

**ELKTON PIGEON BAY PORT  
LAKER SCHOOLS  
PIGEON, MICHIGAN**

**FINANCIAL REPORT  
JUNE 30, 2014**

# ELKTON PIGEON BAY PORT LAKER SCHOOLS

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Elkton Pigeon Bay Port Laker Schools  
Pigeon, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elkton Pigeon Bay Port Laker Schools, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **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 Elkton Pigeon Bay Port Laker Schools, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Other Matters

#### *Required Supplementary Information*

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

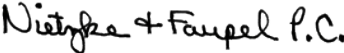
#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Elkton Pigeon Bay Port Laker School's basic financial statements. The additional information, as identified in the table of contents, and schedule of expenditures of federal awards as required by U.S. 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.

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

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2014, on our consideration of Elkton Pigeon Bay Port Laker 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 Elkton Pigeon Bay Port Laker School's internal control over financial reporting and compliance.

  
NIETZKE & FAUPEL, P.C.  
Pigeon, Michigan

October 14, 2014

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

This section of the annual financial report presents our discussion and analysis of the District’s financial performance during the school year ended June 30, 2014. The intent of this discussion and analysis is to provide, in layman’s terms, a look at the District’s performance and past and current position. Readers should also review the transmittal letter, notes to the financial statements and financial statements to enhance their understanding of the District’s financial performance.

### **FINANCIAL HIGHLIGHTS**

The General fund showed expenditures exceeded revenues by \$65,636. This is \$39,569 less than the final budget had anticipated.

The Debt Service funds showed revenues exceeded expenditures by \$102,915.

The Capital Projects funds showed revenues exceeded expenditures by \$393,761.

The Food Service fund showed revenues exceeded expenditures by \$28,073.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

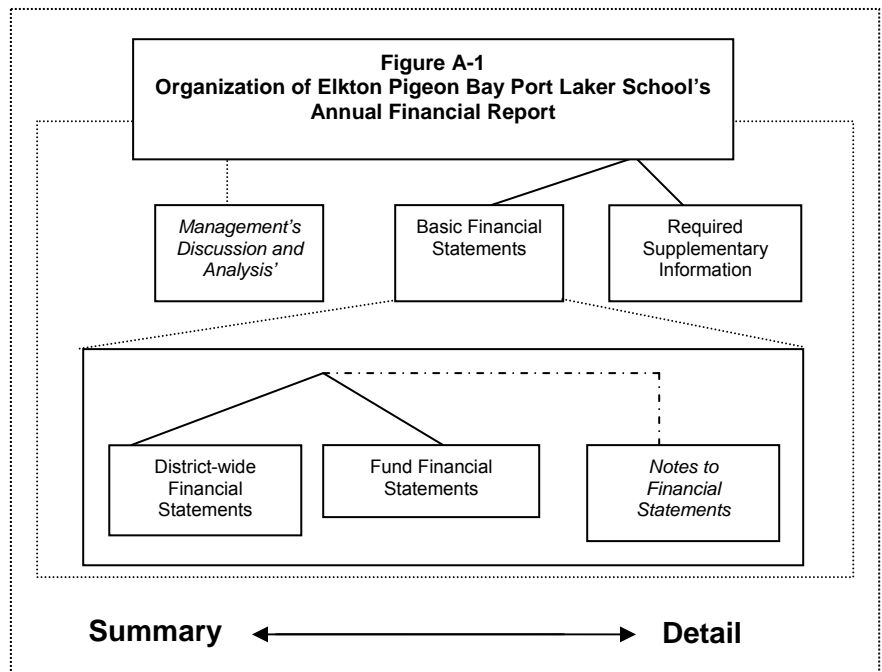
This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are district-wide financial statements that provide both short-term and long-term information about the District’s overall financial status.

The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District’s operations *in more detail* than the district-wide statements.

The *governmental fund* statements tell how *basic* services like instruction and support services were financed in the *short term* as well as what remains for future spending.

Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

<b>Figure A-2 Major Features of District-Wide and Fund Financial Statements</b>			
	<u>District-wide Statements</u>	<u>Fund Financial Statements</u>	
		<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Elkton Pigeon Bay Port Laker Schools funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

## **DISTRICT-WIDE STATEMENTS**

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net position include *all* of the District's assets and liabilities. All of the revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or *position*.

Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities include:

Governmental activities – Most of the District's basic services are included here, such as instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by State law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch).

The District has two kinds of funds:

Government funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental fund financial statements that explain the relationship (or differences) between them.

Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

## **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

### **Net Position**

The District's net position increased by \$935,593 during the fiscal year 2014. The increase was primarily due to replacement of capital assets. Capital asset additions and improvements amounted to \$348,358.

The statement of net position provides the perspective of the District as a whole. Table A-3 provides a summary of the District's net position as of June 30, 2014 and 2013.



**Table A-3**  
**Elkton Pigeon Bay Port Laker Schools**

	<u>2014</u>	<u>2013</u>
Current or other assets	\$ 4,074,134	\$ 3,725,258
Capital assets and other assets	<u>10,882,060</u>	<u>11,125,893</u>
Total assets	<u>14,956,194</u>	<u>14,851,151</u>
Deferred outflows	<u>212,727</u>	<u>230,455</u>
Current liabilities	1,993,297	2,822,570
Long-term debt outstanding	<u>7,266,472</u>	<u>7,251,284</u>
Total liabilities	<u>9,259,769</u>	<u>10,073,855</u>
Net position:		
Net investment in capital assets	4,014,546	3,448,349
Restricted for debt service	289,177	181,730
Restricted for food service	93,822	65,987
Restricted for capital projects	508,809	115,048
Unrestricted	<u>1,002,797</u>	<u>1,196,637</u>
Total net position	\$ <u>5,909,152</u>	\$ <u>5,007,751</u>

The statement of activities shows the results of this year's operations for Elkton Pigeon Bay Port Laker Schools as a whole. Table A-4 shows the changes in net position of the District as of June 30, 2014 and 2013.

**Table A-4**  
**Changes in Elkton Pigeon Bay Port Laker School's Net Position**

	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues:		
Charges for services	\$ 736,208	\$ 740,244
Federal and State categorical grants	577,741	564,903
Capital grants and contributions	26,224	-
General revenues:		
Property taxes	3,768,541	3,200,254
State sources	4,961,299	5,026,919
Other	<u>239,055</u>	<u>233,156</u>
Total revenues	<u>10,309,069</u>	<u>9,765,476</u>
Expenses		
Instruction	5,288,166	5,070,490
Support services	2,791,411	3,151,298
Food services	383,790	401,920
Interest on long-term debt	356,927	367,426
Depreciation - Unallocated	<u>587,374</u>	<u>548,132</u>
Total expenses	<u>9,407,668</u>	<u>9,539,267</u>
Change in net position	\$ <u>901,401</u>	\$ <u>226,209</u>

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses funds to help it control and manage money for particular purposes. The reader can look at these funds to help determine whether the Elkton Pigeon Bay Port Laker School District is being held accountable for the resources taxpayers and others provide to it, and it may give them insight into the District's overall financial health.

Table A-5 shows the breakdown of the sources of revenue for the District. A substantial portion (48%) of the District's revenues is received from State sources, which means that the financial stability of the District rests primarily with the economic health of the State of Michigan.

**Table A-5**  
**Sources of Revenue for Fiscal Year 2013/2014**

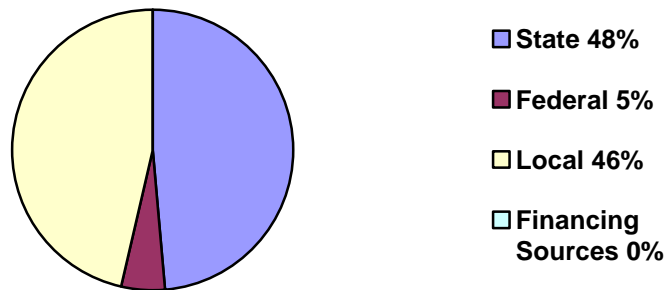
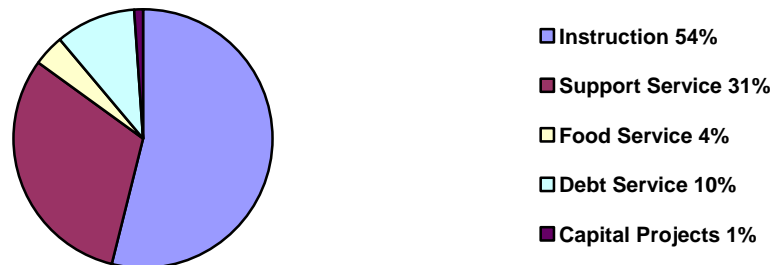


Table A-6 shows that 54% of the District's resources are spent on instruction services and 31% on support services. These two functions make up 85% of the District's expenditures.

**Table A-6**



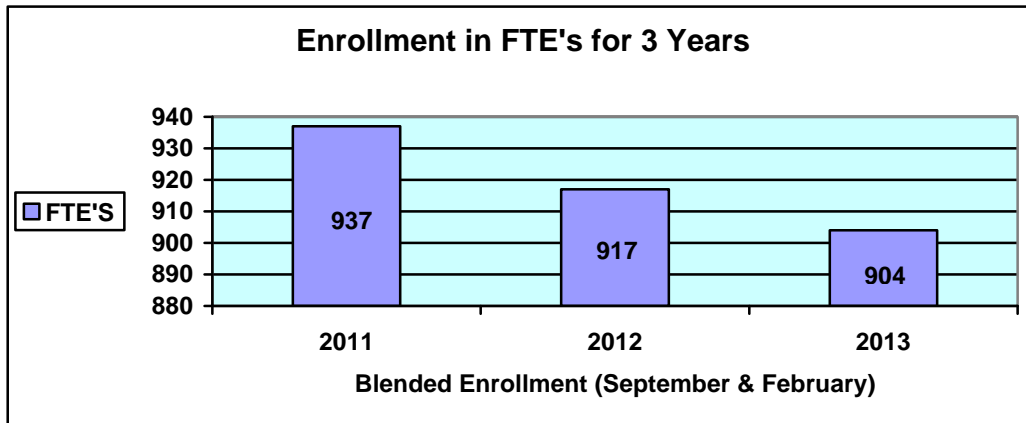
The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the 2013/2014 school year, the governmental funds reported a combined fund balance of \$2,128,589. The fiduciary funds had a balance of \$154,906.

### Factors Affecting Fund Equity

- *General Fund Equity* – Decreased \$65,636.
- *Grants* – The District received grants for professional development, parent programs, at risk, and literacy programs. These help to offset the cost of instructional budget items normally paid from fund equity.

- *Debt Service Fund Equity* – Increased \$102,915.
- *Food Service Fund Equity* – Increased \$28,073.
- *Capital Project Fund Equity* – Increased \$393,761.
- *Student Enrollment*

The chart below shows a decrease in enrollment for the last year. There was a decrease of 13 students between 2012-13 and 2013-14 with state aid at \$7,026 per student; this is a loss in revenue of \$91,338.



### General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the District revises its budget as it attempts to deal with the unexpected changes in revenues and expenditures. The final amendment to the budget was actually adopted just before the year-end, along with the new adopted budget for the upcoming school year.

Initial budget amendments were made to reflect the impact of changes to increases in grant funds, the impact of actual student counts and finalizing the amount to be received in state aid. Also, budget amendments were required to reflect staffing changes and contract settlements.

Original revenues were budgeted at \$7,534,390 and the actual revenue amount was \$8,285,426. The original budget amount for expenditures and transfers was \$7,534,390 and the actual figure was \$8,351,062.

The final amended budget was to have revenue and other financing sources less than expenditures and other financing uses. Final results showed that revenues came in \$7,771 greater than were anticipated, and expenditures were less than anticipated by \$31,798. The net result was a change in fund balance of \$(65,636) decreasing fund balance to \$1,186,252.

## Capital Asset and Debt Administration

### Capital Assets

The District's capital additions for the year are as follows:

Copiers, shredder	\$ 119,616
Surveillance system	88,054
Projectors	8,924
Computer server switches	124,841
Floor machine	<u>6,923</u>
Total additions	<u>\$348,358</u>

The District's capital assets at cost at year-end are outlined in Table A-5.

**Table A-5**  
**Elkton Pigeon Bay Port Laker Schools Capital Assets**

	<u>2014</u>	<u>2013</u>
Buildings	\$14,396,865	\$14,308,811
Site improvements	3,153,674	3,153,674
Machinery and equipment	915,088	777,031
School buses	<u>996,396</u>	<u>996,396</u>
Totals	<u>\$19,462,023</u>	<u>\$19,235,912</u>

### Debt Administration

As of June 30, 2014, the District had debt on the financial statements for the 2005 refunding bonds in the amount of \$6,775,000. The final payment is due in 2025.

As of June 30, 2014, the District had debt on the financial statements for the 2012 school technology and equipment bonds in the amount of \$185,000. The final payment is due in 2015.

As of June 30, 2014, the District had compensated absences payable, which include accumulated sick and vacation pay, totaling \$186,230.

As of June 30, 2014, the District had a capital lease payable for a new telephone system totaling \$12,058.

We present more detailed information about our long-term liabilities in the notes to financial statements.

### FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several areas that could have a major impact on the 2014-2015 fiscal year and the near future.

While the State of Michigan has approved the student foundation allowance for 2014-2015, there are still expenses to the District that are beyond the control of the board of education and administration. Revenue from Best Practices had a further reduction, and pension costs are increasing. Therefore, it is difficult to accurately ascertain state revenue and expenses at this time.

Health insurance costs continue to rise. The District plans to continue to explore alternative insurance packages to give the District the most cost effective plan. School employees now reimburse the school district for amounts exceeding the Health Care Cap as set by the state.

Student enrollment projections continue to indicate a long-term decline. The decline in enrollment along with the State's depressed economic status makes it difficult to cover the anticipated increases in personnel costs and allocate requested resources to support the educational programs.

The District was awarded during the summer of 2014 two new Federal grants. One is a two year Federal grant for \$100,000 which is for improving mental health for the students of Elkton Pigeon Bay Port Laker Schools by providing training to staff to help students and their families to increase awareness of mental health issues and how to promote positive mental health. The other Federal grant is for \$1.8 million over five years. This grant will allow the District to hire a full time coach and two full time behavior intervention specialists to work with students and their families on behavior interventions for Tier I, Tier II, and Tier III students. This grant will also allow curriculum lessons to be implemented in the school district to improve behavior amongst the students.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Chief Financial Officer, EPBP Laker Schools, 6136 Pigeon Road, Pigeon, Michigan, 48755, and telephone number (989) 453-4602.

## **BASIC FINANCIAL STATEMENTS**

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**STATEMENT OF NET POSITION  
JUNE 30, 2014**

	<b>GOVERNMENTAL <u>ACTIVITIES</u></b>
<b>ASSETS:</b>	
Cash and deposits	\$ 1,444,389
Investments	1,034,872
Receivables:	
Accounts receivable	7,337
Due from other governments	1,020,347
Prepaid expenditures	51,923
Restricted cash - Capital projects	515,264
Depreciated capital assets	19,462,023
Less: Accumulated depreciation	(8,579,963)
<b>TOTAL ASSETS</b>	<b>14,956,194</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred charge on bond refunding	212,727
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>212,727</b>
 <b>LIABILITIES:</b>	
Accounts payable	31,394
Salaries payable	610,807
Prepaid meals	9,133
Accrued employee benefits	319,281
Accrued interest payable	54,325
Due to other governmental units	19,468
Unearned revenue	48,891
State aid note payable	900,000
Noncurrent liabilities:	
Due within one year	741,073
Due in more than one year	6,525,399
<b>TOTAL LIABILITIES</b>	<b>9,259,769</b>
 <b>NET POSITION:</b>	
Net investment in capital assets	4,014,546
Restricted for:	
Debt service	289,177
Food service	93,822
Capital projects	508,809
Unrestricted	1,002,797
<b>TOTAL NET POSITION</b>	<b>\$ 5,909,152</b>

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

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>FUNCTIONS/PROGRAMS</b>	<b>EXPENSES</b>	<b>PROGRAM REVENUES</b>			<b>GOVERNMENTAL</b>
		<b>CHARGES FOR</b>	<b>OPERATING</b>	<b>CAPITAL</b>	<b>ACTIVITIES</b>
		<b>SERVICES</b>	<b>GRANTS AND</b>	<b>GRANTS AND</b>	<b>NET (EXPENSES)</b>
			<b>CONTRIBUTIONS</b>	<b>CONTRIBUTIONS</b>	<b>REVENUE AND</b>
					<b>CHANGES IN</b>
					<b>NET POSITION</b>
<b>Governmental activities:</b>					
Instruction	\$ 5,288,166	\$ 467,419	\$ 294,452	\$ -	\$ (4,526,294)
Support services	2,791,411	127,506	13,628	26,224	(2,624,054)
Food service	383,790	141,283	269,661	-	27,154
Interest on long-term obligations	356,927	-	-	-	(356,927)
Depreciation - Unallocated	587,374	-	-	-	(587,374)
<b>Total governmental activities:</b>	<b>\$ 9,407,668</b>	<b>\$ 736,208</b>	<b>\$ 577,741</b>	<b>\$ 26,224</b>	<b>(8,067,495)</b>
<b>General revenues:</b>					
Property taxes, levied for general purposes					2,152,856
Property taxes, levied for debt service					1,106,509
Property taxes, levied for capital projects					509,176
State sources					4,961,299
Investment earnings					2,688
Sale of assets					(3,267)
Miscellaneous					239,633
<b>Total general revenue</b>					<b>8,968,895</b>
<b>CHANGE IN NET POSITION</b>					<b>901,401</b>
<b>NET POSITION - JULY 1</b>					<b>5,007,751</b>
<b>NET POSITION - JUNE 30</b>					<b>\$ 5,909,152</b>

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



ELKTON PIGEON BAY PORT LAKER SCHOOLS

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2014

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>					
Cash and deposits	\$ 1,120,019	\$ 226,508	\$ -	\$ 97,862	\$ 1,444,389
Investments	924,534	110,337	-	-	1,034,872
Accounts receivable	3,339	86	40	3,872	7,337
Due from other governments	1,017,395	-	-	2,952	1,020,347
Prepaid expenditures	49,149	-	-	2,774	51,923
Restricted cash - Capital projects	-	-	515,264	-	515,264
<b>TOTAL ASSETS</b>	<u>\$ 3,114,437</u>	<u>\$ 336,932</u>	<u>\$ 515,303</u>	<u>\$ 107,460</u>	<u>\$ 4,074,132</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 24,604	\$ -	\$ 6,494	\$ 295	\$ 31,394
State aid note payable	900,000	-	-	-	900,000
Prepaid meals	-	-	-	9,133	9,133
Accrued interest payable	6,570	-	-	-	6,570
Due to other governments	19,468	-	-	-	19,468
Accrued salaries and wages	610,807	-	-	-	610,807
Accrued benefits	319,039	-	-	241	319,281
Unearned revenue	47,697	-	-	1,195	48,891
<b>TOTAL LIABILITIES</b>	<u>1,928,185</u>	<u>-</u>	<u>6,494</u>	<u>10,864</u>	<u>1,945,543</u>
<b>FUND BALANCE:</b>					
Nonspendable:					
Prepaid expenditures	49,149	-	-	2,774	51,923
Restricted for:					
Debt service	-	336,932	-	-	336,932
Food service	-	-	-	93,822	93,822
Capital projects	-	-	508,809	-	508,809
Unassigned	1,137,103	-	-	-	1,137,103
<b>TOTAL FUND BALANCE</b>	<u>1,186,252</u>	<u>336,932</u>	<u>508,809</u>	<u>96,596</u>	<u>2,128,589</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 3,114,437</u>	<u>\$ 336,932</u>	<u>\$ 515,303</u>	<u>\$ 107,460</u>	<u>\$ 4,074,132</u>

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO  
GOVERNMENTAL ACTIVITIES NET POSITION  
JUNE 30, 2014**

**TOTAL GOVERNMENTAL FUND BALANCES** \$ 2,128,589

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

Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds.

	The cost of capital assets is	19,462,023	
	Accumulated depreciation is	<u>(8,579,963)</u>	10,882,060

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds.

Long-term liabilities at year-end consist of:

	Note and capital lease payable	12,057	
	Bonds payable	6,960,000	
	Compensated absences	186,230	
	Accrued interest payable on long-term obligations	<u>47,755</u>	(7,206,042)

Certain transactions related to the advance refunding of the 2000 bonds are reported as revenue and expenditures in the fund financial statements, however they are reported as assets or liabilities in the government-wide financial statements.

The transactions include the following:

	Deferred loss of 2005 Refunding Bond to call date	390,000	
	Less: Amortization of deferred loss	<u>(177,273)</u>	212,727
	2005 Refunding Bonds issued at a premium	(198,337)	
	Less: Amortization of bond premium	<u>90,153</u>	(108,184)

**NET POSITION - GOVERNMENTAL ACTIVITIES** \$ 5,909,152

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUE:</b>					
Local sources:					
Taxes	\$ 2,152,856	\$ 1,109,229	\$ 509,176	\$ -	\$ 3,771,260
Food service	-	-	-	142,202	142,202
Other local revenue	873,747	550	360	-	874,657
State sources	4,961,299	-	-	14,434	4,975,733
Federal sources	295,974	-	-	255,226	551,201
<b>TOTAL REVENUE</b>	<u>8,283,876</u>	<u>1,109,779</u>	<u>509,536</u>	<u>411,863</u>	<u>10,315,053</u>
<b>EXPENDITURES:</b>					
Instruction	5,277,882	-	-	-	5,277,882
Supporting services	3,030,269	-	-	-	3,030,269
Food service	-	-	-	383,790	383,790
Capital projects	-	-	115,774	-	115,774
Debt service:					
Miscellaneous	-	2,720	-	-	2,720
Principal repayment	15,465	690,000	-	-	705,465
Interest and fiscal charges	7,650	314,145	-	-	321,795
<b>TOTAL EXPENDITURES</b>	<u>8,331,265</u>	<u>1,006,865</u>	<u>115,774</u>	<u>383,790</u>	<u>9,837,694</u>
<b>EXCESS OF REVENUE OVER (UNDER)</b>					
<b>EXPENDITURES</b>	<u>(47,389)</u>	<u>102,915</u>	<u>393,761</u>	<u>28,073</u>	<u>477,360</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Sale of assets	1,550	-	-	-	1,550
Subgrantee flow-through	(19,797)	-	-	-	(19,797)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(18,247)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,247)</u>
<b>EXCESS OF REVENUE AND OTHER SOURCES</b>					
<b>OVER (UNDER) EXPENDITURES</b>					
<b>AND OTHER USES</b>	<u>(65,636)</u>	<u>102,915</u>	<u>393,761</u>	<u>28,073</u>	<u>459,113</u>
<b>FUND BALANCE - JULY 1</b>	1,251,888	234,017	115,048	68,523	1,669,476
<b>FUND BALANCE - JUNE 30</b>	<u>\$ 1,186,252</u>	<u>\$ 336,932</u>	<u>\$ 508,809</u>	<u>\$ 96,596</u>	<u>\$ 2,128,589</u>

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**RECONCILIATION OF THE STATEMENT OF REVENUE,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ 459,113

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

Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

	Depreciation expense	(587,373)	
	Capital outlays	<u>348,358</u>	(239,015)

Capital lease payment of principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities. 15,487

Bond repayments and proceeds affect long-term liabilities in the statement of net position and do not affect the statement of activities.

	Proceeds from long-term debt	-	
	Repayment of bond principal	<u>690,000</u>	690,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources.

	Accrued interest payable - beginning of year	52,287	
	Accrued interest payable - end of year	<u>(47,755)</u>	4,532

Residual value of capital assets disposed of in the current year are recorded in the statement of activities, but are not recorded in the governmental funds. (4,817)

Accrued compensated absences are recorded in the statement of activities when incurred, but it is not recorded in the governmental funds until it is paid.

	Accrued compensated absences - beginning of year	171,043	
	Accrued compensated absences - end of year	<u>(186,230)</u>	(15,187)

Certain transactions related to the advance refunding of the 2000 bonds are reported as revenue and expenditures in the fund financial statements, however they are reported as assets or liabilities in the government-wide financial statements.

The transactions include the following:

	Deferred loss beginning of year	(230,455)	
	Deferred loss end of year	212,727	
	Bond premium beginning of year	117,199	
	Bond premium end of year	<u>(108,184)</u>	(8,712)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 901,401

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2014**

	<b><u>AGENCY FUNDS</u></b>
<b>ASSETS</b>	
Cash and deposits	\$ 154,906
<b>TOTAL ASSETS</b>	<u>\$ 154,906</u>
<b>LIABILITIES:</b>	
Due to student organizations	\$ 154,906
<b>TOTAL LIABILITIES</b>	<u>\$ 154,906</u>

# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The Elkton Pigeon Bay Port Laker School District is a consolidated school system located in Huron County, Michigan. The School has approximately 904 students in grades kindergarten through twelve. The school operates under a seven person elected Board of Education.

The basic financial statements of Elkton Pigeon Bay Port Laker School District have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

#### **The Reporting Entity:**

The Elkton Pigeon Bay Port Laker Schools (the "District") is governed by the Elkton Pigeon Bay Port Laker 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 U.S. GAAP. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and 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.

#### **Government-Wide and Fund 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 non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 operational or capital requirements of a particular function or segment. State Foundation Aid, property taxes, certain revenue from the intermediate school district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

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

# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

#### **Government-Wide and Fund Financial Statements: (Continued)**

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, state sources, intermediate district sources, interest income and other revenues.) The statement of activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

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

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

**Governmental Funds** – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

**General Fund** - This fund type is used to account for all financial transactions except those required to be accounted for in another fund. Revenue is derived primarily from property taxes and State and Federal distributions, grants and other intergovernmental revenue.

**Debt Service Fund** - The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

#### **Capital Projects Funds**

The Capital Projects Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of section 1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

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

# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

#### **Capital Projects Funds (Continued)**

The following is a summary of the revenue and expenditures for the 2012 capital project bond activity since inception of the fund through the current fiscal year:

Revenue and other financing sources	<u>\$545,556</u>
Expenditures	<u>\$545,556</u>

The above revenue amount includes net bond proceeds of \$545,000.

#### **Other Non-major Funds:**

**Special Revenue Funds** - This fund type is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Special Revenue Fund financial statement includes the Food Service Fund.

**Fiduciary Fund** - This fund accounts 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.

**Agency Fund** - This fund accounts for assets held in trust or as an agency for others. The District's Agency Fund is the Student Activity Fund.

#### **Measurement Focus, Basis of Accounting, and Basis of Presentation**

##### **Accrual Method:**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as does the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

##### **Modified Accrual Method:**

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.

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



# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

#### **Measurement Focus, Basis of Accounting, and Basis of Presentation: (Continued)**

##### **State Revenue:**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2014, the foundation allowance was based on the pupil membership counts taken in February and October of the previous year.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (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 (formerly known as Non-Homestead) 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 funded through payments from October 2013 to August 2014. Thus, the unpaid portion at June 30<sup>th</sup> is reported as accounts receivable.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds which are not expended by the close of the fiscal year are recorded as unearned revenue.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

##### **Other Accounting Policies:**

##### **Cash and Equivalents:**

The District's cash and equivalents include cash on hand, demand deposits and certificates of deposit.

##### **Investments:**

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The 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 District intends to hold the investment until maturity.

ELKTON PIGEON BAY PORT LAKER SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Other Accounting Policies: (Continued)**

**Investments: (Continued)**

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.

**Receivables and Payables:**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

**Inventory and Prepaid Expenditures:**

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consisting of expendable supplies held for consumption, is recorded as an expenditure when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

**Capital Assets:**

Capital assets, which include buildings, furniture and equipment, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the District as assets with initial, individual cost of \$2,500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated 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 asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining estimated useful lives of the related capital asset.

Improvements, buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<b><u>Assets</u></b>	<b><u>Years</u></b>
Buildings and additions	50
Furniture and other equipment	5-20

# ELKTON PIGEON BAY PORT LAKER SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

#### **Other Accounting Policies: (Continued)**

##### **Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of financial 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 no items that qualify for reporting in this category.

##### **Compensated Absences:**

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

##### **Long-Term Obligations:**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year in 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.

##### **Fund Balance:**

The District implemented GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions.*" This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

**Nonspendable fund balance** – amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.

ELKTON PIGEON BAY PORT LAKER SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Other Accounting Policies: (Continued)**

**Fund Balance: (Continued)**

**Restricted fund balance** – amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District’s Capital Projects, Debt Service, and Food Service fund balances are considered restricted.

**Committed fund balance** – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

**Assigned fund balance** – amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.

**Unassigned fund balance** – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

**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 dates are September 14 and February 14, after which time the taxes become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2014, the School District levied the following amounts per \$1,000 of assessed valuation:

<b><u>Fund</u></b>	<b><u>Mills</u></b>
General Fund:	
Non-Principal Resident Exemption (PRE)	18.000
Commercial Personal Property	6.000
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	2.180
Capital projects fund	1.000

## ELKTON PIGEON BAY PORT LAKER SCHOOLS

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

#### **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

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

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 comment.
3. Prior to July 1, the budget is legally enacted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). 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, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer 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. Formal budgetary integration is employed as a management control device during the year for the general, special revenue and debt service funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2014. The District increased the general fund budget by \$848,470.

During the year ended June 30, 2014, there were no expenditures in excess of the amounts appropriated for the year.

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE 3 – DEPOSITS AND INVESTMENTS:**

A reconciliation of cash and investments as shown on the Statement of Net Position and Statement of Fiduciary Net Position follows:

**Statement of Net Position**

Government-wide Financial Statement Captions:

Cash and deposits	\$1,959,653
Investments	1,034,872

**Statement of Fiduciary Net Position**

Cash and deposits	<u>154,906</u>
Total	<u>\$3,149,431</u>

**Notes to Financial Statements:**

Deposits	\$2,114,559
Investments	<u>1,034,872</u>
Total	<u>\$3,149,431</u>

As of June 30, 2014, the District had the following investments.

<u>INVESTMENT TYPE</u>	<u>FAIR VALUE</u>	<u>MATURITIES</u>
MILAF + MAX Class	\$1,034,872	N/A
Total fair value	<u>\$1,034,872</u>	

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, 2014, 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).

ELKTON PIGEON BAY PORT LAKER SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

**NOTE 3 – DEPOSITS AND INVESTMENTS: (CONTINUED)**

**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, 2014, \$1,872,434 of the District's bank balance of \$2,169,756 was exposed to custodial credit risk because it was uninsured and uncollateralized. Included in the totals above are certificates of deposit of \$47,322 and other interest bearing deposits. The carrying amount is \$2,114,409.

**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.

**NOTE 4 – RECEIVABLES:**

Receivables at June 30, 2014 consist of the following:

General Fund:	
Grants receivable	\$ 112,954
Taxes receivable	1,302
State aid	903,945
Miscellaneous	<u>2,533</u>
Total	1,020,734
Food Service - State Aid & Rebates	6,824
Debt Service – Taxes receivable	86
Capital Projects – Taxes receivable	<u>40</u>
Total receivables	<u>\$1,027,684</u>

No allowance for uncollectible accounts is considered necessary for the governmental funds reporting.

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 5 – CAPITAL ASSETS:**

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

	<u>BALANCE JULY 1, 2013</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE JUNE 30, 2014</u>
<b>Capital Assets:</b>				
Buildings	\$14,308,811	\$ 88,054	\$ -	\$14,396,865
Site improvements	3,153,674	-	-	3,153,674
Machinery and equipment	777,031	260,304	122,247	915,088
School buses	<u>996,396</u>	<u>-</u>	<u>-</u>	<u>996,396</u>
<b>Total Capital Assets</b>	<u>19,235,912</u>	<u>348,358</u>	<u>122,247</u>	<u>19,462,023</u>
<b>Accumulated Depreciation:</b>				
Buildings	4,847,310	307,671	-	5,154,981
Site improvements	1,961,098	113,141	-	2,074,239
Machinery and equipment	551,105	113,790	117,430	547,465
School buses	750,506	52,771	-	803,277
<b>Total Accumulated Depreciation</b>	<u>8,110,019</u>	<u>587,373</u>	<u>117,430</u>	<u>8,579,963</u>
<b>Capital Assets-Net</b>	<u>\$11,125,893</u>	<u>\$(239,015)</u>	<u>\$(4,817)</u>	<u>\$10,882,060</u>

Depreciation expense was charged to governmental functions as follows:

Depreciation – Unallocated	\$587,373
Total Depreciation Expense	<u>\$587,373</u>

**NOTE 6 –UNEARNED REVENUE:**

Unearned revenue reported in the governmental funds at year end consisted of the following:

General Fund:	
First robotics	\$ 2,027
Recycling grant	15,533
Monsanto grant	5,374
Math & Science grant	2,694
Medicaid service provider	12,758
State 22i Tech infrastructure	1,808
Huron County Community Foundation	1,964
Insurance claim – Elementary	1,690
Miscellaneous unearned revenue	3,849
Building Healthy Communities – FS	<u>1,195</u>
Total unearned revenue	<u>\$48,891</u>



**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE 7 –NOTE PAYABLE:**

At June 30, 2014, the District has outstanding \$900,000 in state aid notes. The state aid note bears interest at .73% and matures on August 20, 2014.

<b><u>BALANCE</u></b> <b><u>JUNE 30, 2013</u></b>	<b><u>ADDITIONS</u></b>	<b><u>PAYMENTS</u></b>	<b><u>BALANCE</u></b> <b><u>JUNE 30, 2014</u></b>
\$1,000,000	\$900,000	\$1,000,000	\$900,000

**NOTE 8 – LONG-TERM DEBT :**

The District issued general obligation bonds to provide funds for the construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

2005 general obligation refunding bonds due in annual installments of \$430,000 to \$645,000 starting May 1, 2011 through May 1, 2025 with interest at 4.00% to 5.00%.	\$6,775,000
2012 school technology and equipment bonds due in annual installments of \$175,000 to \$185,000 starting May 1, 2013 through November 1, 2015 with interest at .95% to 1.15%.	185,000
Premium on bond refunding	108,184
<b>Total general obligation bonds</b>	<u>7,068,184</u>
Telephone system capital lease due in monthly installments of \$1,364 starting April 1, 2012 through March 1, 2015 with interest at 4.28%	12,058
Obligation under contract for compensated absences	186,230
<b>Total general long-term debt</b>	<u><u>\$7,266,472</u></u>

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE 8 – LONG-TERM DEBT: (CONTINUED)**

The annual requirements to amortize the long-term obligations as of June 30, 2014, including interest of \$1,755,422 are as follows:

<b>Years ending June 30,</b>	<b>Total</b>
2015	\$1,018,586
2016	817,650
2017	820,250
2018	821,850
2019	822,450
2020-2024	3,753,476
2025	<u>673,218</u>
	<b>8,727,480</b>
 Premium on bond refunding	 108,184
 Obligation under contract for compensated absences	 186,230
 <b>Total general long-term debt and interest</b>	 <b><u>\$9,021,894</u></b>

An amount of \$336,932 is available in the debt service fund to service the general obligation debt. Interest expense and fiscal charges for all funds for the year ended June 30, 2014 was \$321,795.

The following is a summary of the changes in the long-term debt during the year ended June 30, 2014:

	<b>BALANCE JUNE 30, 2013</b>	<b>ADDITIONS</b>	<b>REDUCTIONS</b>	<b>BALANCE JUNE 30, 2014</b>	<b>DUE WITHIN ONE YEAR</b>
2005 Refunding General obligation bonds	\$7,280,000	\$ -	\$505,000	\$6,775,000	\$535,000
Premium on bond refunding	117,199	-	9,015	108,184	9,015
2012 Technology bonds	370,000	-	185,000	185,000	185,000
Capital Lease - Telephone system	27,544	-	15,486	12,058	12,058
Compensated absences	171,043	15,187	-	186,230	-
 Totals	 <u>\$7,965,786</u>	 <u>\$15,187</u>	 <u>\$714,501</u>	 <u>\$7,266,472</u>	 <u>\$741,073</u>

## ELKTON PIGEON BAY PORT LAKER SCHOOLS

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

#### **NOTE 9—DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS:**

**Plan Description** - The District participates in the statewide Michigan Public School Employees' Retirement System (MPERS) which 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. The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111. It is also available at <http://www.michigan.gov/orsschools>.

The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director who serves as Executive Secretary to the System's Board, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

#### **Benefit Provisions - Pension**

##### ***Introduction***

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. A DB member or Pension Plus hybrid plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

## ELKTON PIGEON BAY PORT LAKER SCHOOLS

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

#### **NOTE 9 –DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS: (CONTINUED)**

##### **Funding Policy**

##### ***Member Contributions***

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

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

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

ELKTON PIGEON BAY PORT LAKER SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

**NOTE 9 –DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS: (CONTINUED)**

***Funding Policy (Continued)***

***Employer Contributions***

Each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits on a prefunded basis. The School District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement System ("MPSERS"), which is administered by the State of Michigan. These contributions are required by law and are calculated by using the contribution rates and periods provided in the following table. The District's contributions to MPSERS were equal to the required contribution for those years.

The School District's contributions to MPSERS are as follows:

Fiscal Year Ended <u>June 30,</u>	Contributions <u>to MPSERS</u>
2014	\$1,205,545
2013	1,058,132
2012	957,165

Included in the amounts paid above, the District received \$204,681 of section 147(c) State Aid for the sole purpose of making supplemental payments to MPSERS. The District has recorded this amount as state revenue and additional pension expenditures/expenses for the year ended June 30, 2014.

PA 464 Retirees Returning to Work, effective December 27, 2012, also requires applicable employer contributions to the defined benefit and defined contribution plans. These amounts, if any are included in the amounts paid above.

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 9 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS: (CONTINUED)**

Contribution rates	Fiscal Year 2014						
	Effective October 1, 2013						
Public School Employee Pension Rates (FYE Sept. 30th)	Basic MIP	Pension Plus	Pension Plus PHF - First worked after 9/2/13	Pension Plus to DC with PHF First worked after 9/2/13	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
	<b>DB Contributions</b>						
Pension Normal Cost	2.90%	2.67%	2.67%	0.00%	0.00%	0.00%	2.90%
Pension UAL	14.08%	14.08%	14.08%	14.08%	14.08%	14.08%	14.08%
Pension Early Retirement Incentive	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
<b>Pension Contributions - Total Rate</b>	<b>18.34%</b>	<b>18.11%</b>	<b>18.11%</b>	<b>15.44%</b>	<b>15.44%</b>	<b>15.44%</b>	<b>18.34%</b>
Health Normal Cost	0.93%	0.93%	0.00%	0.00%	0.93%	0.00%	0.00%
Health UAL	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%
<b>Health Contributions - Total Rate</b>	<b>6.45%</b>	<b>6.45%</b>	<b>5.52%</b>	<b>5.52%</b>	<b>6.45%</b>	<b>5.52%</b>	<b>5.52%</b>
<b>Total</b>	<b>24.79%</b>	<b>24.56%</b>	<b>23.63%</b>	<b>20.96%</b>	<b>21.89%</b>	<b>20.96%</b>	<b>23.39%</b>
	<b>DC Contributions</b>						
DC Employer Contributions	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
Personal Healthcare Fund	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%
<b>Total</b>	<b>0.00%</b>	<b>1.00%</b>	<b>3.00%</b>	<b>5.00%</b>	<b>4.00%</b>	<b>6.00%</b>	<b>2.00%</b>
<b>Grand Total</b>	<b>24.79%</b>	<b>25.56%</b>	<b>26.63%</b>	<b>25.96%</b>	<b>25.89%</b>	<b>26.96%</b>	<b>25.39%</b>

Public School Employee Pension Rates (FYE Sept. 30th)	Fiscal Year 2013						
	Effective February 1, 2013						
	Basic MIP	Pension Plus	Pension Plus PHF - First worked after 9/3/12	Pension Plus to DC with PHF First worked after 9/3/12	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
<b>Grand Total</b>	<b>24.32%</b>	<b>24.13%</b>	<b>26.20%</b>	<b>25.96%</b>	<b>25.89%</b>	<b>26.96%</b>	<b>25.39%</b>

Public School Employee Pension Rates (FYE Sept. 30th)	Fiscal Year 2013			
	4 months ended 1/31/2013			
	First worked before 7/1/10	First worked between 6/30/10 and 9/3/12	Pension Plus and First worked after 9/3/12	Elected DC and First worked after 9/3/12
<b>Total</b>	<b>25.36%</b>	<b>24.13%</b>	<b>23.20%</b>	<b>20.96%</b>

Public School Employee Pension Rates (FYE Sept. 30th)	Fiscal Year 2012			
	FY 2011 - 2012		11 months ended 9/30/11	
	First worked before 7/1/10	First worked after 6/30/10	First worked before 7/1/10	First worked after 6/30/10
<b>Total</b>	<b>24.46%</b>	<b>23.23%</b>	<b>20.66%</b>	<b>19.16%</b>

## ELKTON PIGEON BAY PORT LAKER SCHOOLS

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

#### **NOTE 9 –DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS: (CONTINUED)**

##### **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. 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 ended 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) account no later than their first pay date after February 1, 2013.

## ELKTON PIGEON BAY PORT LAKER SCHOOLS

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

#### **NOTE 10 – RISK MANAGEMENT:**

The District is exposed to the risk of loss related to injuries to employees. The District participates in a 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 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 and omissions. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

#### **NOTE 11 – SUBSEQUENT EVENTS:**

Subsequent to year-end, the District entered into an agreement to borrow \$900,000 from Thumb National Bank & Trust Co. The funding assists the District with cash flow during the months there is no state aid or property taxes received. The note is dated August 20, 2014, and carries interest at .69% per annum. The note matures August 20, 2015.

#### **NOTE 12 – UPCOMING ACCOUNTING PRONOUNCEMENT:**

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued by the GASB in June 2012 and will be effective for the District's 2015 fiscal year. The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position an actuarial calculation. The net pension liability is the difference between the total pension liability (the present value of the 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 No. 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense. The District is in the process of evaluating the financial statement impact of this statement and believes the impact of this statement will be significant.



**REQUIRED SUPPLEMENTARY  
INFORMATION**

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
<b>REVENUE:</b>				
Local sources:				
Taxes	\$ 1,825,050	\$ 2,151,545	\$ 2,152,856	\$ 1,311
Interest	1,510	1,580	1,665	85
Other local revenue	657,330	870,010	872,082	2,072
State sources:				
State school aid-Restricted	489,500	706,810	707,798	988
Other state aid revenue	4,280,000	4,250,190	4,253,501	3,311
Federal sources	280,000	295,970	295,974	4
<b>TOTAL REVENUE</b>	<u>7,533,390</u>	<u>8,276,105</u>	<u>8,283,876</u>	<u>7,771</u>
<b>EXPENDITURES:</b>				
Instruction	4,921,825	5,296,140	5,277,882	18,258
Supporting services	2,577,370	3,043,300	3,030,269	13,031
Debt service:				
Principal repayment	15,440	15,465	15,465	-
Interest and fiscal charges	9,425	8,155	7,650	505
<b>TOTAL EXPENDITURES</b>	<u>7,524,060</u>	<u>8,363,060</u>	<u>8,331,265</u>	<u>31,795</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>9,330</u>	<u>(86,955)</u>	<u>(47,389)</u>	<u>39,566</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of assets	1,000	1,550	1,550	-
Subgrantee flowthrough	(10,330)	(19,800)	(19,797)	3
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(9,330)</u>	<u>(18,250)</u>	<u>(18,247)</u>	<u>3</u>
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>-</u>	<u>(105,205)</u>	<u>(65,636)</u>	<u>39,569</u>
<b>FUND BALANCE - JULY 1</b>	1,251,888	1,251,888	1,251,888	-
<b>FUND BALANCE - JUNE 30</b>	<u>\$ 1,251,888</u>	<u>\$ 1,146,683</u>	<u>\$ 1,186,252</u>	<u>\$ 39,569</u>

**ADDITIONAL  
INFORMATION**

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN  
FUND BALANCE - DEBT SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>2005 DEBT FUND</b>	<b>TECHNOLOGY BOND DEBT FUND</b>	<b>TOTAL DEBT SERVICE FUNDS</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUE:</b>			
Local sources:			
Property taxes	\$ 888,109	\$ 221,120	\$ 1,109,229
Earnings on investments	458	93	550
<b>TOTAL REVENUE</b>	<u>888,567</u>	<u>221,212</u>	<u>1,109,779</u>
<b>EXPENDITURES:</b>			
Miscellaneous	2,183	536	2,720
Debt service:			
Principal repayment	505,000	185,000	690,000
Interest and fiscal charges	309,875	4,270	314,145
<b>TOTAL EXPENDITURES</b>	<u>817,058</u>	<u>189,806</u>	<u>1,006,865</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>71,509</u>	<u>31,406</u>	<u>102,915</u>
<b>FUND BALANCE - JULY 1</b>	217,753	16,264	234,017
<b>FUND BALANCE - JUNE 30</b>	<u>\$ 289,262</u>	<u>\$ 47,670</u>	<u>\$ 336,932</u>

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN  
FUND BALANCE - CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>SINKING FUND</u>	<u>TECHNOLOGY BOND CAPITAL PROJECTS</u>	<u>TOTAL CAPITAL PROJECTS FUNDS</u>
<b>REVENUE:</b>			
Local sources:			
Property taxes	\$ 509,176	\$ -	\$ 509,176
Earnings on investments	360	-	360
<b>TOTAL REVENUE</b>	<u>509,536</u>	<u>-</u>	<u>509,536</u>
<b>EXPENDITURES:</b>			
Repairs	-	36,990	36,990
Other professional services	68,885	-	68,885
Capital outlay	9,899	-	9,899
<b>TOTAL EXPENDITURES</b>	<u>78,784</u>	<u>36,990</u>	<u>115,774</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>430,751</u>	<u>(36,990)</u>	<u>393,761</u>
<b>FUND BALANCE - JULY 1</b>	78,058	36,990	115,048
<b>FUND BALANCE - JUNE 30</b>	<u>\$ 508,809</u>	<u>\$ -</u>	<u>\$ 508,809</u>

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**SCHEDULE OF GENERAL FUND REVENUE  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>REVENUE FROM LOCAL SOURCES:</b>	
Property taxes	\$ 2,152,856
Tuition and transportation fees	26,591
Earnings on investments	1,665
Rentals	5,927
Local sources received thru ISD	42,697
Special education reimbursement	424,722
Insurance reimbursement	119,397
Recycling grant	19,797
Monsanto grant	4,826
Athletics	41,515
Miscellaneous revenue	186,610
<b>TOTAL REVENUE FROM LOCAL SOURCES</b>	<u><b>3,026,603</b></u>
<b>REVENUE FROM STATE SOURCES:</b>	
State aid - Restricted	707,798
Other state aid revenue	4,253,501
<b>TOTAL REVENUE FROM STATE SOURCES</b>	<u><b>4,961,299</b></u>
<b>REVENUE FROM FEDERAL SOURCES:</b>	
Federal aid, restricted-	
Good behavior grant	87,808
Received through the State:	
Title I grant	136,244
Title II, Part A -Tech. literacy challenge	70,400
Received through ISD:	
Medicaid outreach	1,522
<b>TOTAL REVENUE FROM FEDERAL SOURCES</b>	<u><b>295,974</b></u>
<b>OTHER FINANCING SOURCES</b>	
Sale of assets	1,550
<b>OTHER FINANCING SOURCES</b>	<u><b>1,550</b></u>
<b>TOTAL REVENUE AND OTHER FINANCING SOURCES</b>	<u><u><b>\$ 8,285,426</b></u></u>

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**SCHEDULE OF GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014**

**INSTRUCTION:**

**Basic programs:**

**Elementary:**

Teacher salaries	\$ 1,070,629
Teacher aide salaries	111,958
Substitute teacher salaries	5,299
Employee benefits	729,102
Contracted services	28,842
Textbooks	25,419
Local travel	76
Copier expense	11,809
Teaching supplies	46,902
Miscellaneous expense	10,292
Capital outlay	11,770

<b>Total elementary</b>	<u>2,052,097</u>
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**Junior high:**

Teacher salaries	510,616
Teacher aide salaries	1,709
Substitute teacher salaries	1,677
Employee benefits	315,371
Contracted services	7,853
Textbooks	2,012
Copier expense	7,068
Teaching supplies	7,869
Miscellaneous expense	6,835
Capital outlay	2,430

<b>Total Junior high</b>	<u>863,441</u>
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**High school:**

Teacher salaries	696,167
Substitute teacher salaries	3,137
Employee benefits	437,225
Contracted services	22,098
Local travel	506
Tuition	47,100
Textbooks	2,104
Copier expense	11,810
Teaching supplies	82,550
Miscellaneous expense	4,510
Capital outlay	2,260

<b>Total high school</b>	<u>1,309,466</u>
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<b>Total basic programs</b>	<u>4,225,004</u>
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ELKTON PIGEON BAY PORT LAKER SCHOOLS

SCHEDULE OF GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014

**INSTRUCTION: (CONTINUED)**

**Added needs:**

**Special education:**

Teacher salaries	460,877
Employee benefits	253,182
Contracted services	9,984
Conference and workshops	1,955
Textbooks	3,415
Teaching supplies	9,277
Miscellaneous supplies and expense	1,500
Capital outlay	2,496

**Total special education** 742,685

**Vocational education:**

Teacher salaries	75,497
Employee benefits	40,750
Contracted services	16,368
Local travel	7,122
Supplies and materials	223
Miscellaneous expense	5,250
Capital outlay	291

**Total vocational education** 145,500

**Compensatory education:**

Teacher salaries	76,358
Teacher aide salaries	19,187
Employee benefits	59,486
Miscellaneous expense	475

**Total compensatory education** 155,506

**Summer school:**

Teacher salaries	6,573
Employee benefits	2,452
Miscellaneous expense	162

**Total summer school** 9,187

**Total added needs** 1,052,878

**TOTAL INSTRUCTION** 5,277,882



**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**SCHEDULE OF GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014**

**SUPPORTING SERVICES:**

**Pupil services:**

**Guidance services:**

Counselor salaries	66,950
Secretarial salaries	12,309
Employee benefits	43,288
Conference and workshops	270
Supplies	3,399
Miscellaneous expense	4,207

**Total guidance services** 130,424

**Social work services:**

Salaries	47,520
Employee benefits	36,748
Conference and workshops	318
Supplies	1,091
Miscellaneous expense	72

**Total social work services** 85,750

**Pupil support:**

Student service salaries	34,184
Employee benefits	11,296
Substitute teacher salaries	1,801
Supplies	3,683

**Total pupil support** 50,964

**Health services:**

Salaries	4,334
Employee benefits	1,694
Supplies	1,013

**Total health services** 7,041

**Total pupil services** 274,179

**Instructional staff:**

**Library:**

Librarian salaries	35,968
Employee benefits	18,283
Books and periodicals	31,523
Library supplies	734
Miscellaneous expense	1,061

**Total library** 87,568

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**SCHEDULE OF GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014**

**SUPPORTING SERVICES: (CONTINUED)**

**Instructional staff: (Continued)**

**School improvement:**

Salaries	300
Employee benefits	995
Contracted services	2,967
Workshops and conferences	14,969
Supplies	4,988
Miscellaneous expense	23,392

**Total school improvement** 47,611

**Supervision of instructional staff:**

Salaries	5,741
Employee benefits	3,156
Miscellaneous expense	284

**Total supervision of instructional staff** 9,181

**Total instructional staff** 144,360

**General administration:**

**Board of education:**

Board salaries	3,480
Professional services	28,495
Conferences and workshops	398
Election expense	3,451
Miscellaneous expense	4,901

**Total board of education** 40,725

**Executive administration:**

Superintendent salary	32,400
Student services director	336
Administrative assistant	28,721
Central office	17,001
Employee benefits	34,171
Conferences and workshops	277
Travel	102
Office expense	7,772
Dues and fees	2,815
Miscellaneous expense	32,475

**Total executive administration** 156,071

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**SCHEDULE OF GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014**

**SUPPORTING SERVICES: (CONTINUED)**

**Grant coordinator:**

Salaries	6,780
Employee benefits	2,519
<b>Total grant coordinator</b>	<u>9,299</u>

<b>Total general administration</b>	<u>206,095</u>
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**School administration:**

Principal salaries	159,808
Secretarial salaries	63,521
Employee benefits	144,300
Contracted services	3,060
Travel	870
Conferences and workshops	3,893
Office expense and supplies	19,024
Dues and fees	3,307
Miscellaneous expense	3,005
<b>Total school administration</b>	<u>400,786</u>

**Business administration:**

**Fiscal services:**

Accounting services	102,001
Employee benefits	58,611
Contracted services	555
Conferences and workshops	3,606
Travel	386
Office supplies	5,663
Dues and fees	3,332
Insurance	13,269
Taxes abated	28,414
Miscellaneous expense	4,950
<b>Total fiscal services</b>	<u>220,786</u>

**Technology support:**

Technology assistants/director	84,210
Employee benefits	54,816
Purchased services	720
Repairs	11,129
Supplies	38,016
Miscellaneous expense	937
<b>Total technology support</b>	<u>189,829</u>

<b>Total business administration</b>	<u>410,615</u>
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**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**SCHEDULE OF GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014**

**SUPPORTING SERVICES: (CONTINUED)**

**Operation and maintenance of plant:**

Custodian salaries	13,523
Employee benefits	3,084
Heating fuel	93,748
Telephone, water and trash	10,792
Electricity	134,859
Repairs and maintenance	99,799
Insurance	47,903
Custodial supplies	44,433
Purchased services	287,026
Dues and fees	1,593
Capital outlay	122,077
Other supplies	5,161

<b>Total operation and maintenance of plant</b>	<b>863,998</b>
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**Pupil transportation:**

Bus mechanic salary	10,145
Bus driver salaries	127,680
Transportation stipend	5,000
Employee benefits	57,551
Contracted services	143,986
Workshops	1,621
Repairs and maintenance	43,927
Utilities	1,776
Insurance	8,705
Gas, oil, and grease	69,907
Tires, tube and batteries	4,109
Other supplies	4,337
Capital outlay	6,454

<b>Total pupil transportation</b>	<b>485,199</b>
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**Staff / personnel services:**

Public relations salary	19,861
Employee benefits	9,275
Purchased services	9,725
Miscellaneous expense	305

<b>Total staff / personnel services</b>	<b>39,166</b>
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**Athletics**

Salaries	81,727
Employee benefits	30,385
Contracted services	26,382
Officials	20,958
Conferences and workshops	1,666
Supplies	37,291
Miscellaneous	1,496
Dues and fees	5,957

<b>Total athletics</b>	<b>205,862</b>
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ELKTON PIGEON BAY PORT LAKER SCHOOLS

SCHEDULE OF GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014

**SUPPORTING SERVICES: (CONTINUED)**

**Other support services:**

Other supplies 9

**Total other support services** 9

**TOTAL SUPPORTING SERVICES** 3,030,269

**DEBT SERVICE:**

**Principal retirement:**

Lease payment 15,465

**Total principal retirement** 15,465

**Interest and fiscal charges** 7,650

**TOTAL DEBT SERVICE** 23,115

**TOTAL EXPENDITURES** 8,331,265

**OTHER FINANCING USES**

Sub grantee flow-through 19,797

**TOTAL OTHER FINANCING USES** 19,797

**TOTAL EXPENDITURES AND OTHER  
FINANCING USES** \$ 8,351,063

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**SCHEDULE OF BONDED INDEBTEDNESS  
2005 REFUNDING BONDS  
JUNE 30, 2014**

<b>Fiscal Year ending <u>June 30,</u></b>	<b>Interest <u>Rate</u></b>	<b>Interest due</b>		<b>Principal</b>	<b>Total due</b>
		<b><u>Nov - 1</u></b>	<b><u>May - 1</u></b>	<b><u>May - 1</u></b>	<b><u>Annually</u></b>
2015	5.000%	\$ 142,200	\$ 142,200	\$ 535,000	\$ 819,400
2016	4.000%	128,825	128,825	560,000	817,650
2017	4.000%	117,625	117,625	585,000	820,250
2018	4.000%	105,925	105,925	610,000	821,850
2019	4.000%	93,725	93,725	635,000	822,450
2020	4.000%	81,025	81,025	635,000	797,050
2021	4.125%	68,325	68,325	635,000	771,650
2022	4.200%	55,228	55,228	645,000	755,456
2023	4.250%	41,683	41,683	645,000	728,366
2024	4.300%	27,977	27,977	645,000	700,954
2025	4.375%	14,109	14,109	645,000	673,218
<b>Total</b>		<b><u>\$ 876,647</u></b>	<b><u>\$ 876,647</u></b>	<b><u>\$ 6,775,000</u></b>	<b><u>\$ 8,528,294</u></b>

On March 21, 2005, a portion of the 2000 School Building and Site Bonds were refunded.

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**SCHEDULE OF BONDED INDEBTEDNESS**

**2012 SCHOOL TECHNOLOGY AND EQUIPMENT BONDS**

**JUNE 30, 2014**

<b>Fiscal</b>	<b>Interest</b>	<b>Interest due</b>		<b>Principal</b>	<b>Total due</b>
<b>Year ending</b>	<b>Rate</b>	<b>Nov - 1</b>	<b>May - 1</b>	<b>May - 1</b>	<b>Annually</b>
<b><u>June 30,</u></b>					
2015	1.150%	\$ 1,064	\$ 1,064	\$ 185,000	\$ 187,128
Total		<u>\$ 1,064</u>	<u>\$ 1,064</u>	<u>\$ 185,000</u>	<u>\$ 187,128</u>

On October 4, 2012, the 2012 School Technology and Equipment Bonds were delivered. The purpose of this bond issue is to improve and upgrade the District's technology infrastructure.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education  
Elkton Pigeon Bay Port Laker Schools  
Pigeon, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elkton Pigeon Bay Port Laker Schools, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Elkton Pigeon Bay Port Laker School's basic financial statements, and have issued our report thereon dated October 14, 2014.

**Internal Control Over Financial Reporting**

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

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

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



### **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.

*Nietzke & Faupel P.C.*

NIETZKE & FAUPEL, P.C.  
Pigeon, Michigan

October 14, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Education  
Elkton Pigeon Bay Port Laker Schools  
Pigeon, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited Elkton Pigeon Bay Port Laker School's 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 Elkton Pigeon Bay Port Laker School's major federal programs for the year ended June 30, 2014. Elkton Pigeon Bay Port Laker School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Elkton Pigeon Bay Port Laker School's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Elkton Pigeon Bay Port Laker Schools, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of Elkton Pigeon Bay Port Laker Schools, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Elkton Pigeon Bay Port Laker School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Elkton Pigeon Bay Port Laker School's internal control over compliance.

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

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

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

*Nietzke & Faupel P.C.*

NIETZKE & FAUPEL, P.C.  
Pigeon, Michigan

October 14, 2014

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>Federal Grantor Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Approved Grant Award Amount</b>	<b>Memo Only Prior Year Expenditures</b>	<b>Accrued or (Deferred) Revenue 7/1/2013</b>	<b>Current Year Receipts (Cash basis)</b>	<b>Current Year Expenditures</b>	<b>Accrued (Deferred) Revenue 6/30/14</b>
<b>U.S. Department of Agriculture</b>							
Passed Through Michigan Dept. of Education							
Child Nutrition Cluster:							
Non-Cash Assistance (donated foods):							
Entitlement	10.555	\$ 25,079	\$ -	\$ -	\$ 25,079	\$ 25,079	\$ -
Non-cash assistance subtotal		<u>25,079</u>	<u>-</u>	<u>-</u>	<u>25,079</u>	<u>25,079</u>	<u>-</u>
Cash assistance:							
School Breakfast Program	10.553	45,257	-	-	45,257	45,257	-
National School Lunch Program	10.555	182,444	-	-	182,444	182,444	-
Summer Food Service Program	10.559	2,446	-	-	2,446	2,446	-
Cash assistance subtotal		<u>230,147</u>	<u>-</u>	<u>-</u>	<u>230,147</u>	<u>230,147</u>	<u>-</u>
Total for Child Nutrition Cluster		<u>255,226</u>	<u>-</u>	<u>-</u>	<u>255,226</u>	<u>255,226</u>	<u>-</u>
<b>Total U.S. Department of Agriculture</b>		<u>255,226</u>	<u>-</u>	<u>-</u>	<u>255,226</u>	<u>255,226</u>	<u>-</u>
<b>U.S. Department of Health &amp; Human Serv.</b>							
Abuse/Mental Health Grant	93.243	100,000	-	-	87,808	87,808	-
Passed through ISD							
Medicaid Outreach	93.778	1,522	-	-	1,522	1,522	-
<b>Total U.S. Department of Health &amp; Human Serv.</b>		<u>101,522</u>	<u>-</u>	<u>-</u>	<u>89,330</u>	<u>89,330</u>	<u>-</u>

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>Federal Grantor Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Approved Grant Award Amount</b>	<b>Memo Only Prior Year Expenditures</b>	<b>Accrued or (Deferred) Revenue 7/1/2013</b>	<b>Current Year Receipts (Cash basis)</b>	<b>Current Year Expenditures</b>	<b>Accrued (Deferred) Revenue 6/30/14</b>
<b>U.S. Department of Education</b>							
Passed Through Michigan Dept of Education							
Title I Part A							
131530-1213	84.010	152,106	152,106	26,080	26,080	-	-
141530-1314	84.010	136,244	-	-	112,945	136,244	23,299
		<u>288,350</u>	<u>152,106</u>	<u>26,080</u>	<u>139,025</u>	<u>136,244</u>	<u>23,299</u>
Title II Part A							
130520-1213	84.367	71,734	71,734	12,303	12,303	-	-
140520-1314	84.367	70,400	-	-	61,289	70,400	9,111
		<u>142,134</u>	<u>71,734</u>	<u>12,303</u>	<u>73,592</u>	<u>70,400</u>	<u>9,111</u>
Total Passed Through MDE		<u>430,484</u>	<u>223,840</u>	<u>38,383</u>	<u>212,617</u>	<u>206,644</u>	<u>32,410</u>
Passed through ISD							
Math & Science Teacher leader	84.366	20,000	-	(2,330)	-	-	(2,330)
Total Passed Through ISD		<u>20,000</u>	<u>-</u>	<u>(2,330)</u>	<u>-</u>	<u>-</u>	<u>(2,330)</u>
<b>Total U.S. Department of Education</b>		<u>450,484</u>	<u>223,840</u>	<u>36,053</u>	<u>212,617</u>	<u>206,644</u>	<u>30,080</u>
<b>Total Federal Financial Assistance</b>		<u>\$ 807,232</u>	<u>\$ 223,840</u>	<u>\$ 36,053</u>	<u>\$ 557,173</u>	<u>\$ 551,200</u>	<u>\$ 30,080</u>

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

1. Basis of Presentation – The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the grant activity of Elkton Pigeon Bay Port Laker Schools under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the 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 Elkton Pigeon Bay Port Laker Schools, it is not intended to and does not present the financial position or changes in net position of Elkton Pigeon Bay Port Laker 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 reimbursements. 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 identifying numbers are presented where available.
3. Title I Cluster (CFDA #84.010) and Title IIA (CFDA #84.367) were audited as major programs, representing 38% of expenditures. The District qualifies for low-risk auditee status.
4. The threshold for distinguishing Type A and Type B programs was \$300,000.
5. Management has utilized the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.
6. Reconciliation to the Financial Statements:

General Fund	\$295,974
Special Revenue Funds:	
Food Service Fund	<u>255,226</u>
Current Year Expenditures	<u>\$551,200</u>

7. Reconciliation of Schedule of Federal Expenditures:

Total Expenditures	<u>\$551,200</u>
Total Receipts (Cash Basis)	\$557,173
Accrued revenue 2012/13	(36,053)
Accrued revenue 2013/14	<u>30,080</u>
Total	<u>\$551,200</u>

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**A. SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- ▶ Material weakness (es) identified?       Yes    No
- ▶ Significant deficiency (ies) identified?       Yes    None reported
- Noncompliance material to financial statements noted?       Yes    No

***Federal Awards***

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I Cluster
84.367	Title II A

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

Auditee qualified as a low risk auditee?       Yes    No

**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**B. FINDINGS-FINANCIAL STATEMENTS AUDIT**

1. None.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

1. None.



**ELKTON PIGEON BAY PORT LAKER SCHOOLS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

There were no findings or questioned costs for the year ended June 30, 2013.