net results of the decrease and the prior years balance reflects an ending balance of \$28,098 available to pay future debt payments. The fund balance of the Debt Service Fund is restricted since it can only be used for future debt service obligations.

The Sinking Fund ended the year with a deficit balance of approximately \$7,800. This represents an increase from prior year of approximately \$80,200. These funds are also restricted for specific expenditures as allowed by law.

The Community Education Fund had a fund balance of \$5,969 at the fiscal year end a decrease of \$3,296 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.

Millington Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2015

Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. Millington Community Schools' foundation allowance for 2014-2015 was \$7,126 per student. This amount is an increase to the 2013-2014 foundation allowance of \$100 per student.

Student Enrollment

The District's student "Full Time Equivalent" (FTE) for the fall count of 2014-2015 was 1,294 students. The following summarizes fall student enrollments in the past five years:

Enrollment History

Fiscal Year	Student FTE	Change From Prior Year
2014-2015	1,294	(40)
2013-2014	1,334	(55)
2012-2013	1,389	(41)
2011-2012	1,430	(62)
2010-2011	1,492	(20)

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 2015-2016 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 2014-2015. This represents a consistent levy with the 2013-2014 levies. Under Michigan law, the tax levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at lesser of the rate of the prior year's Consumer Price Index increase or 5 percent. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, theoretically 50 percent of the market value. The following summarizes the local tax revenues as a percent of all general fund revenues for the past five years:

Local Property Tax History

Fiscal Year	Local Property Tax Revenue	% of General Fund Revenue
2014-2015	\$ 647,592	5.73%
2013-2014	\$ 629,367	5.56%
2012-2013	\$ 629,641	5.94%
2011-2012	\$ 658,808	5.20%
2010-2011	\$ 648,579	4.90%

**Millington Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2015**

Local revenues in the table include the receipt of delinquent taxes from prior years. For the fiscal year ended June 30, 2015, the District had minimal current year property taxes that had not been collected.

Capital Assets

At June 30, 2015, the District had \$10,920,648 invested in capital assets including land, buildings, furniture, and equipment.

	June 30,	
	2015	2014
Assets		
Land	\$ 40,000	\$ 40,000
Site improvements	1,600,557	1,603,909
Buildings and improvements	14,974,299	14,975,849
Busses and other vehicles	733,886	996,700
Furniture and equipment	<u>470,702</u>	<u>493,493</u>
Subtotal	17,819,444	18,109,951
Less accumulated depreciation	<u>(6,898,796)</u>	<u>(6,692,709)</u>
Total assets	<u>\$ 10,920,648</u>	<u>\$ 11,417,242</u>

Long-Term Debt

The long-term obligations for the District decreased from \$3,908,084 at the end of 2013-2014 to \$2,956,894 at the end of 2014-2015. The total decrease was \$951,190. This included a net decrease in Governmental obligation bonds of \$775,000. Other contracts payable were decreased by \$20,000.

Millington Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2015

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 2014-2015 was approved on June 25, 2014 and amended in February of 2015 and June of 2015.

General Fund Revenues

	2014-15
Total revenues final budget	\$ 11,400,245
Total revenues original budget	11,028,152
Change	\$ 372,093

The Districts' actual general fund revenues of \$11,465,203 were more than the revised budget by \$64,958, a variance of 0.57%.

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

- Federal revenues decreased from the original budget to the final budget by approximately \$73,700. This is primarily the result of a reduction in federal IDEA funding and Title I funding.
- State revenues increased from the original budget to the final budget by \$524,923. An increase in the MPSERS UAAL Rate stabilization funding and increases in the Prop A, Discretionary payment, and Equity payment. Decreases were noted in the Special Ed Ed Headlee payment.
- Local revenues decreased from the original budget to the final budget by approximately \$13,600 as a result of anticipated property taxes. Athletic revenue increased from the original budget to the final budget by \$4,800.

General Fund Expenditures

	2014-15
Total expenditures final budget	\$ 11,189,689
Total expenditures original budget	10,953,713
Change	\$ 235,976

The District's actual general fund expenditures of \$11,084,586 were less than the revised budget by \$105,103, a variance of .95%.

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

- Retirement costs increased by \$164,000 between the original budget and the final budget. The UAAL was the contributing factor.
- Curriculum expenses increased by \$115,000 between the original budget and the final budget. This increase is the result of the purchase of math textbooks for grades K-12.
- Technology had a decrease of \$50,000 in the final budget from the original budget due to the use of at risk funds to purchase laptops.

**Millington Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2015**

Economic Factors and Next Year's Budget and Rates

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

Actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. It would appear that revenues will be slightly lower for 2015-2016 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 stayed relatively flat for 2015-2016, 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 2015-2016 is 10.53%.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

MILLINGTON COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
June 30, 2015

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and equivalents	\$ 2,646,171
Investments	5,034
Accounts receivable	10,539
Intergovernmental receivable	1,982,216
Deposits receivable	42,000
Prepaid expenses	3,645
Capital assets not being depreciated	40,000
Capital assets, net of accumulated depreciation	10,880,648
TOTAL ASSETS	15,610,253
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	1,513,905
LIABILITIES	
Accounts payable	364,283
Intergovernmental payable	82,346
Benefits payable	125,213
Unearned revenue	11,596
Salaries payable	385,051
Accrued interest	36,900
Note payable	2,000,000
Noncurrent liabilities:	
Due within one year	809,836
Due in more than one year	2,147,058
Net pension liability	13,432,933
TOTAL LIABILITIES	19,395,216
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	1,485,016
NET POSITION	
Net investment in capital assets	8,092,191
Restricted for debt service	6,798
Unrestricted	(11,855,063)
TOTAL NET POSITION	\$ (3,756,074)

See notes to financial statements.

MILLINGTON COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
Instruction	\$ 6,783,753	\$ 97,906	\$ 1,148,325	\$ (5,537,522)
Support services	3,807,583	41,960	492,140	(3,273,483)
Community services	78,241	64,676		(13,565)
Food services	616,893	158,070	463,472	4,649
Interest on long-term debt	152,606			(152,606)
Unallocated depreciation	524,627			(524,627)
Total governmental activities	<u>\$ 11,963,703</u>	<u>\$ 362,612</u>	<u>\$ 2,103,937</u>	(9,497,154)
General revenues:				
Property taxes, levied for general purposes				647,594
Property taxes, levied for debt service				664,368
Property taxes, levied for sinking fund				100,688
State sources				8,847,636
Investment earnings				1,278
Intermediate sources				110,446
Other				78,374
Total general revenues				<u>10,450,384</u>
Change in net position				953,230
Net position, beginning of year, as restated				<u>(4,709,304)</u>
Net position, end of year				<u>\$ (3,756,074)</u>

See notes to financial statements.

MILLINGTON COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and equivalents	\$ 2,614,144	\$ 32,027	\$ 2,646,171
Investments	5,034		5,034
Accounts receivable	6,844	3,695	10,539
Intergovernmental receivable	1,968,151	14,065	1,982,216
Due from other funds	55,502	10,390	65,892
Deposits receivable		42,000	42,000
Prepaid expenditures	3,645		3,645
TOTAL ASSETS	<u>\$ 4,653,320</u>	<u>\$ 102,177</u>	<u>\$ 4,755,497</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES:			
Accounts payable	\$ 352,377	\$ 11,906	\$ 364,283
Due to other funds	8,539	57,353	65,892
Intergovernmental payable	82,346		82,346
Benefits payable	125,213	-	125,213
Unearned revenue	11,596		11,596
Salaries payable	385,051	-	385,051
Accrued interest	15,600		15,600
State aid anticipation note payable	2,000,000		2,000,000
TOTAL LIABILITIES	<u>2,980,722</u>	<u>69,259</u>	<u>3,049,981</u>
FUND BALANCES:			
Nonspendable for:			
Prepaid expenditures	3,645		3,645
Restricted for:			
Debt Service		28,098	28,098
Food Service		6,631	6,631
Community Education		5,969	5,969
Assigned for:			
Subsequent year expenditures	180,427	-	180,427
Unassigned	1,488,526	(7,780)	1,480,746
TOTAL FUND BALANCES	<u>1,672,598</u>	<u>32,918</u>	<u>1,705,516</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 4,653,320</u>	<u>\$ 102,177</u>	<u>\$ 4,755,497</u>

See notes to financial statements.

MILLINGTON COMMUNITY SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total Fund Balances - Governmental Funds **\$ 1,705,516**

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

Deferred outflows of resources - related to pensions	1,513,905
Deferred inflows of resources - related to pensions	(1,485,016)

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

The cost of the capital assets is	17,819,444
Accumulated depreciation is	(6,898,796)

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

Long-term debt obligations	(2,768,613)
Capital lease	(39,844)
Contract payable	(20,000)
Compensated absences/retirement incentives	(128,437)
Accrued interest is not reported as a liability in governmental funds; it is recorded when paid	(21,300)
Net pension liability	<u>(13,432,933)</u>

Net Position of Governmental Activities **\$ (3,756,074)**

MILLINGTON COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Local sources	\$ 866,656	\$ 988,259	\$ 1,854,915
State sources	9,822,643	37,255	9,859,898
Federal sources	665,458	426,217	1,091,675
Incoming transfers and other	110,446		110,446
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	11,465,203	1,451,731	12,916,934
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Instruction	6,954,445		6,954,445
Supporting services	3,894,871		3,894,871
Community services	10,290	67,951	78,241
Food services		616,893	616,893
Capital outlay		20,000	20,000
Debt service:			
Principal repayment	175,000	575,000	750,000
Interest and fiscal charges	49,980	111,806	161,786
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	11,084,586	1,391,650	12,476,236
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	380,617	60,081	440,698
	<hr/>	<hr/>	<hr/>
FUND BALANCES - BEGINNING OF YEAR	1,291,981	(27,163)	1,264,818
	<hr/>	<hr/>	<hr/>
FUND BALANCES - END OF YEAR	\$ 1,672,598	\$ 32,918	\$ 1,705,516
	<hr/>	<hr/>	<hr/>

See 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
YEAR ENDED JUNE 30, 2015

Total net change in fund balances--governmental funds	\$ 440,698
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

Depreciation expense	(524,627)
Capital outlay	38,060
Net book value of assets disposed	(10,027)

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

Accrued interest payable at the beginning of the year	24,000
Accrued interest payable at the end of the year	(21,300)

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Repayments of long-term debt	784,136
Amortization of bond premiums	6,480

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued absences/retirement incentives at the beginning of the year	289,011
Accrued absences/retirement incentives at the end of the year	(128,437)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Pension related items	55,236
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Change in net position of governmental activities	<u><u>\$ 953,230</u></u>
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MILLINGTON COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2015

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 115,061
TOTAL ASSETS	<u>\$ 115,061</u>
 <u>LIABILITIES</u>	
Due to student organizations	\$ 115,061
TOTAL LIABILITIES	<u>\$ 115,061</u>

See notes to financial statements.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

REPORTING ENTITY:

Millington Community Schools (the "District") is governed by the Millington Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements.

BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS:

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

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

BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS:

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

The District reports the following major governmental funds:

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

Additionally, the District reports the following non-major fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service activities and its community service activities in the special revenue funds.

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

The *capital projects sinking fund* accounts for the receipts of the sinking fund millage proceeds and the acquisition of fixed assets or construction of capital projects. The fund is kept open until the purpose for which the fund was created has been accomplished. The District has complied with applicable provisions of section 1212 of the Revised School Code.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

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

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

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

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

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

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

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

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on the pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exception (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The State revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30th is reported as an intergovernmental receivable.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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

All other revenue items are generally considered to be measureable and available only when cash is received by the District.

BUDGETARY INFORMATION:

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. Capital projects funds are appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one was approved prior to the year ended June 30th.

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE:

1. Cash and equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

2. Investments

Certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

3. Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

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

4. Capital assets

Capital assets, which include property, plant equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are valued at their fair market value at the date of donation.

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

Land and construction in progress, if any, are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

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

5. Defined Benefit Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

6. Deferred outflows/inflows of resources

Deferred outflow:

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred outflow related to pensions. These amounts are expensed in the plan year in which they apply.

Deferred inflow:

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. It is the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary.

7. Net position flow assumption

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

8. Fund balance flow assumptions

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

9. Fund balance policies

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

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

MILLINGTON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board of education may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

REVENUES AND EXPENDITURES/EXPENSES:

1. Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements for a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2015, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund:	
Non-Principle Residence Exemption (PRE)	18.00
Commercial Personal Property	6.00
Sinking Fund:	
PRE, Non-PRE, Commercial Personal Property	3.74

3. Compensated absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

4. Long-term obligations

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

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

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Standard & Poor's Rating</u>	<u>%</u>
MILAF External Investment pool - MIMAX	<u>\$ 5,034</u>	0.0027	AAAm	100.00%
Portfolio weighted average maturity		<u>0.0027</u>		
1 day maturity equals				

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2015, the fair value of the District's investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

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

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2015, \$3,026,177 of the District's bank balance of \$3,276,177 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The carrying value on the books for deposits at the end of the year was \$2,761,232.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

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

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

The above amounts as previously reported in Note 2:

Deposits - including fiduciary funds of \$115,061	\$ 2,761,232
Investments	<u>5,034</u>
	<u><u>\$ 2,766,266</u></u>

The previous amounts are reported in the financial statements as follows:

Cash - District Wide	\$ 2,646,171
Cash - Fiduciary Funds	115,061
Investments - District Wide	<u>5,034</u>
	<u><u>\$ 2,766,266</u></u>

NOTE 3 – INTERGOVERNMENTAL RECEIVABLES:

Intergovernmental receivables at June 30, 2015 consist of the following:

Governmental Units:

State aid	\$ 1,802,002
Federal revenue	165,214
Other	<u>15,000</u>
	<u><u>\$ 1,982,216</u></u>

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

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 4 - CAPITAL PROJECT SINKING FUND:

The District has a deficit unassigned fund balance in the Sinking Fund of \$7,780 as of June 30, 2015. 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.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 5 – CAPITAL ASSETS:

A summary of changes in the District's capital assets follows:

	<u>BALANCE</u> <u>July 1, 2014</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>June 30, 2015</u>
Governmental activities:				
Assets not being depreciated – land	\$ 40,000	\$ -	\$ -	\$ 40,000
Capital assets being depreciated:				
Buildings and additions	14,975,849		(1,550)	14,974,299
Site Improvements	1,603,909	9,000	(12,352)	1,600,557
Equipment and furniture	493,493	29,060	(51,851)	470,702
Buses and other vehicles	996,700		(262,814)	733,886
Subtotal	18,069,951	38,060	(328,567)	17,779,444
Accumulated depreciation:				
Buildings and additions	(5,085,694)	(359,048)	397	(5,444,345)
Site Improvements	(564,644)	(80,377)	11,117	(633,904)
Equipment and furniture	(234,804)	(45,616)	46,775	(233,645)
Buses and other vehicles	(807,567)	(39,586)	260,251	(586,902)
Subtotal	(6,692,709)	(524,627)	318,540	(6,898,796)
Net capital assets being depreciated	11,377,242	(486,567)	(10,027)	10,880,648
Net governmental capital assets	<u>\$ 11,417,242</u>	<u>\$ (486,567)</u>	<u>\$ (10,027)</u>	<u>\$ 10,920,648</u>

Depreciation for the fiscal year ended June 30, 2015 amounted to \$524,627. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 6 – NOTE PAYABLE:

At June 30, 2015, the District has a note payable outstanding of \$2,000,000. The note has an interest rate of 0.780% and matures August 20, 2015. The note is secured by the full faith and credit of the District as well as pledged state aid. Activity for the year ended June 30, 2015 is as follows:

<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 7 - LONG-TERM DEBT:

The following is a summary of the long-term debt of the school district for the year ended June 30, 2015:

	General Obligation Bonds and Premium	Compensated Absences & Retirement Incentives	Contract Payable	Capital Lease	Total
Balance - July 1, 2014	\$ 3,525,093	\$ 289,011	\$ 40,000	\$ 53,980	\$ 3,908,084
Additions	-	-	-	-	-
Deletions	<u>(756,480)</u>	<u>(160,574)</u>	<u>(20,000)</u>	<u>(14,136)</u>	<u>(951,190)</u>
Balance - June 30, 2015	2,768,613	128,437	20,000	39,844	2,956,894
Due within one year	<u>(775,000)</u>		<u>(20,000)</u>	<u>(14,836)</u>	<u>(809,836)</u>
Due in more than one year	<u><u>\$ 1,993,613</u></u>	<u><u>\$ 128,437</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 25,008</u></u>	<u><u>\$ 2,147,058</u></u>

Long-term obligation debt at June 30, 2015 is comprised of the following:

2008 School Building and Site Bonds - \$5,000,000 serial bond due in annual installments ranging from \$470,000 to \$650,000 through May 2018 with interest from 4.00% to 4.75%	\$ 1,875,000
2010 School Improvement Bonds (Qualified Zone Academy Bonds) - \$1,750,000 serial bond due in annual installments of \$175,000 through May 2020 with interest at 4.76%	875,000
Premium on bond issuance	<u>18,613</u>
Total general obligation debt	2,768,613
Accumulated compensated absences	128,437
Capital lease - The District purchased copy machines through a capital lease	39,844
Contract payable - In January 2013, the District entered into a contract for the demolition of the Glaza Building. The original contract amount was \$80,000, to be paid in annual installments	<u>20,000</u>
Total general long-term debt	<u><u>\$ 2,956,894</u></u>

Interest expense (all funds) for the year ended June 30, 2015 was \$163,440.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

The annual requirements to amortize long-term debt outstanding as of June 30, 2015 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2016	\$ 809,836	\$ 129,254	\$ 939,090
2017	815,571	93,189	908,760
2018	834,437	56,018	890,455
2019	175,000	16,660	191,660
2020	175,000	8,330	183,330
Total	2,809,844	303,451	3,113,295
Bond premium	18,613		18,613
Compensated absences & incentives	128,437	-	128,437
Totals	<u>\$ 2,956,894</u>	<u>\$ 303,451</u>	<u>\$ 3,260,345</u>

A total amount of \$28,098 is available in the debt service funds to service the general obligation debt. The contract payable is expected to be liquidated by the sinking fund. The capital lease and compensated absences are expected to be liquidated by the general fund.

NOTE 8 - LEASES:

Operating Lease as Lessee

The District leases equipment under an operating lease agreement that expires in May 2019 and two buses under an operating lease agreement that expires August 2017.

At June 30, 2015, future lease payment under such leases are as follows:

<u>Year ending June 30,</u>	
2016	\$ 30,166
2017	30,166
2018	2,560
2019	2,133

NOTE 9 – INTERFUND RECEIVABLES AND PAYABLES:

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$ 55,502	\$ 8,539
Nonmajor Funds	10,390	57,353
Total	<u>\$ 65,892</u>	<u>\$ 65,892</u>

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 10 - DEFINED BENEFIT PLAN AND POSTEMPLOYMENT BENEFITS:

Plan Description - The Michigan Public School Employees' Retirement System (MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at <http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html>.

Benefits Provided - Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Pension Reform 2010 - On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012 - On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

Regular Retirement (no reduction factor for age)

Eligibility - Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, any age with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus (PPP) members, age 60 with 10 years of credited service.

Annual Amount - Total credited service as of the Transition Date times 1.5% of final average compensation.

Pension Plus

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 - Credited Service after the Transition Date times 1.5% times FAC.

Option 2 - Credited Service after the Transition Date (until total service reaches 30 years) times 1.5% times FAC, PLUS Credited Service after the Transition Date and over 30 years times 1.25% times FAC.

Option 3 - Credited Service after the Transition Date times 1.25% times FAC.

Option 4 - None (Member will receive benefit through a Defined Contribution plan).

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Final Average Compensation - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the Transition Date.

Member Contributions

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided." Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer Contributions

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

The District's pension contributions for the year ended June 30, 2015 were equal to the required contribution total. Pension contributions were approximately \$1,761,000, with \$1,585,000 specifically for the Defined Benefit Plan. These amounts include Section 147 contributions also.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities

At June 30, 2015, the District reported a liability of \$13,432,933 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The Reporting Unit's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2014, the Reporting Unit's proportion was .06099 percent.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the Reporting Unit recognized pension expense of approximately \$1,088,000. At June 30, 2015, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Change in assumptions	\$ 495,647	
Net difference between projected and actual earnings on pension plan investments		\$ (1,485,016)
Reporting Unit contributions subsequent to the measurement date	1,018,258	
Total	<u>\$ 1,513,905</u>	<u>\$ (1,485,016)</u>

\$1,018,258 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2016	\$ 242,371
2017	242,371
2018	242,371
2019	262,256

Actuarial Assumptions

Investment rate of return - 8.0% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus plan).

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation - 2.5%

Mortality assumptions - The healthy life post-retirement mortality table used in this valuation of the System was the RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. The final rates used include no margin for future mortality improvement. This assumption is used to measure the probabilities of each benefit payment being made after retirement.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2014. An assumption experience study is performed every five years. The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an actuarial experience study for the period October 1, 2008 to September 30, 2013. As a result of this actuarial experience study, the actuarial assumptions were adjusted to more closely reflect actual experience.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

The long-term expected rate of return on pension plan investments - The rate was 8% (7% Pension Plus Plan) net of investment and administrative expenses was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	4.8%
Alternate Investment Pools	18.0%	8.5%
International Equity	16.0%	6.1%
Fixed Income Pools	10.5%	1.5%
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return Pools	15.5%	6.3%
Short Term Investment Pools	2.0%	-0.02%
Total	100.0%	

*Long term rate of return does not include 2.5% inflation.

Discount rate - The discount rate used to measure the total pension liability was 8% (7% for Pension Plan Plus). The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the Reporting Unit's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	<u>1% Lower (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>1% Higher (9.0%)</u>
Reporting Unit's proportionate share of the net pension liability	\$17,710,153	\$13,432,933	\$9,829,313

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2013 Comprehensive Annual Financial Report, available here: <http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html>.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Benefit Provisions - Other Postemployment

Introduction

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, is currently funded on a cash disbursement basis. Beginning fiscal year 2013, it will be funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after December 1, 2012.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

Employer Contributions

The District postemployment healthcare contributions to MPSERS for the year ended June 30, 2015 were approximately \$176,000.

NOTE 11 - RISK MANAGEMENT:

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees' and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 12 – TRANSFERS:

There were no transfers during the current fiscal year.

NOTE 13 – SUBSEQUENT EVENTS:

The District has approved borrowing \$2,000,000 for fiscal year 2016 to replace the notes payable as described in Note 6.

NOTE 14 – NEW ACCOUNTING STANDARDS:

For the year ended June 30, 2015, the District implemented the following new pronouncements:

GASB statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Summary: GASB statement No. 68 requires governments that participates in defined benefit pension plans to report in their statement of net position an actuarial calculation. The net position liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

GASB statement No. 71 addressed the issue of contributions made to the defined benefit pension plans after the measurement date for the year in which GASB statement No. 68 is implemented. The effect is to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual basis financial statements.

The restatement of the beginning of the year net position is as follows:

Net position, as previously stated, July 1, 2014	\$	8,749,976
Adoption of GASB Statements 68 & 71:		
Net Pension Liability		(14,291,063)
Deferred Outflows		831,783
Net position, as restated, July 1, 2014	\$	<u>(4,709,304)</u>

NOTE 15 – UPCOMING ACCOUNTING PRONOUNCEMENT:

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued by the GASB in June 2015 and will be effective for the District's 2018 fiscal year. The Statement requires governments that participate in defined benefit and other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 75 requires cost-sharing employers to record a liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the postemployment benefits liabilities and expense.

REQUIRED SUPPLEMENTARY INFORMATION

MILLINGTON COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2015

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES				
Local sources	\$ 879,860	\$ 851,807	\$ 866,656	\$ 14,849
State sources	9,298,713	9,823,636	9,822,643	(993)
Federal sources	707,952	634,185	665,458	31,273
Other transactions:				
Transfers from other districts	141,627	90,617	110,446	19,829
TOTAL REVENUES	<u>11,028,152</u>	<u>11,400,245</u>	<u>11,465,203</u>	<u>64,958</u>
EXPENDITURES				
Instruction:				
Basic programs	5,098,718	5,432,597	5,293,789	138,808
Added needs	1,376,471	1,631,086	1,654,048	(22,962)
Adult education	25,000	6,608	6,608	-
Total instruction	<u>6,500,189</u>	<u>7,070,291</u>	<u>6,954,445</u>	<u>115,846</u>
Supporting services:				
Pupil	521,855	471,622	467,071	4,551
Instructional Staff	67,693	61,175	62,554	(1,379)
General administration	375,167	332,172	327,894	4,278
School administration	719,467	677,694	673,117	4,577
Business services	190,438	220,099	229,960	(9,861)
Operations and maintenance	1,043,856	1,001,092	1,026,160	(25,068)
Pupil transportation	727,600	636,627	632,211	4,416
Central services	318,400	267,790	265,211	2,579
Athletic activities	233,032	211,096	206,568	4,528
Payments to other districts	-	4,125	4,125	-
Total supporting services	<u>4,197,508</u>	<u>3,883,493</u>	<u>3,894,871</u>	<u>(11,378)</u>
Community services	14,516	10,925	10,290	635
Debt service				
Redemption of term bonds	175,000	175,000	175,000	-
Interest on term bonds	66,500	49,980	49,980	-
Total debt service	<u>241,500</u>	<u>224,980</u>	<u>224,980</u>	<u>-</u>
TOTAL EXPENDITURES	<u>10,953,713</u>	<u>11,189,689</u>	<u>11,084,586</u>	<u>105,103</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>74,439</u>	<u>210,556</u>	<u>380,617</u>	<u>170,061</u>
OTHER FINANCING SOURCES (USES):				
Sale of property	5,000	5,000	-	(5,000)
Fund transfers out	-	(9,000)	-	9,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,000</u>	<u>(4,000)</u>	<u>-</u>	<u>4,000</u>
NET CHANGE IN FUND BALANCE	<u>\$ 79,439</u>	<u>\$ 206,556</u>	<u>380,617</u>	<u>\$ 174,061</u>
FUND BALANCE - BEGINNING OF YEAR			1,291,981	
FUND BALANCE - END OF YEAR			<u>\$ 1,672,598</u>	

MILLINGTON COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 9/30 OF EACH FISCAL YEAR)

	2014
Reporting unit's proportion of net pension liability (%)	0.06099%
Reporting unit's proportionate share of net pension liability	\$ 13,432,933
Reporting unit's covered-employee payroll	\$ 5,348,839
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	251.14%
Plan fiduciary net position as a percentage of total pension liability	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

MILLINGTON COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REPORTING UNIT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 6/30 OF EACH FISCAL YEAR END)

	2015
Statutorily required contributions	<u>\$ 1,122,980</u>
Contributions in relation to statutorily required contributions	<u>1,122,980</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
Reporting unit's covered- employee payroll	\$ 5,200,777
Contributions as a percentage of covered-employee payroll	21.59%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

Changes of benefit terms: There were no changes of benefit terms.

Changes of assumptions: Assumption changes as a result of an experience study for the periods 2007 through the 2012 have been adopted by System for use in the annual pension valuations beginning with September 30, 2014 valuation.

ADDITIONAL SUPPLEMENTARY INFORMATION

MILLINGTON COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2015

	SPECIAL REVENUE- FOOD SERVICE	SPECIAL REVENUE- COMMUNITY EDUCATION	DEBT SERVICE- ALL	SINKING FUND	TOTAL NONMAJOR FUNDS
<u>ASSETS</u>					
Cash and equivalents	\$ 2,332	\$ 7,416	\$ 18,827	\$ 3,452	\$ 32,027
Accounts receivable	3,695	-	-	-	3,695
Intergovernmental receivable	14,065	-	-	-	14,065
Due from other funds	-	-	9,271	1,119	10,390
Deposits receivable	42,000	-	-	-	42,000
TOTAL ASSETS	\$ 62,092	\$ 7,416	\$ 28,098	\$ 4,571	\$ 102,177
<u>LIABILITIES AND FUND BALANCE</u>					
Accounts payable	\$ 10,459	\$ 1,447	\$ -	\$ -	\$ 11,906
Due to other funds	45,002	-	-	12,351	57,353
TOTAL LIABILITIES	55,461	1,447	-	12,351	69,259
<u>FUND BALANCE</u>					
Fund balances:					
Restricted for:					
Food service	6,631				6,631
Debt service			28,098		28,098
Community education		5,969			5,969
Unassigned				(7,780)	(7,780)
TOTAL FUND BALANCE (DEFICIT)	6,631	5,969	28,098	(7,780)	32,918
TOTAL LIABILITIES AND FUND BALANCE	\$ 62,092	\$ 7,416	\$ 28,098	\$ 4,571	\$ 102,177

MILLINGTON COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN NONMAJOR FUND BALANCES
YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUE- FOOD SERVICE	SPECIAL REVENUE- COMMUNITY EDUCATION	DEBT SERVICE- ALL	SINKING FUND	TOTAL NONMAJOR FUNDS
REVENUES					
Local sources	\$ 158,070	\$ 64,655	\$ 664,807	\$ 100,727	\$ 988,259
State sources	37,255	-	-	-	37,255
Federal sources	426,217	-	-	-	426,217
TOTAL REVENUES	621,542	64,655	664,807	100,727	1,451,731
EXPENDITURES					
Food services	616,893				616,893
Community services		67,951			67,951
Capital outlay				20,000	20,000
Debt service:					
Principal redemption	-	-	575,000	-	575,000
Interest and fiscal charges	-	-	111,306	500	111,806
TOTAL EXPENDITURES	616,893	67,951	686,306	20,500	1,391,650
NET CHANGE IN FUND BALANCE	4,649	(3,296)	(21,499)	80,227	60,081
FUND BALANCE - BEGINNING OF YEAR	1,982	9,265	49,597	(88,007)	(27,163)
FUND BALANCE - END OF YEAR	\$ 6,631	\$ 5,969	\$ 28,098	\$ (7,780)	\$ 32,918

MILLINGTON COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT
2008 SCHOOL BUILDING AND SITE BONDS
JUNE 30, 2015

The School Building and Site Bonds were issued November 1, 2008 in the amount of \$5,000,000 at interest rates from 4% to 4.75%.

<u>DUE DATE</u>	<u>PRINCIPAL</u>	<u>RATES</u>	<u>INTEREST DUE</u>	<u>PAYMENT DUE</u>
2016	\$ 600,000	4.500	\$ 86,000	\$ 686,000
2017	625,000	4.500	59,000	684,000
2018	650,000	4.500	30,876	680,876
TOTAL	<u>\$ 1,875,000</u>		<u>\$ 175,876</u>	<u>\$ 2,050,876</u>

MILLINGTON COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT
2010 SCHOOL IMPROVEMENT BOND
JUNE 30, 2015

The 2010 School Improvement Bonds were issued on August 31, 2010 in the amount of \$1,750,000 at an interest rate of 4.76%.

<u>DUE DATE</u>	<u>PRINCIPAL</u>	<u>RATES</u>	<u>INTEREST DUE</u>	<u>PAYMENT DUE</u>
2016	\$ 175,000	4.760	\$ 41,650	\$ 216,650
2017	175,000	4.760	33,320	208,320
2018	175,000	4.760	24,990	199,990
2019	175,000	4.760	16,660	191,660
2020	<u>175,000</u>	4.760	<u>8,330</u>	<u>183,330</u>
TOTAL	<u><u>\$ 875,000</u></u>		<u><u>\$ 124,950</u></u>	<u><u>\$ 999,950</u></u>

MILLINGTON COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (UNEARNED) REVENUE 7/1/2014	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2015
U.S. DEPARTMENT OF EDUCATION:								
Passed through Michigan Dept. of Education:								
Title I - part A	84.010	141530 1314	\$ 258,088	\$ 44,784	\$ 227,548	\$ 75,324	\$ 30,540	\$ -
Title I - part A		151530 1415	270,913	-	-	153,825	200,807	46,982
			<u>529,001</u>	<u>44,784</u>	<u>227,548</u>	<u>229,149</u>	<u>231,347</u>	<u>46,982</u>
Title IIA - Teacher Quality	84.367	140520 1314	88,942	2,631	69,731	3,384	753	-
Title IIA - Teacher Quality		150520 1415	97,506	-	-	51,356	56,353	4,997
			<u>186,448</u>	<u>2,631</u>	<u>69,731</u>	<u>54,740</u>	<u>57,106</u>	<u>4,997</u>
Total Passed Through Michigan Dept. of Education			<u>715,449</u>	<u>47,415</u>	<u>297,279</u>	<u>283,889</u>	<u>288,453</u>	<u>51,979</u>
TRANSFERS FROM OTHER GOVERNMENTAL UNITS								
Tuscola Intermediate School District:								
IDEA Special Education	84.027	140520	404,322	53,731	404,322	53,731	-	-
		150520	377,005	-	-	263,770	377,005	113,235
Total Passed Through Other Governmental Units			<u>781,327</u>	<u>53,731</u>	<u>404,322</u>	<u>317,501</u>	<u>377,005</u>	<u>113,235</u>

(Continued)

MILLINGTON COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (UNEARNED) REVENUE 7/1/2014	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2015
U.S. DEPARTMENT OF AGRICULTURE:								
Passed through Michigan Dept. of Education:								
Child Nutrition Cluster:								
Non-cash assistance (donated foods):								
National School Program - non bonus	10.555		\$ 31,284	\$ -	\$ -	\$ 31,284	\$ 31,284	\$ -
National School Program - bonus			143	-	-	143	143	-
			<u>31,427</u>	<u>-</u>	<u>-</u>	<u>31,427</u>	<u>31,427</u>	<u>-</u>
Cash assistance:								
School Breakfast Program	10.553	141970	12,814	-	-	12,814	12,814	-
		151970	115,639	-	-	115,639	115,639	-
			<u>128,453</u>	<u>-</u>	<u>-</u>	<u>128,453</u>	<u>128,453</u>	<u>-</u>
National School Lunch	10.555	141960	31,280	-	-	31,280	31,280	-
		151960	235,057	-	-	235,057	235,057	-
			<u>266,337</u>	<u>-</u>	<u>-</u>	<u>266,337</u>	<u>266,337</u>	<u>-</u>
Total Child Nutrition Cluster			<u>426,217</u>	<u>-</u>	<u>-</u>	<u>426,217</u>	<u>426,217</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>426,217</u>	<u>-</u>	<u>-</u>	<u>426,217</u>	<u>426,217</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,922,993</u>	<u>\$ 101,146</u>	<u>\$ 701,601</u>	<u>\$ 1,027,607</u>	<u>\$ 1,091,675</u>	<u>\$ 165,214</u>

The accompanying notes are an integral part of this schedule.

MILLINGTON COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

1. Basis of Presentation - The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal grant activity of Millington Community Schools' programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Millington Community Schools, it is not intended to and does not present the financial position or changes in net position of Millington Community Schools.
2. Summary of Significant Accounting Policies – Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for States, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity indentifying numbers are presented where available.
3. IDEA Special Education (CFDA #84.027A) and Child Nutrition (CFDA #10.555 & 10.553) were audited as major programs representing 74% of federal expenditures.
4. The threshold for distinguishing Type A and Type B programs was \$300,000.
5. Federal expenditures are reported as revenue in the following funds in the basic financial statements:

General Fund	\$665,458
Special Revenue Fund	<u>426,217</u>
Total	<u>\$1,091,675</u>

6. Management has utilized the Grant Auditor's Report in preparing the Schedule of Expenditures of Federal Awards.



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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 AUDITOR'S REPORT

To the Board of Education
Millington Community Schools
Millington, MI 48746

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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, 2015, and the related notes to the financial statements, which collectively comprise Millington Community School's basic financial statements and have issued our report thereon dated October 27, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, 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 opinions 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Millington Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are 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.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN

October 27, 2015



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Millington Community Schools
Millington, MI 48746

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 School's major federal programs for the year ended June 30, 2015. Millington Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's 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. 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 with those requirements.

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, 2015.

Report on Internal Control Over Compliance

Management of Millington Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Millington Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Anderson, Tuckey, Bernhardt & Doran, P.C.

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN**

October 27, 2015

MILLINGTON COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ 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? _____ Yes X None reported

Type of auditor’s report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	IDEA Special Education
10.553 & 10.555	Child 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

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

**MILLINGTON COMMUNITY SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015**

Audit findings for the prior two years were as follows:

There were no audit findings for the year ended June 30, 2014.

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, 2015.

Finding 2013-002 Material Weakness - Noncompliance - Budgeting

Condition: Significant budget variances were identified during the audit.

Current status: Improved - The June 30, 2015 actual results were in line with budgeted expectations. Certain line items did exceed budgeted amounts including added needs, instructional staff, business services, and operations and maintenance.

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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To the Members of the Board
Millington Community Schools

We have audited the financial statements of **Millington Community Schools** for the year ended **June 30, 2015** and have issued our report thereon dated October 27, 2015. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133
As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered **Millington Community Schools'** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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 grants. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about **Millington Community Schools'** compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on **Millington Community Schools'** compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on **Millington Community Schools'** compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 10, 2015.

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 **Millington Community Schools** are described in Note 1 to the financial statements. During 2015 the District implemented Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The application of existing policies was not changed during 2015. We noted no transactions entered into by **Millington Community Schools** during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements 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 estimates affecting the financial statements were:

Estimates have been used to calculate the net pension liability.

Estimates have been used in calculating the liability for employee compensated absences.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 27, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' 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 **Millington Community Schools'** auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion & Analysis, Budgetary Comparison Schedules, and the Schedules of Reporting Unit's Contributions and Proportionate Share of the Net Pension Liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistent with management's responses to our inquires, the basic financial statements, other knowledge we obtained during the audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Additional Supplementary Information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing this information to determine that the information complies with accounting principles general 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 additional supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Members of the Board and management of **Millington Community Schools** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants
Caro, Michigan

October 27, 2015